THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Elegance Commercial and Financial Printing Group 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.

ELEGANCE COMMERCIAL AND FINANCIAL PRINTING GROUP LIMITED
精雅商業財經印刷集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SHAREHOLDER'S LOAN OF CORNERSTONE EV CHARGING SERVICE LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF THE SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF THE COMPANY; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

建泉融資有限公司
VBG Capital Limited

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

PELICAN FINANCIAL
百利勤金融

A letter from the Board is set out from pages 9 to 45 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out from pages 46 to 47 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out from pages 48 to 95 of this circular.

A notice convening the extraordinary general meeting of the Company ("**EGM**") to be held at 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 23 July 2020 at 2:30 p.m. is set out from pages EGM-1 to EGM-7 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 2:30 p.m. (Hong Kong time) on Tuesday, 21 July 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the website of the Company at www.elegance.hk and the website of GEM of the Stock Exchange at www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the date of its posting.

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages ii to iii of this circular for measures being taken to try to prevent and control the spread of the COVID-19 at the EGM, including:

- **compulsory body temperature checks and health declarations**
- **requirement of wearing a surgical face mask for each attendee**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

30 June 2020

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.

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.

(ii) Each attendee may be asked whether (a) he/she has travelled outside of Hong Kong, or had physical contact with any person who to his/her best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

(iii) Every attendee will be required to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.

(iv) Seating at the EGM will be arranged so as to reduce interaction between participants.

(v) No refreshments will be served and there will be no corporate gifts.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this circular.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our head office and principal place of business in Hong Kong.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Government in relation to the COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

If the Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's Branch Share Registrar, as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

"Acquisition"	the proposed acquisition of the Sale Shares A, the Sale Shares B and the Sale Loan by the Purchaser from Cornerstone and Norenex, respectively, subject to the terms and conditions of the Agreement
"Agreement"	the conditional sale and purchase agreement dated 21 February 2020 entered into by the Vendors, Mr. Lau and the Purchaser in respect of the Acquisition
"Amendment Letter"	the amendment letter dated 29 May 2020 entered into by the Vendors, Mr. Lau and the Purchaser, pursuant to which the Vendors and the Purchaser have agreed to extend the Long Stop Date and the period to fulfil all the Conditions to 31 July 2020
"Articles"	the amended and restated articles of association of the Company currently in force
"associates"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, the year-on-year growth rate over a specified period of time
"Colorful Bay"	Colorful Bay Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. So as at the Latest Practicable Date

"Company"	Elegance Commercial and Financial Printing Group Limited, a company incorporated in the Cayman Islands with limited liability on 24 January 2017, the Shares of which are listed on GEM (Stock Code: 8391)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	within seven (7) Business Days immediately after the date on which the last of the Conditions to Completion pursuant to the Agreement is fulfilled or waived (or such other date as shall be agreed among the parties to the Agreement)
"Conditions"	the conditions precedent set out in the paragraph headed "Conditions precedent"
"connected person(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Consideration"	collectively, the Consideration A and the Consideration B
"Consideration A"	the total consideration of HK$8,437,000 for the Sale Shares A, which shall be satisfied by the allotment and issue of 22,802,703 Consideration Shares to Cornerstone credited as fully paid
"Consideration B"	the total consideration of HK$26,563,000 for the Sale Shares B and the Sale Loan, which shall be satisfied by (i) the allotment and issue of 17,737,838 Consideration Shares to Norenex credited as fully paid; (ii) the cash consideration in the total sum of HK$15,000,000; and (iii) the issue of the Promissory Note
"Consideration Share(s)"	collectively, the 40,540,541 Shares to be allotted and issued at the Issue Price, credited as fully paid, pursuant to the Agreement, and "Consideration Share" shall be construed accordingly
"controlling shareholder(s)"	has the same meaning ascribed to it under the GEM Listing Rules

"Cornerstone"	Cornerstone Wealth Holdings Limited, a company incorporated in the BVI with limited liability on 4 June 2018 and wholly-owned by Mr. Lau as at the Latest Practicable Date
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness that was first reported in Wuhan, the PRC
"CTL"	Cornerstone Technologies Limited, a company incorporated in Hong Kong with limited liability and is owned as to 90% by Mr. Lau as at the Latest Practicable Date
"Deep Champion"	Deep Champion Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Leung Shu Kin as at the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to approve, among other things, the proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company, the Acquisition, the Specific Mandate and the transactions contemplated thereunder
"EV"	electric vehicle
"Enlarged Group"	the Group together with the Target Company upon the Completion
"Financial Adviser" or "VBG Capital"	VBG Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser of the Group in connection with the Acquisition, issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM

"Global Fortune Global"	Global Fortune Global Limited, a company incorporated in the BVI with limited liability and is owned as to 51% by Mr. Wu and 49% by Mr. Liang as at the Latest Practicable Date
"Glorytwin"	Glorytwin Limited, a company incorporated in the BVI with limited liability and is owned as to 90% by Colorful Bay and 10% by Deep Champion as at the Latest Practicable Date
"Government"	the government of Hong Kong
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Indemnified Parties"	the Purchaser and the Target Company
"Independent Board Committee"	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the Acquisition, issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder
"Independent Financial Adviser"	Pelican Financial Limited, a licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
"Independent Valuer"	the independent valuer engaged by the Company on the valuation of entire issue share capital of the Target Company, being Savills Valuation and Professional Services Limited

"Independent Third Party(ies)"	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Independent Shareholders"	Shareholders other than those who are required to abstain from voting on the relevant resolutions to approve, among other things, the Acquisition and the allotment and issue of the Consideration Shares under the Specific Mandate at the EGM
"Intellectual Property Rights"	patents, trademarks, service marks, trade names, internet domain names, rights in designs, copyright (including rights in computer software and databases) and rights in know-how and other intellectual property rights, in each case whether registered or unregistered and including applications for the grant of any such rights and all rights or forms of protection having equivalent or similar effect anywhere in the world
"Issue Price"	HK$0.37 per Consideration Share
"Latest Practicable Date"	21 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange
"Load Management System"	Load Management System is part of the integrated solution to overcome the limitation of electricity supply by scheduling the loads to reduce the electric energy consumption or the maximum demand
"Long Stop Date"	the date by which all the Conditions must be fulfilled (or waived, if applicable), which is 31 July 2020 (or such other date as may be agreed in writing between the Vendors and the Purchaser
"Mr. Lau"	Mr. Lau Wai Yan Lawson, an Independent Third Party as at the Latest Practicable Date

"Mr. Li"	Mr. Li Man Keung Edwin, an Independent Third Party as at the Latest Practicable Date
"Mr. Liang"	Mr. Liang Zihao, an executive Director and a controlling shareholder of the Company as at the Latest Practicable Date
"Mr. So"	Mr. So Wing Keung, a substantial shareholder of the Company as at the Latest Practicable Date
"Mr. Wu"	Mr. Wu Jianwei, the chairman of the Company, a non-executive Director and a controlling shareholder as at the Latest Practicable Date
"Norenex"	Norenex Limited, a company incorporated in the BVI with limited liability on 17 October 2016, which is indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li
"Patent"	an overhead EV charging system with cable management unit which is a short-term registered patent currently owned by CTL under the Patents Ordinance (Chapter 514 of the Laws of Hong Kong)
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Promissory Note"	the promissory note bearing an interest of 5% per annum due on the date falling on the third anniversary from the date of issue of it up to a principal amount of the Sale Loan to be issued by the Company to Norenex or its nominee(s) on the Completion Date pursuant to the Agreement for the partial settlement of the Consideration B
"Purchaser"	Qing Heng Investment Limited, a company incorporated in the BVI with limited liability on 6 June 2018, which is directly wholly-owned by the Company
"R&D"	research and development

"Reporting Accountants"	D & Partners CPA Limited, a certified public accountants
"Sale Loan"	the entire amount of the shareholder's loan of not less than HK$5,000,000 to be due from the Target Company to Norenex upon Completion, which is interest-free and has no fixed repayment term
"Sale Shares A"	8,437 issued shares of the Target Company, which are beneficially owned by Cornerstone as at the Latest Practicable Date
"Sale Shares B"	21,563 issued shares of the Target Company, which are beneficially owned by Norenex as at the Latest Practicable Date
"Sale Share(s)"	collectively, the Sale Shares A and the Sale Shares B, representing the entire issued share capital of the Target Company as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate proposed to be sought from the Independent Shareholders at the EGM for the allotment and issue of an aggregate of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Target Company"	Cornerstone EV Charging Service Limited (基石電動車充電服務有限公司), a company incorporated in Hong Kong with limited liability on 10 July 2018, which is owned as to approximately 28.12% by Cornerstone and approximately 71.88% by Norenex, as at the Latest Practicable Date

"Target Company Accounts"	the audited financial statements of the Target Company for the period from 10 July 2018 (date of its incorporation) to 31 December 2019, such audited financial statements comprising a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows, and a summary of significant accounting policies and other explanatory information
"Warrantors"	collectively, Mr. Lau and the Vendors
"Valuation Report"	the valuation report prepared by the Independent Valuer dated 30 June 2020 in relation to the valuation of the Target Company as at 31 December 2019, the summary of which is disclosed in Appendix II to this circular
"Vendors"	Cornerstone and Norenex
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"%"	per cent.

ELEGANCE COMMERCIAL AND FINANCIAL PRINTING GROUP LIMITED
精雅商業財經印刷集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

Executive Directors:
Mr. Liang Zihao *(Chief Executive Officer)*
Mr. Sam Weng Wa Michael

Non-executive Directors:
Mr. Wu Jianwei

Independent Non-Executive Directors:
Mr. Tam Ka Hei Raymond
Mr. Yuen Chun Fai
Ms. Zhu Xiaohui

Registered office:
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
2402, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

30 June 2020

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SHAREHOLDER'S LOAN OF CORNERSTONE EV CHARGING SERVICE LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) PROPOSED AMENDMENTS TO THE ARTICLES AND ADOPTION OF THE SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF THE COMPANY

I. INTRODUCTION

References are made to the two announcements of the Company both dated 21 February 2020, in respect of, among other things, (i) the Acquisition and the allotment and issue of the Consideration Shares under the Specific Mandate (the "**Acquisition Announcement**"); and (ii) the proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company and the re-designation and appointment of co-chairmen of the Board (the "**Announcement**").

As disclosed in the Acquisition Announcement, Cornerstone (as vendor of the Sale Shares A), Norenex (as vendor of the Sale Shares B and the Sale Loan), Mr. Lau and the Purchaser entered into the Agreement, pursuant to which Cornerstone has conditionally agreed to sell the Sale Shares A, Norenex has conditionally agreed to sell the Sale Shares B and the Sale Loan, and the Purchaser has conditionally agreed to purchase the Sale Shares A and Sale Shares B and Sale Loan. The Sale Shares represent the entire issued share capital of the Target Company as at the Latest Practicable Date. The consideration for (i) the Sale Shares A is HK$8,437,000, which will be satisfied by way of the allotment and issue of 22,802,703 Consideration Shares to Cornerstone (or its nominee(s)) at the Issue Price and credited as fully paid; and (ii) the Sale Shares B and the Sale Loan is HK$26,563,000, which will be satisfied by way of the allotment and issue of 17,737,838 Consideration Shares to Norenex (or its nominee(s)) at the Issue Price and credited as fully paid together with the cash consideration in the total sum of HK$15,000,000. The Sale Loan represents the amount of not less than HK$5,000,000 to be due from the Target Company to Norenex upon Completion, which will be settled by the issue of the Promissory Note upon Completion. As at the Latest Practicable Date, the exact amount of the Sale Loan is HK$5,000,000, which is a dollar-for-dollar payment. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated with those of the Group.

As at the Latest Practicable Date, approximately 28.12% and approximately 71.88% equity interests in the Target Company are held by Cornerstone and Norenex, respectively. As at the Latest Practicable Date, Norenex is indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li. As Mr. Liang is an executive Director and a controlling shareholder of the Company and Mr. Wu is the chairman of the Company, a non-executive Director and a controlling shareholder of the Company, each of Mr. Liang and Mr. Wu is a connected person. Accordingly, Norenex is a connected person of the Company under the GEM Listing Rules by virtue of being an associate of Mr. Liang and Mr. Wu. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM. The primary purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM, which include (i) the special resolutions relating to the proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company; (ii) the Acquisition and the transactions contemplated thereunder; (iii) further details regarding the Specific Mandate; (iv) the recommendation from the Independent Board Committee and the advice of the Independent Financial Adviser on the Acquisition and the Specific Mandate; and (v) notice of the EGM.

II. THE AGREEMENT

Principal terms of the Agreement are set out below:

Date: 21 February 2020 (after trading hours)

Parties:

(a) Cornerstone, as one of the Vendors, being one of the Warrantors;

(b) Norenex, as one of the Vendors, being one of the Warrantors;

(c) Mr. Lau, being one of the Warrantors; and

(d) the Purchaser.

(Each a "**Party**" and together the "**Parties**")

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and (i) Cornerstone has conditionally agreed to sell the Sale Shares A (representing approximately 28.12% of the equity interests in Target Company); and (ii) Norenex has conditionally agreed to sell the Sale Shares B (representing approximately 71.88% of the equity interests in Target Company) and the Sale Loan, free from all encumbrances and together with all rights and benefits attached and accrued to them at the Completion Date.

Consideration

The consideration for (i) the Sale Shares A is HK$8,437,000, which will be satisfied by way of the allotment and issue of 22,802,703 Consideration Shares to Cornerstone (or its nominee(s)) at the Issue Price and credited as fully paid; and (ii) the Sale Shares B and the Sale Loan is HK$26,563,000, which will be satisfied by way of the allotment and issue of 17,737,838 Consideration Shares to Norenex (or its nominee(s)) at the Issue Price and credited as fully paid together with the cash consideration in the total sum of HK $15,000,000. The Sale Loan represents the amount of not less than HK$5,000,000 to be due from the Target Company to Norenex upon Completion, which will be settled by the issue of the Promissory Note upon Completion.

The Directors took into account (i) the dynamic market environment in which the Target Company is operating; (ii) the nature of business of the Target Company; and (iii) the business risk and the financial risk of the Target Company when assessing the assumptions adopted by Independent Valuer in the Valuation Report. Having reviewed the information provided by the Target Company, including but not limited to (i) the latest development of the EV charging business; and (ii) the financial information of the Target Group, and based on the collective experiences of the Directors, the Directors considered the key assumptions adopted by Independent Valuer in the Valuation Report are reasonable and appropriate.

The Consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendors on normal commercial terms with reference to the Valuation Report of the Target Company prepared by the Independent Valuer, of not less than HK$30,000,000 as at 31 December 2019. The Independent Valuer has adopted income approach for the Valuation Report of the Target Company. The Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. For further details in relation to the valuation methods adopted by the Independent Valuer, please refer to the section headed "The Valuation Approach" below.

Consideration Shares

The Consideration Shares comprise a total of 40,540,541 Shares, which represent approximately 9.21% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 8.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank pari passu in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue. The Consideration Shares will be issued by the Company under the Specific Mandate. The Issue Price represents:

(i) a discount of approximately 2.63% to the closing price of approximately HK$0.380 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a discount of approximately 3.65% to the average closing price of approximately HK$0.384 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the trading date on the date of the Agreement; and

(iii) a discount of approximately 1.60% to the average closing price of approximately HK$0.376 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the trading date on the date of the Agreement.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendors, with reference to, among others (i) the prevailing market price of the Shares, (ii) the liquidity of the Shares, and (iii) the financial performance of the Group. The Directors (including the independent non-executive Directors but excluding Mr. Liang and Mr. Wu who have abstained from voting on the relevant Board resolutions) consider the Issue Price is fair and reasonable and the issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver by the Purchaser, where applicable) of the following conditions:

(i) the Purchaser being satisfied with the results of the due diligence review on the Target Company;

(ii) no applicable law, order or governmental authority shall have been enacted, made effective or constituted (as the case may be) that materially delays or makes illegal the performance of the Agreement;

(iii) all regulatory approval required to have been obtained by the Parties having been obtained on terms reasonably and satisfactorily to the Purchaser;

(iv) the passing of board resolutions of the Purchaser or its holding company to approve the execution of the Agreement and the transaction contemplated hereunder, including but not limited to the acquisition of the Sale Shares and the Sale Loan, the issue of the Promissory Note and the allotment and issue of the Consideration Shares;

(v) no material adverse change having occurred to the business, assets, financial position and performance of the Target Company;

(vi) no objection having been raised by the Stock Exchange to the transactions contemplated under the Agreement prior to or on the Completion Date, and the issuance of the announcement and circular pursuant to the GEM Listing Rules;

(vii) the warranties contained in the Agreement shall remain true, accurate and not misleading in any material aspects as given as the date of the Agreement at all times up to and including the Completion Date;

(viii) the Listing Committee granting approval for the listing of and permission to deal in the Consideration Shares;

(ix) the passing by the Independent Shareholder of the Company at the EGM to approve the Agreement and the transactions contemplated thereunder (including the Specific Mandate);

(x) all Intellectual Property Rights owned or controlled by the Warrantors which are necessary to carry out the business are transferred to the Target Company or licensed between the respective parties to the Target Company at minimal costs; and

(xi) Mr. Lau shall have entered into an employment agreement in form and substance satisfactory to the Purchaser.

The Purchaser has the right to waive conditions (i), (v), (vii) and (x) in writing. The Intellectual Property Rights mentioned in condition precedent (x) above include the Patent. The Patent is of significance to the Target Company, as the core business of the Target Company is providing charging solutions and charging system to electric vehicles. It is not expected that the Purchaser will waive condition precedent (x). However, the Purchaser was under the impression that the registration would take a considerably long period of time to complete, and if so, the Completion Date would be delayed. Therefore, the Parties had agreed that the Purchaser should be given the right to waive condition precedent (x). In any event, the ownership of the Patent is vested in the Purchaser at the time of signing the relevant transfer document, but not at the time of completion of the registration of the Patent.

As at the Latest Practicable Date, Conditions (iii), (iv), (v) and (vi) have already been fulfilled.

Indemnity

Pursuant to the Agreement, the Warrantors shall indemnify and at all times keep indemnified the Indemnified Parties from and against all losses, liabilities, damages, costs (including legal costs), charges, interests, penalties, expenses (including taxation), disbursements, actions, claims or proceedings reasonably incurred, suffered or sustained by each of the Indemnified Parties or asserted against each of the Indemnified Parties or any or all of them directly or indirectly resulting from or arising out of or in connection with any of the following:

(a) any breach of warranties or any breach by either Vendors of any material terms of the Agreement;

(b) any breach of any of the undertakings under the Agreement by either Vendors;

(c) all existing, contingent or conditional liabilities of the Target Company, with a cause or origin in events, facts or transactions arising on or before the date of the Target Company Accounts and which have not been accounted or provided for, or the part of such liabilities exceeding the amount accounted or provided for in the Target Company Accounts;

(d) any losses including taxes, duties, levies, delayed interest or penalties not provided for in the Target Company Accounts, or the part of such losses exceeding the amount accounted or provided in the Target Company Accounts which may result from any administrative, tax, customs or social security investigation of the Target Company in relation to the period prior to the Completion Date; and

(e) any fictitious assets of the Target Company as accounted for in the Target Company Accounts.

Promissory Note

The following are the principal terms of the Promissory Note:

Issuer:	The Company
Principal amount:	HK$5,000,000
Maturity date:	The date falling on the third anniversary from the date of issue of the Promissory Note (the "**Maturity Date**")
Issue price:	The Promissory Note will be issued at 100% of its principal amount
Interest:	5% per annum
Transferability:	The Promissory Note shall be freely transferrable or assignable by Norenex to any party upon prior written approval of the Company
Early redemption:	The Company may in its sole discretion, with not less than 10 Business Days' prior written notice, elect to repay all or any part of the amount outstanding under the Promissory Note at any time prior to the Maturity Date
Listing:	No application will be made for the listing of, or permission to deal in, the Promissory Note on the Stock Exchange or any other stock exchange

Completion of the Agreement

Subject to the fulfillment (or, where applicable, waiver) of all the Conditions, Completion shall take place on the Completion Date, which is within seven (7) Business Days after the day on which the last Condition is fulfilled or such other date as may be mutually agreed in writing between the Vendors and the Purchaser.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial results of Target Company will be consolidated into the consolidated financial statements of the Group.

THE VALUATION APPROACH

Before the Acquisition, the Board has performed the following steps to ensure the estimates used in the profit forecast is accurate, reliable and reasonable.

- The Board has visited existing parking spaces in commercial car parks which adopted the EV charging solution of the Target Company to understand its business positions;

- The Board has interviewed with Mr. Lau extensively and discussed the detailed budget and business plan of the Target Company;

- The Board has reviewed all existing contracts of the Target Company and discussed the future and potential contracts of the Target Company; and

- The Board has reviewed the development plan for the enhancement of the EV charging system and solution coverage, and made reasonable enquiries to the management of the Target Company, and the Board is of the view that the development plan is considered feasible and the timing and the amount of the future cash flows have been reasonably and reliably projected in the profit forecast.

The Independent Valuer has adopted the income approach for the Valuation Report of the Target Company. Summary of Valuation Report is set out in Appendix II to this circular.

In the course of the Valuation Report of the Target Company, the Independent Valuer has reviewed the management financial information of the subject under Valuation Report, the audited financial statements of the Target Company, and held discussions with the management of the Target Company to understand its business operations. The Independent Valuer has considered three commonly adopted valuation approaches, namely, asset approach, market approach and income approach, and determined that the income approach is appropriate for the valuation of Target Company due to the nature of its operating activities.

Since the income approach was adopted by the Valuer for preparing the Valuation Report in respect of the valuation of the Target Company, such valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. The details of the specific and general assumptions, including commercial assumptions, upon which the profit forecast is based are set out below:

Specific assumptions

- the future financial performance of the Target will be in line with free cash flow to firm ("**FCFF**") projections confirmed by the Company at the required rate of return;

- deposit by subscribers will only be returned upon the termination of subscription. As the Target expects subscription to be continuously renewed upon expiry, no deposit refund is necessary;

- the expansion Capex and maintenance Capex are sufficiently budgeted for the projected expansion and ongoing operation;

- the financial and operational information confirmed by the Company are accurate. The Target will have sufficient financial support as required to remain as a going concern; and

- there are no hidden or unexpected conditions associated with the assets of the Target that might adversely affect the reported value.

General assumptions

- there will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;

- the long term inflation rate, interest rates and currency exchange rate will not differ materially from those presently prevailing;

- the Target will retain sufficient management and technical personnel to maintain their ongoing operations;

- there will be no major business disruptions through epidemic, international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business;

- the Target's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with;

- the business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target default against its outstanding commitment or obligations; and

- any potential bad debt of the Target will not significantly affect the value of the Target.

The Board understands that the determination of discount rate applicable in an income approach valuation requires significant experience and judgment by the Independent Valuer. The Board further understands and concurs with the view of the Independent Valuer after the Board has made due and careful enquiries by considering the followings:

- The Independent Valuer assessed and acknowledged the limitation in the availability of closely comparable companies owing to the nascent stage of the EV charging subscription service industry as a whole. The Independent Valuer portraited that such issue is commonly seen in using the income approach to value companies with new business model that has no existing good comparable companies, and the typical starting point is to identify companies that are broadly comparable in terms of service offerings or industry risk, and then to adjust the difference through specific risk premium, which is the treatment adopted at present;

- Discount rate calculation under CAPM can be done with reference to listed companies despite the limitations above. The Independent Valuer illustrated that while there is partial mismatch between the industry the comparable companies engaged and the Target Company, the impact from comparable companies to discount rate is primarily through the beta. Beta is only one of the many parameters affecting the discount rate calculation. A beta of 1.53 is considered high given the industry of the Target Company is similar to utilities and a necessity to EV, and the business model is secured by long term contract with high switching cost;

- The Independent Valuer explicated that the fairness and reasonableness of the discount rate should be assessed with reference to the financial projections, thus the size of specific risk premium is also related to the risk embedded in the financial projections. For example, a more aggressive financial forecast would warrant a higher specific risk premium; while a more conservative forecast would require a lower specific risk premium;

- The discount rate of 16% which was adopted in the income approach implies that the Acquisition at exactly the valuation level would generate a 16% internal rate of return if the Target Company is able to achieve the financial projections in the future. This is considered a lucrative return in the current low interest rate environment, balancing the risk factors and opportunities as disclosed; and

- The Independent Valuer has performed market approach to cross check the valuation from the income approach and the implied control premium is considered reasonable.

Based on the above, the Board considers the overall valuation as at 31 December 2019 is fair and reasonable, despite the limitation on the comparability of the comparable companies which is understood to be the nature of the industry which the Target Company is engaged in.

The Board is of the view that limitations will be imposed on the Valuation Report of the Target Company by net asset value alone, as the value of the management expertise and potential growth could not be taken into account in its financial statements.

Given that there are in place a series of Government's policies to promote the use of EVs in Hong Kong, the potential growth in EV charging business is significant. Also, the size of the Acquisition is the entire issued capital of the Target Company, hence, it is expected that the value of the Target Company should be higher than the net asset value.

In light of the above, the Board, including the Independent Board Committee, is of the view that net asset value itself cannot justify the valuation of the Target Company.

Based on the above, whilst the Target Company may have a small asset base on accounting wise, due to the nature of the EV charging business which requires, to a large extent, investments in research and development rather than investments in fixed assets, and that research and development investments are accounted as expenses rather than capitalization, the Directors believe that traditional asset value does not reflect true value of the Target Company.

The Directors confirm that the profit forecast of the Target Company, on which the Valuation Report is based, has been made after due and careful enquiries. The Valuation Report is based on the profit forecast of the Target Company using the general assumptions and key specific assumptions under income approach made by the Directors as disclosed above.

In accordance with Rule 19.62 of the GEM Listing Rules, the Reporting Accountants, D & Partners CPA Limited, has reviewed the calculation of the discounted future estimated cash flows in connection with the valuation of the Target Company prepared by the Independent Valuer. The Financial Adviser, VBG Capital, is satisfied that the discounted future estimated cash flows in connection with the Valuation Report of the Target Company prepared by the Independent Valuer has been made after due and careful enquiry.

The abovementioned report from D & Partners CPA Limited and a letter from VBG Capital in relation to the profit forecast in the Valuation Report are set out in Appendix III and Appendix IV to this circular, respectively. The Company has submitted the report from D & Partners CPA Limited and the letter from VBG Capital to the Stock Exchange in compliance with Rule 19.62 of the GEM Listing Rules.

Reliability of the forecasted revenue

As provided in the Valuation Report, market approach, asset approach and income approach have been considered in the options of the valuation methodology. However, the limitations of valuating the Target Company is that there is no publicly listed comparable companies of similar size and stage for appropriate valuation multiple analysis and that market approach and asset approach cannot capture the potential future earnings of the Target Company. Hence, market approach and asset approach have not been selected as the valuation methodology for the valuation of the Target Company.

The Target Company has a competitive market position as it is one of the major EV charging service providers which serves with Load Management System in Hong Kong and its EV charging system has been recognised by a reputable Japanese automobile manufacturer, and the Target Company is one of its approved EV charger suppliers.

As mentioned in the section headed "Information of the Vendors and Target Company — The Target Company — Background", the Target Company has entered into the contracts with various largescale enterprises and the main contractors for the Government projects, it is expected that approximately HK$1.7 million of revenue will be generated from the existing contracts for the year ending 2020. For further details of the existing contracts, please refer to the section headed "**Existing Contracts**".

The Government has imposed policies to promote the use of EVs in Hong Kong by way of (i) allocating HK$120 million to install over 1,000 medium chargers in 2020 to 2022; and (ii) earmarking HK$2 billion to subsidise the installation of EV charging infrastructure which estimated 60,000 existing private residential parking spaces will be equipped by 2022.

Hence, the management of the Target Company considered that the business prospects for EV charging business is positive, and planned to enhance the coverage of the EV charging system and solution to capture the potential increase in approximately 60,000 EV charging systems by the Government policies imposed up to 2022, which represents a CAGR of approximately 403.4%.

Based on the estimated market share of approximately 5.9% and the Government's timeline, it is expected that the EV charging subscription services provided by the Target Company will cover not less than 3,000 parking spaces with EV charging enabling facilities by 2022. However, the management of the Target Company adopted a prudent approach in the preparation of its 10-years expansion plan which prolonged the period for entitling the expected increment from 2 years to 10 years. The management of the Target Company targets the increment of the EV charging systems installed to be approximately 900 by the year ending 2022, and the increment will gradually increase to approximately 3,000 by the year ending 2025 and then approximately 3,700 by the year ending 2028, and expects it to remain unchanged for the year ending 2029 and beyond.

Although it is expected that the Government policies imposed will bring a potential increment of approximately 60,000 EV charging system in the market and the Target Company, as an early mover in the market, is expected to be benefited by the Government policies.

The management of the Target Company considered, and the Board concurred that, the 10-years expansion plan is prepared based on a prudent approach and is feasible and reasonable, and it is likely to outperform the 10-year expansion plan.

As part of its valuation procedures, the Independent Valuer has conducted site visit, interview with the management of the Target Company, financial analysis and industry analysis to assess the reasonableness of the financial projection when adopting the income approach. The Independent Valuer has also performed reasonableness check on the income approach valuation using market approach with reference to a recent transaction of the Target Company's shares in section 10 of the Valuation Report and considers that the overall valuation is reasonable.

The Board, including the Independent Board Committee, with the assistance of the Financial Adviser and the Reporting Accountants, have reviewed the 10-years expansion plan of the Target Company in connection with the valuation, and is of the view that the 10-years expansion plan is prudent reasonable and feasible.

Based on the above, whilst there is always a degree of uncertainties associated with the projections, such as the risk factors set out in section 8 of the Valuation Report, considering (1) the Government's policies which support the use of EVs in Hong Kong, the expected growing popularity of EV in Hong Kong over the long term which will result in a rise in demand for EV charging business; (2) capability of the Target Company's management; and (3) the Target Company's market position and the business development plan endorsed by the Board (including the Independent Board Committee), all these should contribute to forming a reasonable basis for the evaluation of the business prospects of the Target Company.

INFORMATION OF THE VENDORS AND THE TARGET COMPANY

THE VENDORS

Cornerstone

Cornerstone is a company incorporated in the BVI with limited liability on 4 June 2018 and wholly-owned by Mr. Lau. Cornerstone is principally engaged in investment holding.

Norenex

Norenex is a company incorporated in the BVI with limited liability on 17 October 2016 and indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li. Norenex is principally engaged in investment holding.

THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability on 10 July 2018, which is an electrical vehicle charging service provider and is principally engaged in supplying charging solutions and charging system, including central management system, hub for e-payment, Load Management System and license plate recognition system to electric vehicles and smart parking.

Background

Date	**Milestone event**
February 2016	CTL was incorporated — Mr. Lau started the EV charging business which was carried out under CTL, which is owned as to 90% by Mr. Lau
November 2016	First prototype was launched — The first commercially viable prototype was launched.
June 2017	Patent applied — CTL applied a related patent on the EV charging technology
November 2017	Patent approved — The Patent relating to the EV charging technology had been approved
July 2018	Target Company was incorporated — Mr. Lau believed that additional funds were required to further expand the EV charging business and thus established the Target Company
September 2018	Norenex acquired 70% shareholdings in Target Company — Norenex, a BVI company indirectly owned by Mr. Liang, Mr. Wu and Mr. Li, invested HK$15 million in tranches for 70% shareholdings into the Target Company.
December 2019	Approved as an authorized supplier of a reputable Japanese automobile manufacturer

Date	Milestone event
	— In December 2019, a reputable Japanese automobile manufacturer approved the Target Company as one of its authorised suppliers of EV charger. The approval was granted after the Target Company was able to satisfy the comprehensive and advanced quality testing requirements stipulated by the Japanese automobile manufacturer. Pursuant to the terms of approval, the Target Company can supply EV charging device as an accessory accompanying every new electric car's procurement. Given that only the authorised EV charger suppliers can supply EV chargers to the Japanese automobile manufacturer's dealers and further to the car buyers, its approval to the Target Company is considered a recognition of the quality of the EV charger supplied by the Target Company. It is understood that only two EV charging service providers are currently approved by this reputable Japanese automobile manufacturer in Hong Kong.
February 2020	In discussion of the Acquisition — The Company initiated a discussion with all shareholders of Target Company and explored the feasibility of the Acquisition under the GEM Listing Rules.
21 February 2020	The Agreement was signed — Cornerstone (as vendor of the Sale Shares A), Norenex (as vendor of the Sale Shares B and the Sale Loan), Mr. Lau and the Purchaser entered into the Agreement

Business nature

The Target Company is principally engaged in supplying EV charging integrated solution, including supply and installation of EV chargers, developing EV charging-enabling infrastructure, central management system, hub for e-payment, Load Management System and license plate recognition system to electric vehicles and smart parking.

The Target Company primarily operates the EV charging business by building the EV charging infrastructure in the whole car park and installation of EV chargers at the parking lot, user pays the Target Company an one-off fee for a EV charger or subscribes to the charging service for a monthly fee. The Target Company offers the subscription model to residential and commercial car parks and buy-and-own model.

Business Model

Subscription model

In order to generate a more stable recurring income, the Target Company has introduced the subscription model since 2019.

Under the subscription model, the Target Company will apply the EV charging integrated solution on the EV chargers so as to operate and monitor the EV charging system directly.

Due to the limitation of electricity supply in most of the car parks in Hong Kong, electricity load is fixed such that only a certain number of EV chargers can be installed in order to avoid overloading in power supply. Whilst Load Management System is part of the integrated solution to overcome such limitation by scheduling the loads to reduce the electric energy consumption or the maximum demand, the Target Company's Load Management System can monitor the real-time charging current, charging power and status of each networked charger facility and regulate charging current of EV charging facilities based on the overall demand in order to avoid overloading the power supply of the EV chargers. Hence, car parks can be allowed to install more EV chargers without the need to increase electricity load while optimizing its power supply.

Subscription model – residential car parks

To encourage the residential buildings to install the EV charging system, the Target Company will bear the cost of the EV charging system (which in turn become assets of the Target Company) and will charge the subscribers a fixed monthly-subscription fee.

Subscription model – commercial car parks

For those sales under subscription model to the commercial car parks, the Target Company entitles an electricity income which is driven by the amount of electricity charged by EV users on a revenue sharing basis with the property owner.

As of February 2020, the Target Company is operating 41 EV charging systems under the subscription model, of which 19 EV charges are installed in three sizable residential car parks which are located in Kowloon Tong, Fanling and Shatin; and 22 EV chargers are installed in three commercial car parks in shopping centres which are located in Kwai Tsing and Tsuen Wan. Furthermore, 15 customers have subscribe to the Target Company's monthly subscription program and the Board predicts that there will be an exponential growth in the number of customers as EV is becoming more popular in Hong Kong.

Buy-and-own model

Under the buy-and-own model, the Target Company supplies the individual EV charger to the public or private car parks or other EV charging service providers in the market. Revenue is generated from the selling the EV charger on an one-off basis.

For selling to the public or private car park customers, the Target Company charges the customers for the EV charger plus an optional installation fee. The Target Company also charges the property management company a yearly maintenance fee.

For supplying to other EV charging service providers, the Target Company supplies the EV charger either under original equipment manufacturer ("**OEM**") or non-OEM basis. There are certain EV charging service providers, have procured the Target Company's EV charger for their resales or for their own EV charging services.

Furthermore, the Target Company has been appointed as one of the authorised supplier of a reputable Japanese automobile manufacturer since December 2019. The Target Company will sell its EV chargers to the said manufacturer's dealer in Hong Kong with respect to the said manufacturer's marketing strategy. The Target Company is expecting that there will be further business opportunity to co-operate with other EV brands in the future.

Target Company has supplied over 520 EV chargers to reputable companies and Government authorities. These EV chargers are located in various car parks all over Hong Kong Island, Kowloon and the New Territories, and accounted for approximately 21.1% of the total number of public EV chargers in Hong Kong.

RESEARCH AND DEVELOPMENT OF THE TARGET COMPANY

As the EV charging solution business involves high and new technology, the Target Company focuses on research and development for the purpose of strengthening its competitiveness in the EV charging industry.

As at the Latest Practicable Date, the Target Company's research and development division has 14 employees. Most of the members of the research and development division are experienced and reputable in the field of mechanical and electrical engineering. The Board considers that a strong research and development team with execution capabilities and a proven track record will help to adapt the constant fast-changing technology market.

It is agreed that the current management of the Target Company will remain unchanged after the Completion, such that the operation and development of the Target Company would not be affected.

Commercialization of the EV charging business began in 2017 and the Patent relating to the EV charging business was registered in 2017. According to the Target Company, CTL is in the process of arranging the transfer of the Patent to the Target Company at the moment and will execute a transfer document in due course as it is a completion precedent pursuant to the Agreement. In any event, the ownership of the Patent will be transferred to the Target Company upon signing of the transfer document. The ownership of the Patent will be vested in the Target Company at the time of the due execution of the transfer document, but not at the time of completion of the registration of the Patent. Accordingly, the timing for the completion of the registration, whether it occurs before or after the Completion Date, will not affect the Target Company's ownership in the Patent.

EMPLOYEES

As at the Latest Practicable Date, the Target Company has 33 employees under the management by Mr. Lau, who is a director of the Target Company. It has 14 engineers and mechanics engaged in the R&D activities, seven employees responsible for marketing and business development, six employees responsible for general business administration and six technicians responsible for maintenance supports.

Profile of the key management of the Target Company

Mr. Lau – the founder of CTL and the Target Company

Mr. Lau is currently one of the committee members of Hong Kong E-Vehicles Business General Association. Mr. Lau is responsible for developing the first intelligence EV charging service with multiple payment system for major car park and the first integrated solution with a statutory body and a blue chip company in 2016. Mr. Lau is primarily responsible for overseeing the overall operation, strategic planning and business development of the Target Company.

It is agreed that Mr. Lau will remain in the management of the Target Company after the Acquisition, such that the operation and development of the Target Company would not be affected.

Mr. Vincent Chung – business development manager

Mr. Vincent Chung ("**Mr. Chung**") has over 13 years of experience in EV charging industry. He is a prominent expert in local EV charging industry to offer advanced EV charging products and holistic product solutions to EV industry. Mr. Chung involved and assisted in, including but not limited to lining up Government officials and industrial stakeholders, boosting the business of the entire EV charging industry, building industry leadership and the reputation of a statutory body by proven industrial products. Mr. Chung is experienced and has advised in abundant R&D activities in EV charging system which were requested by the Government and various blue chips transportation and telecommunication companies in Hong Kong.

Mr. Chung joined the Target Company in 2018 and serves as a business development manager, who is responsible for the continuous development of EV charging technology. It is agreed that Mr. Chung will remain in his position in the Target Company after the Acquisition.

Mr. Victor Ho – senior engineer

Mr. Victor Ho ("**Mr. Ho**") has over 10 years of experience in hardware and software design and implementation. Mr. Ho participated in several R&D projects, including but not limited to, electric vehicle fast charging station (EV charger), antilock braking system (ABS), global positioning system (GPS) navigation system, inertia sensing navigation system on robot and dead reckoning module. Mr. Ho worked in a statutory body and was responsible for, including but not limited to, development in model-based software design, building software in loop (SIL), processor in loop (PIL), hardware in loop (HIL) testing environment and study EV related standards. Mr. Ho was also employed by an electronic toll provider in Hong Kong and assisted in, including but not limited to, development in software design and implementation, sensor application and compensation, on-board testing and project management.

Mr. Ho joined CTL since 2017 and joined the Target Company subsequently 2018. It is agreed that Mr. Ho will remain in his position in the Target Company after the Acquisition.

Mr. Justin Wu – product manager

Mr. Justin Wu ("**Mr. Wu**") has over 20 years of experience in mechanical engineering, in relation to new product design and development and computer aided engineering (CAE) analysis. He is also involved in project planning, coordination with tool makers and vendors, set-up and maintaining computer aided design (CAD) system, resin selection and recommendation and material consolidation. Mr. Wu worked in a multinational reputable conglomerate, where served as a project manager for rice cookers, electric fans, dehumidifier and water purifiers. Further, he was the chief mechanical engineer and responsible for product design and development of coffee maker, rice cookers and hot pot cookers. Mr. Wu was also employed by a reputable engineering company as a technical service manager, who was responsible in Hong Kong, Taiwan and South China region with key focuses on plastic parts and gear design support, human resources management and development of technical service team. He was the technical program manager for handheld device development.

Mr. Wu joined the Target Company since 2019. It is agreed that Mr. Wu will remain in his position in the Target Company after the Acquisition.

Mr. CK Lee – system analyst

Mr. CK Lee ("**Mr. Lee**") has over 10 years of experience in system development. He has engaged in several system development projects, including but not limited to (1) upgrading MK I octopus payment in various reputable companies in Hong Kong in 2016; (2) octopus payment and contactless payment in smart vending system in 2017; (3) octopus payment, WeChat pay and Alipay in smart vending system in 2018; and (4) hairoom self-service kiosk system in 2019.

Mr. Lee joined the Target Company since 2019. It is agreed that Mr. Lee will remain in his position in the Target Company after the Acquisition.

EXISTING CONTRACTS

The Target Company and CTL have enjoyed early success in its EV charging business venture by securing a number of contracts with and commitments from reputable companies and the Government authorities (collectively, the "**Contracts**"). Details of the major existing Contracts are set out as follows:

(i) Subscription model – residential car parks

As of February 2020, the Target Company provides its EV charging subscription service in three sizable residential car parks located in Kowloon Tong, Fanling and Shatin, by providing 19 parking spaces with EV chargers. The exclusive right of providing the EV charging service effective to 2024.

(ii) Subscription model – commercial car parks

As of February 2020, the Target Company provides its EV charging subscription service in three commercial car parks in shopping centres located in Kwai Tsing and Tsuen Wan, by providing 22 parking spaces with EV chargers. The exclusive right of providing the EV charging service effective to 2023.

(iii) Buy-and-own model

The Target Company supplied over 520 EV chargers to reputable companies and Government authorities.

(iv) Commitment

The Target Company has been appointed as one of the authorised supplier of EV chargers of a reputable Japanese automobile manufacturer since December 2019.

The Target Company is going to enter into five new business contracts with sizable residential car parks located in Tsuen Wan, Yau Ma Tei, King's Park, Kau Pui Lung and Yuen Long, which are delayed due to the prohibition on group gathering, causing the approvals from the relevant corporations yet to be granted.

Based on our previous low-end adoption rate of EV chargers in residential car parks, all these new business contracts are prudently targeted to provide approximately 34 to 50 parking spaces with EV chargers. Pursuant to the Government policies as stated in section headed "Overview of the EV charging industry in Hong Kong" below, it is expected that approximately 61,000 EV charging-enabling facilities will be added by 2022, representing a CAGR of approximately 403.4% in increasing the total number of public EV chargers from September 2019 to 2022. It is expected that the adoption rate will gradually increase for the year ending 2022 and beyond.

The expected exclusive right of providing the EV charging service effective from 2020 to 2025, is subjected to the final contractual terms.

Financial information of the Target Company

Set out below are the audited financial information of the Target Company as prepared in accordance with the Hong Kong Financial Reporting Standards for the period from 10 July 2018 (date of its incorporation) to 31 December 2019:

	For the period from 10 July 2018 (date of incorporation of the Target Company) to 31 December 2019 **Audited** *(HK$)*
Loss before and after taxation	(9,103,082)

The audited net assets value of the Target Company as at 31 December 2019 was approximately HK$5,904,770.

For the period from 10 July 2018 (the date of incorporation of the Target Company) to 31 December 2019, the Target Company recorded approximately HK$2.4 million of revenue and approximately HK$0.7 million of gross profit, represents approximately 29.2% of gross profit margin. It recorded a net loss of approximately HK$9.1 million, which was mainly due to administrative expenses amounting to approximately HK$9.8 million. The administrative expenses were primarily consist of the salaries and allowance paid to the staff in research and development, expenses support the research and development activities and expenses for computer software, which the research and development expenses enabled the Target Company to maintain its competitiveness in the EV charging industry.

For the period from 10 July 2018 (date of incorporation of the Target Company) to 31 March 2020, the Target Company has recorded approximately HK$4.0 million of revenue, and approximately HK$1.2 million of gross profit, represents approximately 30.0% of gross profit margin. It has recorded a net loss of approximately HK$11.0 million. The unaudited net assets value of the Target Company as at 31 March 2020 was approximately HK$4.0 million.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a company incorporated in the BVI with limited liability on 6 June 2018 and wholly-owned by the Company. The Purchaser is principally engaged in investment holding.

The Group is principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

REASONS AND BENEFITS FOR THE ACQUISITION

With the stagnant financial performance of the commercial printing business resulted from the increasing concern on environmental protection, the Company has been concentrating its business focus on financial printing business as the Stock Exchange has been the top ranking fund-raising venue for the past few years. With the growing interdependence of the capital markets between the PRC and Hong Kong, it is expected that the number of IPOs in Hong Kong will continue to thrive in the coming years. As a result, it is the Company’s strategies to expand its financial printing business which is highly correlated with the IPO market in Hong Kong.

However, there has seen a gradual decline in the number of IPOs in Hong Kong in 2019 compared to 2018, especially on GEM of the Stock Exchange. It is noted that the number of companies newly listed on the Main Board or GEM of the Stock Exchange was on a downward trend in 2018, and up to third quarter of 2019, the annual number of newly listed companies was decreased by approximately 16.1%, from 218 in 2018 to 183 in 2019. Since then, the trend was rebounded as the number of newly listed companies increased from 24 in the third quarter 2019 to 75 in the fourth quarter of 2019. The Board considers that the number of companies being listed in Hong Kong would remain stable and the financial performance of financial printing business would remain profitable. It is perceived that investment sentiment has been affected by the ongoing trade war between China and the U.S. as well as local political turmoil and civil disobedience movements, which has resulted in a slowdown in the IPO market in Hong Kong and has a negative impact on the business prospects of the Company. There is also a drop in small cap IPO appetite which is the Company's target segment. For example, there was 59 new GEM listings in 2018, but only 15 new GEM listings in 2019. For 2020 Q1, there was only 2 new GEM listings.

However, at the material time, after the completion of the mandatory unconditional cash offer of the Company in late January 2020, the Company has taken into account the potential adverse effect due to the risk of an imminent outbreak of COVID-19, the Board expects that the initial public offering market would perform poorly due to the low market sentiment, and hence the financial printing business will be adversely affected. Not only would there be less new customers because of the decreasing number of IPOs in Hong Kong, there would also be intense price competition with the Company's competitors because the existing customers may ask for discount for the work done.

Due to the bleak prospects of the existing business of the Company, the management of the Company have decided to explore new sustainable business opportunities which would be unlikely to be affected by COVID-19. The Directors are of the view that this negative impact will last for the next 12-24 months at the very least. As a result, the Company is eager to explore new business or investment opportunities to ensure diversification of revenue for the interests of the Company and Shareholders as a whole.

In light of the uncertainties in financial printing business, the management of the Company intended to explore new sustainable business opportunities. The management of the Company is of the view that the EV charging solutions and system business is encouraging and sustainable. The Board expects that the use of EVs would become more and more popular in Hong Kong and all over the world.

Mr. Liang and Mr. Wu have been investing in the Target Company since September 2018, later introduced the EV charging solutions and system business and the Target Company to the Board in February 2020, for the Board's further consideration with regard to the diversification of the existing business of the Company, which eventually led to the materialization of the Acquisition. Accordingly, the management of the Company assessed the prospects of the financial printing business and considered the sustainability of EV charging solutions and system business for the diversification of the existing business of the Company. Whilst the management of the Company has no intension to downsize or disposed of the existing printing business.

In Hong Kong, according to the statistics published by the Environmental Protection Department, as at the end of December 2019, the number of EV for road use in Hong Kong has been increased from less than 100 in 2010 to 13,866, while there were only 2,929 EV chargers for public use. Also, in the press release issued by the Government on 4 December 2019 titled "LCQ16: Charging facilities for electric vehicles", the Secretary for the Environment stated that the Government and the private sector had all along been enhancing the installation of public charging facilities. The Government had allocated HK$120 million to install additional medium chargers in government car parks that are open to the public. It is expected that over 1,000 public chargers will be added by 2022, increasing the total number of public chargers in government car parks to around 1,800.

In addition, the Government has implemented several policies to promote the use of EVs in Hong Kong, including but not limited to (i) preparing a HK$2 billion pilot subsidy scheme to promote installation of EV charging-enabling infrastructure in car parks of existing private residential buildings as stated in the Chief Executive's 2019 Policy Address; (ii) offering first registration tax concessions for EVs; (iii) allowing enterprises which procure EVs to have 100% profits tax deduction for the capital expenditure on EVs in the first year of procurement; (iv) launching a HK$300 million Pilot Green Transport Fund since March 2011 to encourage the public transport sectors, goods vehicle operators and charitable or non-profit-making organizations to try out green innovative and low carbon transport technologies (including electric commercial vehicles).

Furthermore, according to a report published by Bloomberg New Energy Finance ("**BloombergNEF**") titled "Electric Vehicle Outlook 2019", it is noted that over 2 million EVs were sold in 2018 globally, up from just a few thousands in 2010, and the demand for EV is still growing. BloombergNEF expects that the annual passenger EVs sales would increase to 10 million by 2025, 28 million by 2030 and

56 million by 2040. Also, there are already 630,000 public charging points installed globally, and utilities, oil and gas companies, automakers and pure-play operators are all active in this area currently. However, more charging facilities will be needed to serve the growing EV fleet.

In view of the above, given that the use of EVs is increasing while there is a shortage of charging facilities for EVs in Hong Kong, the Board believes that the business of providing charging solutions and system for EVs in Hong Kong is promising and sustainable. The Board is of the view that the Target Company enjoys a number of competitive advantages.

Although the Target Company generated minimal revenue and was in the position of loss making in the first 18 months from its incorporation, it is not indicative for its profitability at the pilot stage. The Board is in the view that since the Target Company has entered into contracts with various large-scale enterprises and main contractors for the Government projects and its competent and experienced management team. The Board (including the independent non-executive Directors) considers that the implementation of the HK$2 billion subsidy for the installation of EV charging infrastructure covering an expected 60,000 existing private residential car parks by the Government will enable the Target Company, as one of three major EV charging service providers, to expand its market share in the EV market in Hong Kong.

From the Company's perspective, unlike the financial printing business, the Target Company's business is more unlikely to be affected by COVID-19, the on-going trade war between China and U.S. and other geopolitical tensions. Once the Acquisition is completed and with the right amount of investment, the Target Company would be able to have a relatively stable cash flow and rapid growth in its financial performance. Accordingly, the Acquisition can diversify the existing business of the Group with the objective of broadening its source of income, which is in the interest of the Company and its Shareholders as a whole. The Board (including the independent non-executive Directors) is in the view that the Acquisition has been made on normal commercial terms and that the Consideration and the terms in the Agreement are fair and reasonable as far as the Company and the Shareholders are concerned and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

OVERVIEW OF THE EV CHARGING INDUSTRY IN HONG KONG

According to the figures published by the Hong Kong Transport Department, the number of first registration of EVs increased significantly from 471 units (1.1% of total first registration) in 2018 to 2,423 units (6.32% of total first registration) in 2019, with an increase of 414.4% (see figure 1). For the registration number of EV in Hong Kong, the figure increased from 10,666 units in 2017, to 11,080 units in 2018, and to 13,447 units in 2019, representing the increase of 3.9% and 21.3%, respectively (see figure 1). The increase in registration was mainly due to the "One-for-One Replacement" Scheme ("**Replacement Scheme**") introduced by the Government in 2018; the relax in criteria of the Replacement Scheme in 2019; and the comparatively low market share for EVs in Hong Kong.

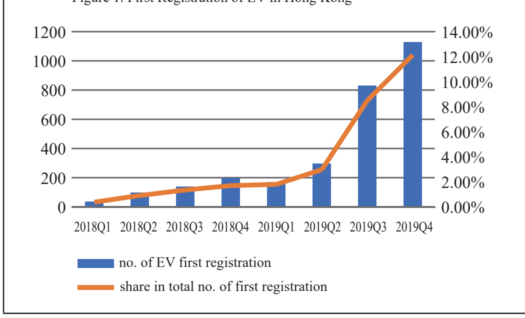


Figure 1. First Registration of EV in Hong Kong

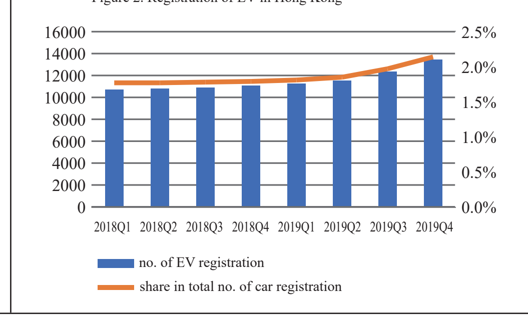
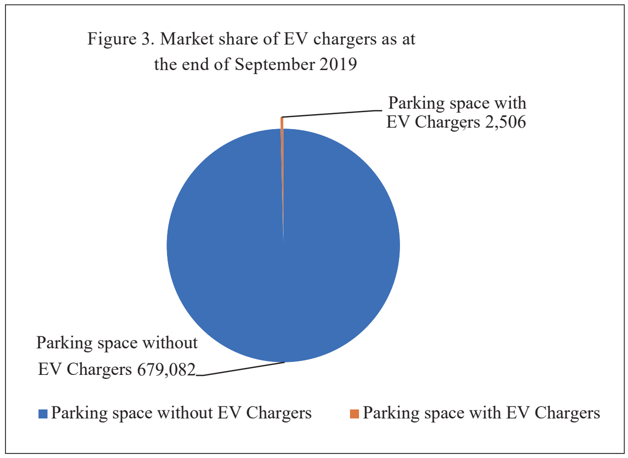


Figure 2. Registration of EV in Hong Kong

According to a press release issued by the Government on 13 November 2019 titled "LCQ22: Provision of parking spaces", the Secretary for Transport and Housing advised that, as of August 2019, the parking spaces for PCs in Hong Kong was approximately 681,588.

Meanwhile, according to the press releases issued by the Government on 20 November 2019 and 4 December 2019 titled "LCQ7: Promoting the use of electric vehicles" and "LCQ16: Charging facilities for electric vehicles", respectively, the Secretary for the Environment advised that, by the end of September 2019, the number of public EV chargers (including those provided at the Government and non-governmental car parks) was approximately 2,506, in which 1,649 was provided in private sectors and 857 was provided in Government car parks.

In light of the data provided above, the EV chargers only covers approximately 0.37% PCs parking space, which is a significant low coverage.



To promote the use of EVs, the Government has allocated HK$120 million to expand the public EV charging network at Government car parks from 2020 to 2022, and the Government has planned to install over 1,000 medium chargers at car parks fully or partially open to the public under the Transportation Department, Government Property Agency, Leisure and Cultural Services Department, and Tourism Commission.

The Hong Kong Housing Authority ("**HA**") will provide EV chargers at 30% of PC-parking spaces in indoor car parks of newly built public housing developments, based on the Hong Kong Planning Standards and Guidelines. As for the remaining 70% of PC-parking spaces, the HA will also install EV charging-enabling infrastructure and reserve spaces for the installation of EV chargers as needed in the future. Regarding outdoor car parks, the HA will reserve sufficient power supply and underground ducts at outdoor parking spaces for the installation of charging facilities in future.

The Government invited various corporations including the Mass Transit Railway Corporation Limited ("**MTRCL**") to install medium and quick EV chargers in their car parks, as well as upgrade their existing standard chargers to medium ones. The MTRCL replied in December the same year, stating that it would support the Government's policy of promoting the wider use of EVs. The MTRCL has started carrying out related works and devising planning.

To further promote the steady development and popularisation of EVs in Hong Kong, the Government has earmarked HK$2 billion to launch a pilot scheme to subsidise existing private residential building car parks meeting prescribed criteria to install EV charging-enabling infrastructure. As a preliminary estimate, the subsidy scheme can provide approximately 60,000 existing private residential parking spaces to equip with the EV charging-enabling infrastructure by 2022.

Pursuant to the Government policies as stated above, it is expected that approximately 61,000 EV charging-enabling facilities will be added by 2022, increasing the total number of public EV chargers from approximately 2,506 in September 2019 to approximately 63,506 in 2022, representing a CAGR of 403.4%.

As of February 2020, the Target Company provides its EV charging subscription service in three residential car parks, while subscription services of its major competitors cover 26 and 22 car parks, respectively. Based on that, the Target Company has approximately 5.9% market share in the EV charging subscription service sector.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following illustrates the Company's shareholding structure, assuming there is no further change to the share capital of the Company: (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issuance of the Consideration Shares:

Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares**	
	Number of Shares	*% (approximately)*	*Number of Shares*	*% (approximately)*
Global Fortune Global and parties in concert with it (excluding the Glorytwin)	223,778,000	50.86	223,778,000	46.57
Norenex	—	—	17,737,838	3.69
Glorytwin and parties in concert with it	94,200,000	21.41	94,200,000	19.60
Public Shareholders	122,022,000	27.73	144,824,703	30.14
— Cornerstone *(Note)*	—	—	22,802,703	4.75
— Other public Shareholders	122,022,000	27.73	122,022,000	25.39
Total	**440,000,000**	**100.00**	**480,540,541**	**100.00**

Note: As at the Latest Practicable Date, Cornerstone is wholly owned by Mr. Lau. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, Cornerstone and Mr. Lau are independent third parties, which are not connected person(s) of the Company and are independent of and not connected with the Company and the Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates. Furthermore, Cornerstone is not accustomed to take instructions from a person referred under note 3(b) in relation to the Acquisition under GEM Rule 11.23(11).

Therefore, the Consideration Shares to be held by Cornerstone are regarded as being in "public hands" and that the Company is in compliance with the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, approximately 28.12% and approximately 71.88% equity interests in the Target Company are held by Cornerstone and Norenex, respectively. As at the Latest Practicable Date, Norenex is indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li. As Mr. Liang is an executive Director and a controlling shareholder of the Company and Mr. Wu is the chairman of the Company, a non-executive Director and a controlling shareholder of the Company, each of Mr. Liang and Mr. Wu is a connected person. Accordingly, Norenex is a connected person of the Company under the GEM Listing Rules by virtue of being an associate of Mr. Liang and Mr. Wu. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 19 of the GEM Listing Rules.

The EGM will be convened for

(a) to the Shareholders to consider and, if thought fit, to approve as special resolutions, the proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company; and

(b) to the Independent Shareholders to consider and, if thought fit, approve as ordinary resolutions (i) the Acquisition and the transactions contemplated thereunder; (ii) the Specific Mandate for the allotment and issue of the Consideration Shares.

As at the Latest Practicable Date, (1) the Target Company is directly owned as to approximately 28.12% by Cornerstone and approximately 71.88% by Norenex, and Norenex is indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li; and (2) Global Fortune Global is directly owned as to 51% by Mr. Wu and 49% by Mr. Liang. Accordingly, each of Mr. Liang, Mr. Wu and Global Fortune Global has a material interest in the Acquisition and the transactions contemplated therein and the issue of the Consideration Shares pursuant to the Specific Mandate, each of them would be required to abstain from voting in the EGM in relation to the relevant resolutions.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tam Ka Hei Raymond, Mr. Yuen Chun Fai and Ms. Zhu Xiaohui, has been established to advise the Independent Shareholders on matters in relation to the Acquisition and the transactions contemplated therein and issue of the Consideration Shares pursuant to the Specific Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the reasonableness and fairness of the terms of the Agreement (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the issue of Promissory Note as the settlement of the consideration for the Acquisition).

Shareholders and potential investors should note that the Acquisition contemplated under the Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

III. THE AMENDMENT LETTER

As additional time is required to fulfil all the Conditions, the Vendors, Mr. Lau and the Purchaser have entered into the Amendment Letter on 29 May 2020, pursuant to which the Vendors and the Purchaser have agreed to amend the following terms in the Agreement:

Long Stop Date	The Long Stop Date is extended to 31 July 2020 (or such other date as the Purchaser and the Vendors may agree in writing).
The period to fulfil all the Conditions (the "**Condition Period**")	The Condition Period shall be extended from the date of the Agreement (i.e. 21 February 2020) until 31 July 2020 (or such other date as the Purchaser and the Vendors may agree in writing)

Save and except for the aforesaid amendments, all other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IV. PROPOSED AMENDMENTS TO THE ARTICLES AND ADOPTION OF THE SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF THE COMPANY

In order to establish and facilitate the operation of a co-chairmen structure for the Company, a special resolutions will be proposed to the Shareholders at the EGM to amend the Articles and to adopt the second amended and restated articles of association of the Company incorporating the proposed amendments.

The proposed amendments to the Articles, if adopted, will:

(i) allow the Board to elect more than one chairman of the Company amongst the Directors;

(ii) provide the mechanism for determining the chairman of each meeting of the Board and the chairman of each general meeting where the Company has more than one chairman; and

(iii) reflect other housekeeping amendments.

The proposed amendments to the Articles are set out in Appendix V to this circular.

As disclosed in the Announcement, Mr. Wu (currently chairman and non-executive Director of the Company) and Mr. Liang (currently executive Director and chief executive officer of the Company) were conditionally re-designated and appointed respectively as the co-chairmen of the Board, subject to certain amendments to the Articles. Upon the approval of the proposed amendments to the Articles, the re-designation and appointment of Mr. Wu and Mr. Liang as the co-chairmen of the Board will become effective.

Shareholders are advised that in case of discrepancies between the English and the Chinese version of the proposed amendments, the English version will prevail.

V. FINANCIAL EFFECT OF THE ACQUISITION

After completion of the Acquisition, the Target Company will become an indirectly wholly-owned subsidiary of the Company, and the assets and liabilities and the financial results of the Target Company will be consolidated to the consolidated accounts of the Group. Given that the Target Company was loss-making for the period from 10 July 2018 (date of its incorporation) to 31 December 2019, if the Completion had taken place on 1 April 2019, the Group would have taken up the loss of the Target Company. As at 31 December 2019, the Group has cash and bank balances of approximately HK$62.1 million. Given that the cash consideration of HK$15,000,000 would be settled by way of internal resources, the Company is of the view that the Acquisition will not have any immediate material effect on the assets and liabilities. However, the Company would explore the possibilities of additional debt and/or equity financing to support the operating expenses and capital expenditure of the Target Company, if required.

VI. EGM

A notice convening the EGM to be held at 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 23 July 2020 at 2:30 p.m. is set out from pages EGM-1 to EGM-7 of this circular.

VII. VOTING BY WAY OF POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes at the EGM will be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules. Results of the poll voting will be published on the Company's website at (www.elegance.hk) and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the EGM.

VIII. ACTIONS TO BE TAKEN

At the EGM, resolutions will be proposed:

(a) to the Shareholders to consider and, if thought fit, to approve as special resolutions, the proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company; and

(b) to the Independent Shareholders to consider and, if thought fit, approve as ordinary resolutions (i) the Acquisition and the transactions contemplated thereunder; (ii) the Specific Mandate for the allotment and issue of the Consideration Shares.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 2:30 p.m. (Hong Kong time) on Tuesday, 21 July 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

IX. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 20 July 2020 to Thursday, 23 July 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 17 July 2020.

X. RECOMMENDATION

The Agreement and the transactions contemplated thereunder

Pelican Financial Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Agreement and the transactions contemplated thereunder (including the Acquisition involving the issue of the Consideration Shares and the Promissory Note).

Your attention is drawn to (i) the letter from the Independent Board Committee as set out from pages 46 to 47 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder; and (ii) the letter of advice from Pelican Financial Limited as set out from pages 48 to 95 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the independent Shareholders in relation to the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares pursuant to the Specific Mandate and the issue of Promissory Note) and the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (including the independent non-executive Directors) are of the view that the Consideration and the grant of the Specific Mandate and issue of Consideration Shares and Promissory Note have been negotiated on an arm's length basis and on commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Shareholders and the Company as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder (including the Specific Mandate).

Proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company

The Directors believe that the proposed amendments to the Articles and adoption of a new set of Articles are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant special resolutions to be proposed at the EGM.

The extracts of the proposed amendments to the Articles and adoption of the second amended and restated articles of association of the Company, as compared against the current Articles, are set out in Appendix V to this circular.

Shareholders are advised that the proposed second amended and restated Articles are written in English. The Chinese translation of the proposed second amended and restated articles of association of the Company is for reference only. In case of any inconsistency between the English and Chinese versions, the English version shall prevail.

XI. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out from pages 46 to 47 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders set out from pages 48 to 95 of this circular, and the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Elegance Commercial and Financial Printing Group Limited
LIANG Zihao
Executive Director

ELEGANCE COMMERCIAL AND FINANCIAL PRINTING GROUP LIMITED
精雅商業財經印刷集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8391)

30 June 2020

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SHAREHOLDER'S LOAN OF CORNERSTONE EV CHARGING SERVICE LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 30 June 2020 (the "**Circular**") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We are also required to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the reasonableness and fairness of the terms of the Agreement (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the issue of Promissory Note as the settlement of the consideration for the Acquisition). Details of the advice of Pelican Financial Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter from pages 48 to 95 of this Circular.

We wish to draw your attention to the letter from the Board set out from pages 9 to 45 of this Circular which contains information in connection with the Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the issue of Promissory Note as the settlement of the consideration for the Acquisition) and the letter from the Independent Financial Adviser set out from pages 48 to 95 of this Circular which contains its advice in relation to the Agreement and the transactions contemplated thereunder, and its recommendation on Agreement and the allotment and issue of the Consideration Shares pursuant to the Agreement, and the additional information set out in the appendices to this Circular.

Having taken into account the advice and recommendation of the Independent Financial Adviser, the principal factors and reasons considered by the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that the terms and conditions of the Acquisition are not in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Consideration and the grant of the Specific Mandate and issue of Consideration Shares and Promissory Note have been negotiated on an arm's length basis and on commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Agreement and the allotment and issue of the Consideration Shares pursuant to the Specific Mandate.

Yours faithfully,
on behalf of
Independent Board Committee of
Elegance Commercial and Financial Printing Group Limited

TAM Ka Hei Raymond	**YUEN Chun Fai**	**ZHU Xiaohui**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Pelican Financial Limited setting out their opinion regarding the Acquisition pursuant to the Agreement for the purpose of inclusion in this circular.

PELICAN FINANCIAL
百利勤金融

PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

30 June 2020

To the Independent Board Committee and the Independent Shareholders of Elegance Commercial and Financial Printing Group Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SHAREHOLDER'S LOAN OF CORNERSTONE EV CHARGING SERVICE LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 30 June 2020 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the announcement of the Company dated 21 February 2020 in respect of the Acquisition, Cornerstone (as vendor of the Sale Shares A), Norenex (as vendor of the Sale Shares B and the Sale Loan), Mr. Lau and the Purchaser entered into the Agreement, pursuant to which Cornerstone has conditionally agreed to sell the Sale Shares A, Norenex has conditionally agreed to sell the Sale Shares B and the Sale Loan, and the Purchaser has conditionally agreed to purchase the Sale Shares A and Sale Shares B and Sale Loan. The Sale Shares represent the entire issued share capital of the Target Company as at the Latest Practicable Date. The consideration for (i) the Sale Shares A is HK$8,437,000, which will be satisfied by way of the allotment and issue of 22,802,703 Consideration Shares to Cornerstone (or its nominee(s)) at the Issue Price and credited as fully paid; and (ii) the Sale Shares B and the Sale Loan is HK$26,563,000, which will be satisfied by way of the allotment and issue of 17,737,838 Consideration Shares to Norenex (or its nominee(s)) at the Issue Price and credited as fully paid together with the cash consideration in the total sum of HK$15,000,000. The Sale Loan represents the amount of not less than HK$5,000,000 to be due from the Target Company to Norenex upon Completion, which will be settled by the issue of the Promissory Note upon Completion. As at the Latest Practicable Date, the exact amount of the Sale Loan is HK$5,000,000, which is a dollar-for-dollar payment. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated with those of the Group.

As at the Latest Practicable Date, approximately 28.12% and approximately 71.88% equity interests in the Target Company are held by Cornerstone and Norenex, respectively. As at the Latest Practicable Date, Norenex is indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li. As Mr. Liang is an executive Director and a controlling shareholder of the Company and Mr. Wu is the chairman of the Company, a non-executive Director and a controlling shareholder of the Company, each of Mr. Liang and Mr. Wu is a connected person. Accordingly, Norenex is a connected person of the Company under the GEM Listing Rules by virtue of being an associate of Mr. Liang and Mr. Wu. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Tam Ka Hei Raymond, Mr. Yuen Chun Fai and Ms. Zhu Xiaohui, has been established to advise the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note). We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited ("**Pelican**") is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Company nor any other parties that could be reasonably be regarded as a hindrance to Pelican's independence as defined under Rule 17.92 of GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note). In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note).

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note) are entered into in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms of the Agreement (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note) are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note) at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions. These procedures and steps include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Agreement, the announcement of the Company dated 21 February 2020 in respect of the Acquisition, the annual report of the Company for the financial year ended 31 March 2019 (the "**2019 Annual Report**"), the Company's unaudited interim report for the six months ended 30 September 2019 (the "**2019 Interim Report**"), the Company's unaudited third quarterly report for the three and nine months ended 31 December 2019 (the "**2019 Third Quarterly Report**"), the valuation report prepared by the Independent Valuer on the valuation of the entire issued share capital of the Target Company (the "**Valuation Report**") and the Circular. Save and except for the review of the Valuation Report, we have not made any independent evaluation or appraisal of the assets and liabilities of the Target Company and we have not been furnished with any such evaluation or appraisal. Since we are not experts in the valuation of businesses or companies, we have relied solely on the Valuation Report for the appraised value of the Target Company. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group, nor have we conducted any form of an in-depth investigation into the business and affairs or the future prospects of the Group, the Vendors, Mr. Lau, the Target Company or their respective subsidiaries or associates (if applicable). In addition, we have not considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate and the Promissory Note), we have considered the following principal factors and reasons.

1. Information of the Group

As stated in the Board Letter, the Group is principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

Set out below is a summary of the financial information of the Group for the two years ended 31 March 2019 and the nine months ended 31 December 2018 and 31 December 2019 as extracted from the 2019 Annual Report and the 2019 Third Quarterly Report, respectively. During the below reporting years and periods, the Company had classified its printing services into (i) commercial printing; (ii) financial printing; and (iii) others.

	For the nine months ended 31 December		**For the year ended 31 March**	
	2019	**2018**	**2019**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue by services				
(i) Commercial printing services	30,078	35,046	46,543	55,247
(ii) Financial printing services	21,550	19,857	26,262	23,460
(iii) Other services *(Note)*	1,751	1,032	1,171	1,903
Total revenue	**53,379**	**55,935**	**73,976**	**80,610**
Gross profit	**10,332**	**15,518**	**20,180**	**25,452**
Loss for the period/year	**(7,632)**	**(6,586)**	**(7,569)**	**(8,562)**

Note: Other services included ad hoc design and artworks, and/or translation services, etc.

According to the 2019 Annual Report, for the year ended 31 March 2019, the Group recorded an annual decrease of approximately 8.23% in its total revenue, from approximately HK$80.61 million to HK$73.98 million, which was mainly attributable to the decrease in revenue from commercial printing services and other services. For commercial printing services, the revenue decreased by approximately 15.75%, from approximately HK$55.25 million for the year ended 31 March 2018 to approximately HK$46.54 million for the year ended 31 March 2019. The decrease in revenue for commercial printing services was mainly due to decrease in revenue from printing of direct mailing material, promotional and marketing materials. For financial printing services, the revenue from financial printing services increased by approximately 11.94%, from approximately HK$23.46 million for the year ended 31 March 2018 to approximately HK$26.26 million for the year ended 31 March 2019. The increase in revenue from financial printing services was mainly attributable to the increase in the number of customers, increase in the number of corporate transactions of these customers and increase in the number of engagements of IPO projects. For other services, the revenue decreased by approximately 38.47% from approximately HK$1.90 million for the year ended 31 March 2018 to approximately HK$1.17 million for the year ended 31 March 2019, resulting from the decrease in the standalone ad hoc sales orders.

According to the 2019 Third Quarterly Report, for the nine months ended 31 December 2019, the Group recorded a total revenue of approximately HK$53.38 million, representing a slight decrease of approximately 4.57% compared to that for the nine months ended 31 December 2018 of approximately HK$55.94 million, which was mainly attributed to the decrease in commercial printing services of approximately HK$4.97 million resulting from the decrease in sales orders. The gross profit of the Group amounted to approximately HK$10.33 million for the nine months ended 31 December 2019, representing a decrease of approximately 33.42% compared to the nine months ended 31 December 2018 of approximately HK$15.52 million, which was primarily because of the decrease in sales outweighing the decrease in overall cost of services.

The unaudited consolidated assets and liabilities of the Group as at 30 September 2019 as extracted from the 2019 Interim Report are summarized as follows:

	As at 30 September 2019 *HK$'000* (Unaudited)
Total assets	
— non-current assets	44,703
— current assets	84,365
Total liabilities	
— non-current liabilities	15,517
— current liabilities	25,821
Net current assets	**58,544**
Net assets	**87,730**
Equity attributable to owners of the Company	**87,270**

As at 30 September 2019, the unaudited net current assets and net assets of the Group were approximately HK$58.54 million and HK$87.73 million respectively. In addition, the Group had bank balances and cash of approximately HK$59.78 million as at 30 September 2019.

2. Information of the Vendors, Mr. Lau and the Target Company (each a "Party" and together the "Parties")

2.1. Information of the Vendors

Cornerstone is a company incorporated in the BVI with limited liability on 4 June 2018 and wholly-owned by Mr. Lau. Cornerstone is principally engaged in investment holding.

Norenex is a company incorporated in the BVI with limited liability on 17 October 2016 and indirectly owned as to approximately 33.33% by each of Mr. Liang, Mr. Wu and Mr. Li. Norenex is principally engaged in investment holding.

The Vendors, in addition to Mr. Lau, are the Warrantors in the Agreement.

2.2. Information of Mr. Lau

Mr. Lau is the sole shareholder of Cornerstone and an Independent Third Party as at the Latest Practicable Date.

Mr. Lau, in addition to the Vendors, is the Warrantor in the Agreement.

2.3. Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability on 10 July 2018, which is an electrical vehicle charging service provider and is principally engaged in supplying EV charging integrated solution, including supply and installation of EV chargers, developing EV charging-enabling infrastructure, central management system, hub for e-payment, load management system and license plate recognition system to electric vehicles and smart parking. Detailed information of the Target Company is disclosed in the section headed "The Target Company" of the Board Letter.

Set out below are the audited financial information of the Target Company as prepared in accordance with the Hong Kong Financial Reporting Standards for the period from 10 July 2018 (date of its incorporation) to 31 December 2019:

	For the period from 10 July 2018 (date of incorporation of the Target Company) to 31 December 2019
	Audited
	(HK$)
Loss before and after taxation	(9,103,082)

The audited net asset value of the Target Company as at 31 December 2019 was approximately HK$5.90 million.

For the period from 10 July 2018 (date of incorporation of the Target Company) to 31 December 2019, the Target Company recorded approximately HK$2.4 million of revenue and approximately HK$0.7 million of gross profit, representing a gross profit margin of approximately 29.2%. During the same period, the Target Company recorded a net loss of approximately HK$9.1 million, which was mainly due to administrative expenses amounting to approximately HK$9.8 million. These administrative expenses primarily consisted of salaries and allowance paid to the staff in R&D, expenses support for R&D activities and expenses for computer software which enabled the Target Company to maintain its competitiveness in the EV charging industry.

For the period from 10 July 2018 (date of incorporation of the Target Company) to 31 March 2020, the Target Company has recorded approximately HK$4.0 million of revenue, and approximately HK$1.2 million of gross profit, represents approximately 30.0% of gross profit margin. It has recorded a net loss of approximately HK$11.0 million. The unaudited net asset value of the Target Company as at 31 March 2020 was approximately HK$4.0 million.

3. Reasons for and benefits of the Acquisition

3.1. Target Company and the EV industry

According to the Board Letter, the Target Company is principally engaged in supplying EV charging integrated solution, including supply and installation of EV chargers, developing EV charging-enabling infrastructure, central management system, hub for e-payment, load management system and license plate recognition system to electric vehicles and smart parking in Hong Kong. As such, in order to gain further perspectives on the future business prospects of the Target Company, we have studied the EVs industry in Hong Kong.

Through our research, we noted that the Government has been active in promoting the use of EVs and had on 28 February 2018, announced the details of the first registration tax ("**FRT**") concessions for different types of EVs and the "One-for-One Replacement" Scheme, which would allow eligible private car owners who buy a new EV and scrap an eligible private car they own to enjoy a FRT concession of up to $250,000.[1] Since the eligibility criteria for "One-for-One Replacement" Scheme were relaxed on 28 January 2019, the number of eligible vehicles under the scheme had increased substantially by 30% to over 250,000.[2]

According to the 2019-20 Budget released by the Financial Secretary of Hong Kong on 27 February 2019, the Government considers the provision of corresponding charging facilities as essential in promoting wider use of EVs in Hong Kong. As mentioned in the 2019-20 Budget, the Government will explore ways to encourage the installation of EV charging facilities at car parks in existing buildings, and that HK$120 million will be allocated to extend the public EV charging networks at government car parks in parallel. It is expected that over 1,000 additional public chargers will in place by 2022, bringing the total number of chargers to 1,700. In addition, the Government will also identify suitable on-street parking spaces to install EV chargers on a trial basis and explore suitable locations to set up pilot quick charging stations for EVs.[3]

1 Please refer to https://www.td.gov.hk/en/public_services/licences_and_permits/vehicle_first_registration/new_frt_concessions_for_electric_vehicles_2018/index.html

2 Please refer to https://www.budget.gov.hk/2019/eng/budget38.html

3 Please refer to https://www.budget.gov.hk/2019/eng/budget38.html

The Government support for the use of EVs continued to show in the 2020-21 Budget, which was released by the Financial Secretary of Hong Kong on 26 February 2020. According to the 2020-21 Budget, the number of private EVs in Hong Kong had grew from approximately 70 in 2010 to approximately 13,600 in 2019, accounting for approximately 2.1% of the total number of private cars. Such adoption rate comes second to Beijing among major Asian cities. Regarding the provision of charging facilities, the Government plans to further launch a HK$2 billion pilot scheme in 2020 to install EV charging facilities in existing private parking lots of residential buildings, with a view to facilitate the installation of chargers by owners of individual parking spaces.[4] Through the three-year pilot scheme, it is expected that approximately 60,000 parking spaces will be benefited, and that in the next three years, one quarter of the parking spaces in Hong Kong will be equipped with EV charging facilities.[5]

As illustrated above, the EVs industry in Hong Kong has been growing and has continued to gain popularity and recognition, coupled with increasing support by government policies. As such, we concur with the Company that there exists a considerable growth potential for the EVs industry in Hong Kong and that the Acquisition will allow the Group to capture the opportunities arising from the potential growth of such industry.

3.2. Business diversification and expansion of income streams

Through our discussion with the management of the Company, we noted that with the stagnant financial performance of the commercial printing business resulted from the increasing concern on environmental protection, the Company has been concentrating its resources on its financial printing business, which is highly correlated with the initial public offering ("**IPO**") market in Hong Kong. However, in addition to the gradual decline in the number of IPOs in Hong Kong in 2019 compared to 2018, which was likely caused by the ongoing trade war between China and the U.S. and the social movements in Hong Kong, the outbreak of COVID-19 has also put pressure on the financial printing industry, and the Company expects that the IPO market would perform poorly due to the low market sentiment, and hence adversely affect the Company's financial printing business for at least the next 12-24 months. Due to the uncertainties in its financial printing business, the management of the Company has decided to explore new sustainable business opportunities which would be less likely to be affected by the COVID-19 pandemic, as well as political and economic uncertainties, and would ensure diversification of revenue for the interests of the Company and Shareholders as a whole.

4 Please refer to https://www.budget.gov.hk/2020/eng/pdf/e_budget_speech_2020-21.pdf

5 Please refer to https://www.info.gov.hk/gia/general/201910/15/P2019101500620.htm

As stated in the Board Letter, since EVs have become increasingly popular and that the Government has imposed subsidies policies to promote EVs, the Company is of the view that the potential growth of the charging solution and system business is promising. In view of the business prospects of the EV industry and the experienced management team of the Target Company, as illustrated in the section headed "Employee" of the Board Letter, the Directors therefore consider the Acquisition as an opportunity to diversify the existing business of the Group and broaden its source of income, thereby enhancing the Group's financial performance and return to the Shareholders in the long run. As such, in early February 2020, Mr. Liang and Mr. Wu initiated a negotiation with Mr. Li and Mr. Lau, indicating their intention for the Acquisition, which eventually led to the materialization of the Acquisition, despite the management of the Company has no intension to downsize or disposed of the existing printing business.

As advised by the Directors, although the Target Company generated minimal revenue and had been loss making in the first 18 months from its incorporation, it is not an indicator for its long-term profitability. According to our discussion with the Directors, Mr. Lau, being the founder of the Target Company, had started the EV charging business which was carried out under CTL since early 2016, before the incorporation of the Target Company in 2018. Even prior to the incorporation of the Target Company, CTL had already successfully registered the Patent relating to the EV charging business in 2017, reflecting the commercial viability of the EV charging business. Given that the operation of the EV charging business has been ongoing since 2016, we concur with the Directors that the incorporation date of the Target Company does not fully reflect its operation history.

From our independent research on the Target Company, we noted that the Target Company is a market leading EV charging service provider in Hong Kong, providing high-quality charging solutions for the industry and EV users in the market. In addition, the Target Company is a registered electrical contractor of the Electrical and Mechanical Services Department of the Government and an approved supplier of electric vehicle supply equipment in Hongkong Electric Company Limited.[6] As confirmed by our research on the industry, we also noted that the Target Company is one of the three major EV charging service providers with subscription model in Hong Kong, where the other two being (i) Smart Charge (HK) Limited, which is a joint venture

[6] Please refer to: https://cstl.com.hk/about-us/

of Hong Kong Telecommunications (HKT) Limited (Stock code: 6823) and CLP Holdings Limited (Stock code: 0002), and (ii) Hong Kong EV Power Limited, of which approximately 7.9% of its shareholding interests is owned by WE Solutions Limited (Stock code: 860). As of February 2020, the Target Company provided its EV charging subscription service in three residential car parks, while Smart Charge (HK) Limited's subscription services covered 26 car parks and Hong Kong EV Power Limited's subscription services covered 22 car parks. Based on that, the Target Company has approximately 5.9% market share in the EV charging subscription service sector.

Meanwhile, in view that the Target Company has entered into contracts with various large-scale enterprises and main contractors for the projects of the Government, and has provided EV chargers and EV charging subscription service in car parks all over Hong Kong Island, Kowloon and the New Territories, which account for approximately 21.1% of the total number of public EV chargers in Hong Kong and approximately 5.9% market share in the EV charging subscription service sector, and is going to enter into five new business contracts with sizable residential car parks, while which are delayed due to the prohibition on group gathering, causing the approval from the owner's corporation are not yet granted, the Company considers that the Target Company has significant growth potential in the Hong Kong EV charging industry, especially given the supportive policies implemented by the Government as discussed earlier and the fact that the Target Company is an early mover in the industry. In addition, from the Company's perspective, unlike the financial printing business, the Target Company's business is less likely to be significantly affected by the outbreak and spread of COVID-19, the on-going trade war between China and the U.S. and other geopolitical tensions. As such, the Acquisition, supported by the right amount of investment, is expected to provide the Target Company with a relatively stable cash flow and allow it to rapidly grow in its financial performance.

We also note that the net loss of approximately HK$9.1 million of the Target Company for the period from 10 July 2018 (date of incorporation) to 31 December 2019 was mainly attributable to administrative expenses, which primarily consisted of salaries and allowance paid to the staff in R&D, expenses support for R&D activities and expenses for computer software which enabled the Target Company to maintain its competitiveness in the EV charging industry. We understand from the Directors that, around HK$20 million has been invested in the EV charging business since 2016 and since the EV charging business is technology-driven, it requires, to a large extent, investments in R&D rather than investments in fixed assets. However, given that R&D investments are accounted as expenses rather than capitalization, the traditional asset value, and hence the Target Company's small asset base on the book, could not reflect the true value of the Target Company, especially in terms of the technological competitiveness and goodwill enjoyed by the Target Company. In this regard, we agree with the Directors that a valuation based on the Target Company's earning potential is a more appropriate method in determining the fair value of the Target Company.

We have reviewed the 10-year expansion plan (i.e. the financial forecast) prepared by the management of the Target Company and the Company (the "**Management**") for the ten years ending 31 December 2029, which is included in the Valuation Report and set out in Appendix II to the Circular, and noted that it is expected that the Target Company will record an earnings before interest and taxes ("**EBIT**") of between approximately HK$3.98 million and approximately HK$16.06 million starting from the year ending 31 December 2023. As such, the Acquisition represents an investment opportunity in a profit-making business which would enhance the Enlarged Group's overall profitability. Meanwhile, as the Company will settle part of the Consideration through Consideration Shares and Promissory Note, the Company will enjoy the flexibility in retaining its cash resources for general working capital purposes. In addition, as illustrated in the below section headed "Possible shareholding effects to the Acquisition" of this letter, immediately after the allotment and issue of the Consideration Shares, there will be no material changes in the shareholding structure of the Company, implying that the issue of Consideration Shares would unlikely lead to material changes in the Company's business. Regarding the cash consideration in the total sum of HK$15,000,000 to Norenex, we noted from the 2019 Interim Report that the Group had bank balances and cash of approximately HK$59.78 million as at 30 September 2019, meaning that the Group has sufficient financial resources to settle the said cash consideration.

Having considered that (i) the Acquisition represents an attractive investment opportunity of the Group to tap into the growing EV charging service industry and generate an additional income stream, while benefit from the relevant supportive government policies; (ii) the Acquisition is in line with the Group's plans for diversification and expansion and would help mitigate the commercial risks bought by the imminent outbreak of COVID-19; (iii) the Target Company is expected to be profitable in long-term; (iv) part of the Consideration will be settled by way of issuing Consideration Shares and

Promissory Note, which would enable the Group to retain its cash resources for general working capital; (v) the Group had sufficient financial resources to settle the cash consideration of HK$15,000,000; and (vi) the Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to the preliminary valuation of the Target Company prepared by the Independent Valuer, of approximately HK$32,636,000 as at 31 December 2019 (our review of which is detailed in the below section headed "Assessment of the Consideration" of this letter), we concur with the Directors that the Acquisition is commercially justifiable and in the interests of the Company and the Shareholders as a whole.

4. The Agreement

Set out below are the principal terms of the Agreement.

4.1. Subject matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and (i) Cornerstone has conditionally agreed to sell the Sale Shares A (representing approximately 28.12% of the equity interests in Target Company); and (ii) Norenex has conditionally agreed to sell the Sale Shares B (representing approximately 71.88% of the equity interests in Target Company) and the Sale Loan, free from all encumbrances and together with all rights and benefits attached and accrued to them at the Completion Date.

The Sale Shares represent the entire issued share capital of the Target Company as at the Latest Practicable Date. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated with those of the Group.

4.2. Consideration

The consideration for the Sale Shares and the Sale Loan payable by the Purchaser to the Vendors shall be an aggregate of HK$35,000,000 (of which Consideration Shares of approximately HK$15,000,000 and cash consideration of HK$15,000,000 shall be used to satisfy the consideration for the Sale Shares), which shall be satisfied by the Purchaser in the following manner:

(i) the consideration for the Sale Shares A is HK$8,437,000, which will be satisfied by way of the allotment and issue of 22,802,703 Consideration Shares to Cornerstone (or its nominee(s)) at the Issue Price and credited as fully paid;

(ii) the consideration for the Sale Shares B and the Sale Loan is HK$26,563,000, which will be satisfied by way of the allotment and issue of 17,737,838 Consideration Shares to Norenex (or its nominee(s)) at the Issue Price and credited as fully paid together with the cash consideration in the total sum of HK$15,000,000. The Sale Loan represents the amount of not less than HK$5,000,000 to be due from the Target Company to Norenex upon Completion, which will be settled by the issue of the Promissory Note upon Completion.

The implied consideration for the Sale Shares of HK$30,000,000 was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to the valuation of the Target Company prepared by the Independent Valuer of approximately HK$32,636,000 as at 31 December 2019. As such, the implied consideration for the Sale Shares of HK$30,000,000 represented a discount of approximately 8.08% to the appraised value. For further details in relation to the valuation methods adopted by the Independent Valuer, please refer to the section headed "Assessment of the Consideration" of this letter.

4.3. Consideration Shares

The Consideration Shares comprise a total of 40,540,541 Shares, which represent approximately 9.21% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 8.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank pari passu in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue. The Consideration Shares will be issued by the Company under the Specific Mandate. The Issue Price represents:

(i) a discount of approximately 2.63% to the closing price of approximately HK$0.380 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a discount of approximately 3.65% to the average closing price of approximately HK$0.384 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the trading date on the date of the Agreement; and

(iii) a discount of approximately 1.60% to the average closing price of approximately HK$0.376 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the trading date on the date of the Agreement.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendors, with reference to, among others (i) the prevailing market price of the Shares, (ii) the liquidity of the Shares, and (iii) the financial performance of the Group.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

For further details in relation to our review of the Consideration Shares, please refer to the below section headed "Assessment of the Issue Price of the Consideration Shares" of this letter.

4.4. Conditions precedent

Completion is conditional upon the satisfaction (or waiver by the Purchaser, where applicable) of the following Conditions:

(i) the Purchaser being satisfied with the results of the due diligence review on the Target Company;

(ii) no applicable law, order or governmental authority shall have been enacted, made effective or constituted (as the case may be) that materially delays or makes illegal the performance of the Agreement;

(iii) all regulatory approval required to have been obtained by the Parties having been obtained on terms reasonably and satisfactorily to the Purchaser;

(iv) the passing of board resolutions of the Purchaser or its holding company to approve the execution of the Agreement and the transaction contemplated hereunder, including but not limited to the acquisition of the Sale Shares and the Sale Loan, the issue of the Promissory Note and the allotment and issue of the Consideration Shares;

(v) no material adverse change having occurred to the business, assets, financial position and performance of the Target Company;

(vi) no objection having been raised by the Stock Exchange to the transactions contemplated under the Agreement prior to or on the Completion Date, and the issuance of the announcement and circular pursuant to the GEM Listing Rules;

(vii) the warranties contained in the Agreement shall remain true, accurate and not misleading in any material aspects as given as the date of the Agreement at all times up to and including the Completion Date;

(viii) the Listing Committee granting approval for the listing of and permission to deal in the Consideration Shares;

(ix) the passing by the Independent Shareholder of the Company at the EGM to approve the Agreement and the transactions contemplated thereunder (including the Specific Mandate);

(x) all Intellectual Property Rights owned or controlled by the Warrantors which are necessary to carry out the business are transferred to the Target Company or licensed between the respective parties to the Target Company at minimal costs; and

(xi) Mr. Lau shall have entered into an employment agreement in form and substance satisfactory to the Purchaser.

The Purchaser has the right to waive conditions (i), (v), (vii) and (x) in writing. Regarding the Intellectual Property Rights mentioned in (x), we noted from the Company that, such intellectual property rights refer to the short-term Patent on the title of invention in respect of an overhead charging system with cable management unit which is of significance to the Target Company, as the core business of the Target Company is the provision of charging solutions and charging system to EVs. As disclosed in paragraph (x) under the section "Conditions precedent" in the Company's announcement dated 21 February 2020 in respect of the Acquisition, the Patent shall be transferred to the Target Company before Completion. Upon signing of a transfer document for the transfer of ownership of the Patent (the "**Transfer**"), the Purchaser is required to register the Transfer with the Patents Registry of the Intellectual Property Department of the Government. The Parties had agreed that the Purchaser should be given the right to waive such condition precedent, because the Purchaser was under the impression that the registration would take a considerably long period of time to complete and that may delay the Completion Date. However, since the registration is a legal requirement, it is not expected that the Purchaser will waive such condition precedent. In any event, the ownership of the Patent is vested in the Purchaser at the time of signing the relevant transfer document, but not at the time of completion of the registration of the Patent. In light of such and the fact that the right to waive (x) is given to the Purchaser but not the vendors, we consider that the terms of the Acquisition is fair and reasonable as it protects the interests of the Company by ensuring the Patent will be transferred to the Target Company before Completion.

If any of the Conditions have not been satisfied or otherwise waived on or before the Long Stop Date (or such other date as agreed by parties to the Agreement in writing), the Agreement shall be terminated.

As at the Latest Practicable Date, Conditions (iii), (iv), (v) and (vi) have already been fulfilled.

4.5. Indemnity

Pursuant to the Agreement, the Warrantors shall indemnify and at all times keep indemnified the Indemnified Parties from and against all losses, liabilities, damages, costs (including legal costs), charges, interests, penalties, expenses (including taxation), disbursements, actions, claims or proceedings reasonably incurred, suffered or sustained by each of the Indemnified Parties or asserted against each of the Indemnified Parties or any or all of them directly or indirectly resulting from or arising out of or in connection with any of the following:

(i) any breach of warranties or any breach by either Vendors of any material terms of the Agreement;

(ii) any breach of any of the undertakings under the Agreement by either Vendors;

(iii) all existing, contingent or conditional liabilities of the Target Company, with a cause or origin in events, facts or transactions arising on or before the date of the Target Company Accounts and which have not been accounted or provided for, or the part of such liabilities exceeding the amount accounted or provided for in the Target Company Accounts;

(iv) any losses including taxes, duties, levies, delayed interest or penalties not provided for in the Target Company Accounts, or the part of such losses exceeding the amount accounted or provided in the Target Company Accounts which may result from any administrative, tax, customs or social security investigation of the Target Company in relation to the period prior to the Completion Date; and

(v) any fictitious assets of the Target Company as accounted for in the Target Company Accounts.

We consider the above indemnity clause as an insurance to the Purchaser and the Target Company (i.e. the Enlarged Group) as it can protect them against the commercial risks listed above. With such additional protection to the Purchaser and the Target Company, we are of the view that the above indemnity clause is in the interests of the Company and the existing Shareholders as a whole.

4.6. Promissory Note

The following are the principal terms of the Promissory Note:

Issuer:	The Company
Principal amount:	HK$5,000,000
Maturity date:	The date falling on the third anniversary from the date of issue of the Promissory Note (the "**Maturity Date**")
Issue price:	The Promissory Note will be issued at 100% of its principal amount
Interest:	5% per annum

Transferability:	The Promissory Note shall be freely transferrable or assignable by Norenex to any party upon prior written approval of the Company
Early redemption:	The Company may in its sole discretion, with not less than 10 Business Days' prior written notice, elect to repay all or any part of the amount outstanding under the Promissory Note at any time prior to the Maturity Date
Listing:	No application will be made for the listing of, or permission to deal in, the Promissory Note on the Stock Exchange or any other stock exchange

We consider the issue of the Promissory Note would provide the Group with additional flexibility in managing its cash resources, as it would allow the Group to make its repayment at any time prior to the Maturity Date in its sole discretion. Compared to the issue of Consideration Shares, the issue of the Promissory Note as partial settlement for the Consideration would also allow the Group to avoid further dilution of the shareholding of the existing public Shareholders (other than Cornerstone). As such, we consider that the issue of the Promissory Note is in the interests of the Company and the existing Shareholders as a whole.

For further details in relation to our review of the Promissory Note, please refer to the below section headed "Assessment of the principal terms of the Promissory Note" of this letter.

5. Assessment of the Consideration

To assess the fairness and reasonableness of the Consideration, we have reviewed and considered the valuation of the Target Company in the amount of HK$32,636,000 as at 31 December 2019, as set out in the summary of the Valuation Report contained in Appendix II to the Circular. The valuation was conducted by adopting a discounted cash flow method under the income approach. We noted that the consideration for the Sale Shares of HK$30,000,000 represented a discount of approximately 8.08% to the appraised value.

We have performed the works as required under Note 1(d) to Rule 17.92 of the GEM Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) assessment of the Independent Valuer's experiences in valuing entities in the Hong Kong similar to the Target Company; (ii) obtaining information on the Independent Valuer's track records on other business valuations; (iii) inquiry on the Independent Valuer's current and prior relationship with the Group and other parties to the Agreement; (iv) review of the terms of the Independent Valuer's engagement, in particular its scope of work, for the assessment of the valuation of the Target Company; and (v) discussion with the Independent Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

5.1. Independent Valuer

We understand that Mr. Wiley Pun ("**Mr. Pun**"), the director of the Independent Valuer and the signor of the Valuation Report, among others, is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a non-practising member of the Chinese Institute of Certified Public Accountants, and that he holds a Professional Risk Manager (PRM) designation issued by the Professional Risk Managers' International Association. Mr. Pun has over 10 years of experience in business valuations. We have also obtained information on the Independent Valuer's track records on other business valuations and noted that the Independent Valuer had been the valuer for a wide range of private companies in Hong Kong. As such, we are of the view that the Independent Valuer and Mr. Pun are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the Target Company.

We have also enquired with the Independent Valuer as to its independence from the Group and the Parties and were given to understand that the Independent Valuer is an Independent Third Party of the Group and its connected persons. The Independent Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Independent Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the valuation, no arrangements exist whereby it will receive any fee or benefit from the Group and its associates.

Furthermore, we also noted from the engagement letter entered into between the Company and the Independent Valuer that the scope of work was appropriate for the Independent Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Independent Valuer in the Valuation Report.

5.2. Valuation basis

We have reviewed the Valuation Report and understand that the Valuation Report was prepared based on a going concern premise and in accordance with the International Valuation Standards ("**IVS**") on business valuation published by International Valuation Standards Council.

According to IVS, market value is defined as intended to mean *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*. Since no unusual matters had come to our attention that led us to believe that the Valuation Report was not prepared on a reasonable basis, we believe that the valuation fairly represents the market value of the Target Company and forms a fair and reasonable basis for our further assessment on the Consideration.

5.3. Valuation methodology

We have discussed with the Independent Valuer on the methodology adopted in valuing the entire issued share capital of the Target Company as at 31 December 2019 and noted they had considered the three generally accepted valuation approaches, namely the income approach, the market approach and the cost approach.

As stated in the Valuation Report, according to the IVS,

1. *"the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset;*

2. *the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available; and*

3. *the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence."*

According to the Independent Valuer, since the Target Company was only incorporated in July 2018, there are insufficient publicly listed comparable companies at similar size and stage for appropriate valuation multiple analysis. Therefore, the market approach is not adopted in their valuation of the Target Company. On the other hand, the Independent Valuer also considered the cost approach as not appropriate as it cannot capture the future earning potential of the Target Company from its operation. Given the close relationship between the cash flow and the value of a company, and the availability of a financial forecast of the Target Company, the income approach was adopted in arriving at the valuation of the Target Company, as it takes into account the ability of the Target Company in generating economic benefit streams and its future growth potential.

In assessing whether it is appropriate to adopt the income approach to appraise the Target Company, we have looked into the IVS for insights how to decide on a valuation approach under different circumstances.

As the Target Company was newly incorporated in 2018 and has been losing making, we consider the cost approach as not appropriate as there may not be a high degree of reliability in the value of the asset base of the Target Company, especially when the Target Company operates in a relatively new industry and the majority of its assets are bank balances and cash and other intangible assets as at 31 December 2019 and 31 March 2020. With the Target Company being an asset-light company in a relatively new industry, we therefore consider the cost approach as not appropriate for valuing the Target Company.

On the other hand, in assessing whether the market approach is appropriate for appraising the Target Company, we had conducted an independent research on companies comparable to the Target Company with our selection criteria including companies listed on the Stock Exchange and are engaged in EV-related businesses. From our research, we had identified three comparable companies, namely Coslight Technology International Group Limited (Stock code: 1043), Hybrid Kinetic Group Limited (stock code: 1188), and China Trustful Group Limited (stock code: 8265). As further discussed in the below sub-section headed "Discount rate", although the Independent Valuer could not identify any publicly listed companies in Hong Kong with business model and stage of development comparable to the Target Company, the Independent Valuer had adopted a less restrictive selection criteria and included five comparable companies that are suppliers of EV charging equipment and solution outside Hong Kong as part of their calculation of the cost of equity under the income approach. Since these five companies do not include those comparable companies identified by us, we have enquired the Independent Valuer and understood that our comparable companies were excluded in the valuation and would not be appropriate for a market approach valuation because these companies are engaged in the manufacturing of EV or batteries rather than the provision of charging services like the Target Company, or EV charging business like the comparable companies selected by the Independent Valuer. Meanwhile, we have looked into the comparable companies identified by the Independent Valuer and confirmed that while these companies are engaged in EV charging business similar to those of the Target Company, they are not suitable to be used for market approach purposes as they may have a business model and/or at a different stage of development compared to that of the Target Company, do not operate in Hong Kong and some have other non EV-related businesses.

Having compared the business natures of the comparable companies identified by us and the Independent Value, as well as those of the Target Company, we confirmed the Independent Valuer's view that there were insufficient publicly listed comparable companies at similar size and stage available for a meaningful comparison, which is a prerequisite for conducting the market approach. Accordingly, we agree that the market approach is not appropriate for valuing the Target Company.

Finally, according to the IVS, the income approach should be used as the primary basis for a valuation under the circumstances when among others, *"reliable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables."* Given the availability of the 10-year expansion plan prepared by the Management for the ten years ending 31 December 2029, and our view that it forms a fair and reasonable basis in the Valuation Report as discussed in the following sub-section, we consider the adoption of the income approach for the valuation of the Target Company as appropriate.

As indicated in the above section headed "Basic of our opinion" of this letter, since we are not experts in the valuation of businesses or companies, we have relied solely on the Valuation Report for the appraised value of the Target Company, and that save and except for our review of the Valuation Report and our assessment of the methodologies and assumptions adopted as discussed in the following sub-sections, we have not made any independent evaluation or appraisal of the assets and liabilities of the Target Company, nor have we been furnished with any such evaluation or appraisal. As the Independent Financial Adviser to the Company, in addition to assessing whether the methodologies and assumptions used in the Valuation Report are reasonable, our scope of work includes cross-checking the valuation using other methodologies that we consider appropriate and commenting on the results and any material differences. However, as discussed above, we consider the cost approach and market approach as not appropriate for appraising the Target Company, and that it is difficult, if not impossible, to arrive at a meaningful valuation result under these two approaches given the lack of reliability in the value of the Target Company's asset base as well as the lack of comparable companies on the market, especially when we are not a specialist in business valuation. As such, we consider a comparison of results under different valuation approaches as neither plausible nor meaningful, and we have not cross-checked with other valuation methods for the valuation results. Nonetheless, while it is not in our scope of work to perform separate business valuations, we have, on a best effort basis, assessed the methodologies and assumptions used in the Valuation Report by conducting independent research, which has involved reviewing the IVS and seeking comparable companies available for the purposes of conducting the market approach, and by having performed the works as required under Note 1(d) to Rule 17.92 of the GEM Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report as discussed in this section. We consider the independent work done performed by us as sufficient for us to reach an informed view and to provide a reasonable basis for our opinion on the Valuation Report and the valuation method, and we consider income approach as most appropriate for valuing the Target Company.

In further assessing the valuation process under the income approach, we have discussed with the Independent Valuer and understand that the Independent Valuer has conducted site visit, interview with the management of the Target Company, financial analysis and industry analysis to assess the reasonableness of the financial forecast when adopting the income approach for its valuation. In addition, we noted that the Independent Valuer has performed reasonableness check on the income approach valuation using market approach with reference to a recent transaction of the Target Company's shares, details of which are discussed in the below sub-section headed "Cross check with market approach" and in section 10 of the Valuation Report contained in Appendix II to the Circular. We understand that through such valuation procedures, the Independent Valuer considers the overall valuation reasonable.

As stated in the Valuation Report, *"under income approach, value of the business entity is derived primarily from the present value ("**PV**") of its future cash flow, typically through the use of discounted cash flow ("**DCF**") method"*. In valuing the Target Company, the Independent Valuer had used the free cash flow to firm ("**FCFF**") under the DCF method, which assumes the surplus cash flow available to the Target Company will be debt-free, as it is understood that the Company may consider to finance the Target Company's business expansion with its internally available resources rather than debts. In order to analyze whether the discounted cash-flow method is fair and reasonable for the valuation of the Target Company, we have considered the following:

(i) Financial forecast

In arriving at the valuation of the Target Company, the Independent Valuer had considered the 10-year expansion plan (i.e. the financial forecast), which was prepared by the Management based on, among others, the Target Company's current market share of 5.9% in the EV subscription service sector, and the car park spaces to be installed with the EV charging facilities available in the market. As discussed in the above section headed "Reasons for and benefits of the Acquisition" of this letter, we confirmed from our independent research that the Target Company is one of the three major EV charging service providers with subscription model in Hong Kong and that as of February 2020, based on the three residential car parks where the Target Company provides its EV charging subscription service, the 26 car parks covered by Smart Charge (HK) Limited's subscription services and the 22 car parks covered by Hong Kong EV Power Limited's subscription services, the Target Company had approximately 5.9% market share in the EV charging subscription service sector. In assessing whether the Target Company would maintain the 5.9% market share during the forecasted period in the 10-year expansion plan, we have obtained and reviewed the calculation of the said financial forecast as well as the supporting information which include the contracts entered into between the Target Company and various large-scale enterprises and main contractors for projects of the Government, and understood that the Target Company had coverage over Hong Kong Island, Kowloon and the New Territories and experience in undertaking the Government projects. Accordingly, we are of the view that it is reasonable to assume the market share of the Target Company would remain at least at the 5.9% level during the forecasted period.

Based on the estimated 5.9% market share of the Target Company in the EV charging subscription service sector during the forecasted period and the expectation that the Target Company's revenue will mainly consist of subscription revenue by EV users and installation revenue generated at the time of subscription over the forecast period, it is estimated that the EV charging subscription services provided by the Target Company will cover approximately 3,540 parking spaces in Hong Kong with EV charging enabling facilities by 2022, after having considered the policies imposed by the Government to promote the use of EVs in Hong Kong by way of (i) allocating HK$120 million to install over 1,000 medium chargers at car parks fully or partially open to the public in 2020 to 2022, and (ii) earmarking HK$2 billion to subsidise the installation of EV charging infrastructure, which is estimated to equip approximately 60,000 existing private residential parking spaces by 2022. In this regard, we noted from our independent research that, as at the end of September 2019, there were 2,506 public EV chargers in Hong Kong,[7] while as at the end of March 2020, such number had grown to 2,968,[8] representing a growth of approximately 18.4% during such six-month period and suggesting that the Government's supportive policy has been effective in promoting the adoption of EVs. However, despite such supportive policy environment and industry growth, the management of the Target Company had adopted a conservative approach in preparing its 10-years financial forecast, which prolonged the period for such expected increment in coverage from 2 years to 10 years, despite the

7 Please refer to: https://unwire.pro/2019/12/03/electric-car-hong-kong-interview/executive-interview/

8 Please refer to: https://www.epd.gov.hk/epd/tc_chi/environmentinhk/air/prob_solutions/promotion_ev.html

Management was of the view that the Target Company would likely outperform such 10-year expansion plan. Given the above, we are of the view that the timing and amount of future cash flows of the Target Company are reasonably projected.

We have also discussed with the Management in relation to the underlying basis and assumptions and understand that the financial forecast of the Target Company was arrived at based on certain underlying basis and assumptions. As stated in the section headed "The valuation approach" of the Board Letter, the Directors confirm that such financial forecast, on which the Valuation Report is based, has been made after due and careful enquiries using the general assumptions and key specific assumptions under the income approach (the "**Assumptions**"). In this regard, we have considered the respective letter from the Financial Adviser and the Reporting Accountants in relation to the financial forecast as contained in Appendices III and IV to the Circular, and noted that in accordance with Rule 19.62 of the GEM Listing Rules, the Reporting Accountants has reviewed the financial forecast and confirmed that it has been properly compiled in accordance with the Assumptions adopted by the Directors, while the Financial Adviser is satisfied that the financial forecast has been made by the Directors after due and careful enquiry. As such, with the assistance of the Financial Adviser and the Reporting Accountants, the Board, including the Independent Board Committee, is of the view that the 10-years expansion plan of the Target Company is prudent and feasible. In ensuring the estimates used in the financial forecast are accurate, reliable and reasonable, we understand that the Board had also performed certain due diligence practices before the Acquisition, details of which are set out in the section headed "The valuation approach" of the Board Letter. Further details of the Board's, including the Independent Board Committee's, view on the financial forecast are discussed in the sub-section headed "Reliability of the forecasted revenue" under the section headed "The valuation approach" of the Board Letter, while details on the basis of the financial forecast in connection with the valuation of the Target Company prepared by the Independent Valuer are discussed in the sections headed "Implementation of DCF method for valuation of the target" as set out in the Valuation Report contained in Appendix II to the Circular. We understand that the Board, including the Independent Board Committee, as well as the Independent Valuer, are of the view that the underlying basis and assumptions of the financial forecast are fair and reasonable, and upon our review of these underlying basis and assumptions and the respective letter from the Financial Adviser and the Reporting Accountants in relation to the financial forecast as contained in Appendices III and IV to the Circular, we concur that the financial forecast form a fair and reasonable basis in the Valuation Report.

Based on the above, whilst there is always a degree of uncertainties associated with the projections, such as the risk factors set out in section 8 of the Valuation Report as contained in Appendix II to the Circular, considering (i) the Government's policies which support the use of EVs in Hong Kong, and the expected growing popularity of EV in Hong Kong over the long term which will result in a rise in demand for EV charging business; (ii) the Target Company is one of the three major EV charging service providers with subscription model in Hong Kong; (iii) the Target Company has already been engaged by various large-scale enterprises and main contractors for projects of the Government, and had coverage over Hong Kong Island, Kowloon and the New Territories and experience in undertaking the Government projects; (iv) the capability of the Target Company's management; and (v) the Target Company's market position and the business development plan as endorsed by the Board (including the Independent Board Committee), we consider that it is fair and reasonable to assume the EV charging business has growth prospect and that the financial forecast of the Target Company was prepared on a reasonable basis.

(ii) *Discount rate*

As the adoption of the discounted cash flow method requires an appropriate discount rate for the Target Company, we noted that the Independent Valuer had used the Capital Assets Pricing Model (the "**CAPM**") to estimate the cost of equity, which is then used to calculate the weighted average cost of capital ("**WACC**") for discounting FCFF into PV. Although the Target Company's subscription model is in early stage, its product is already ready for commercial use. Therefore, the Independent Valuer considered the use of CAPM more appropriate, as opposed to alternative reference such as that of venture capital rate of return which is more applicable to companies with products in pilot stage.[9]

[9] Please refer to "Accounting and valuation guide — Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies" published by AICPA

In estimating the WACC, the Independent Valuer had taken into consideration pertinent factors which primarily include (i) the market and the business risks of the Target Company; (ii) the general economic outlook as well as specific investment environment for the business; (iii) the nature and current financial status of the Target Company; (iv) the forecast performance of the Target Company; (v) the market expectation and required rate of return for similar businesses; and (vi) the assumptions as stated in the sub-sections headed "Specific assumptions" and "General assumptions" as set out in the Valuation Report contained in Appendix II to the Circular.

We have discussed with the Independent Valuer regarding the aforementioned factors and noted that when estimating the cost of equity, it is a market practice for valuers to take into account the risk-free rate, the equity risk premium as well as the firm specific risk factors (e.g. size premium) that are independent of the general market. Given that the Target Company was incorporated and operates in Hong Kong, we consider it fair and reasonable for the Independent Valuer to select the Hong Kong 10-year government bond yield as at date of the valuation as the risk-free rate and a Hong Kong market risk premium as the equity risk premium in estimating the cost of equity. Meanwhile, we noted that the equity risk premium is determined with reference to the long term equity risk premium for Hong Kong quoted on the Damodaran Online, which we understand is an equity risk premium research online database published by Aswath Damodaran, a finance professor at New York University whose work in equity risk premium is internationally adopted in the valuation industry.

As mentioned in an earlier section, the Independent Valuer could not identify any publicly listed companies in Hong Kong with business model and stage of development comparable to the Target Company, and therefore the market approach was not adopted in their valuation of the Target Company. However, since the Independent Valuer was of the view that the Target Company is subject to the EV charging solution industry risk that is applicable to companies in the same industry even if they are in different stage of development or countries given the global trend towards EV adoption, they had adopted a less restrictive selection criteria, and included five comparable companies that are suppliers of EV charging equipment and solution outside Hong Kong as part of their calculation of the cost of equity. As discussed earlier, although these comparable companies are not appropriate to be used for market approach purposes as they may have a different business model and/ or at a different stage of development compared to that of the Target Company, do not operate in Hong Kong and some have other non EV-related businesses, we confirmed from our review that these comparable companies are all engaged in EV charging equipment and solution businesses that are similar to those of the Target Company. We also understood that the Independent Valuer assessed and acknowledged the limitation in the availability of closely comparable companies owing to the nascent stage of the EV charging subscription service industry as a whole, and considered such issue as commonly seen in using the income approach to value companies with new business model that has no existing good comparable companies. In fact, it is a common valuation practice to start by identifying companies that are broadly comparable in terms of service offerings or industry risk, and then to adjust the difference through specific risk premium, which is the treatment adopted at present, and that the calculation of discount rate under CAPM can be done with reference to listed companies under such treatment. We also noted from the Independent Valuer that, while there is partial mismatch between the industry the comparable companies engaged in and that of the Target Company, the comparable companies mainly affect the discount rate through the beta, which is only one of the many parameters affecting the discount rate calculation. At an equity risk premium of 6.23%, a 3% specific risk premium is equivalent to adding 0.48 to the beta of 1.05 derived from comparable companies. A beta of 1.53 is considered high given that the industry of the Target Company is similar to utilities and a necessity to EV, and the business model is secured by long term contract with high switching costs. In light of the above, we understand from the Independent Valuer that, the requirement for the selection of comparable companies for income approach is less stringent than that for market approach valuation, as comparable companies are selected mainly for discount rate determination and hence the focus is on industry risk (i.e. systematic risk), while unsystematic risk can be adjusted through the application of specific risk premium. Therefore, despite the comparable companies are in different development stage or engaged in different businesses or countries compared with the Target Company, the limitation of their comparability can be adjusted through other mechanism, thus permitting a less restrictive selection criteria and allowing the selected companies to serve a reasonable basis for discount rate determination.

According to the Independent Valuer, the fairness and reasonableness of the discount rate should be assessed with reference to the financial projections, thus the size of specific risk premium is also related to the risk embedded in the financial projections. For example, a more aggressive financial forecast would warrant a higher specific risk premium, while a more conservative forecast would require a lower specific risk premium. Since we are not experts in the valuation of businesses or companies, we understand that the Independent Valuer had determined the specific risk premium based on their professional judgements. Nonetheless, given that these comparable companies are all engaged in EV charging equipment and solution businesses that are similar to those of the Target Company, we are of the view that the Independent Valuer's selection criteria and list of comparable companies are fair and reasonable for the calculation of the discount rate, especially when the Independent Valuer had performed market approach to cross check the valuation from the income approach as discussed in the below sub-section headed "Cross check with market approach", and that the implied control premium was considered by the Independent Valuer as reasonable. In addition, we are of the view that the discount rate of 16% adopted in the income approach, which implies that the Acquisition at exactly the valuation level would generate a 16% internal rate of return if the Target Company would be able to perform in accordance with the 10-year expansion plan, is fair and reasonable, given that from our experience, it is common for an asset-light company like the Target Company to achieve an internal rate of return of between 15% to 20%.

Finally, we noted from the Valuation Report that the adopted cost of debt before tax of 5.00% is equivalent to the Hong Kong prime rate based on HSBC prime rate, and we are of the view that such basis for determining the cost of debt before tax is appropriate given that the Target Company's principal place of business is in Hong Kong.

In view of the above, we consider the calculation of WACC as well as the adoption of WACC as the discount rate are fair and reasonable.

*(iii) Discount for lack of marketability (“**DLOM**”)*

Marketability is defined as the ability to convert an investment into cash quickly at a known price at a minimal cost, and a DLOM is a downward valuation adjustment which is used to reflect an investment’s reduced level of marketability. As a lack of marketability is often associated with private companies, a DLOM should be employed when valuing the Target Company. As set out in the Valuation Report, the Independent Valuer adopted a DLOM of 20.6% to compensate for the difficulty of selling the shares of the Target Company that are not traded on a stock exchange, compared with those of the comparable companies that are traded publicly in their respective stock exchange markets. We have discussed with the Independent Valuer and noted that such DLOM was obtained from Stout Risius Ross, LLC in the 2019 edition of the Stout Restricted Stock Companion guide,[10] the source of reference had been reviewed by us and we noted that the DLOM of 20.6% was determined based on the average DLOM of approximately 20.6% derived from 751 transactions in the study (as of March 2019) spanning from July 1980 through June 2018. Given that the DLOM adopted by the Independent Valuer was determined based on empirical evidence, we consider that such DLOM being used is fair and reasonable.

Given the above and the fact that the discounted cash flow method under the income approach applied by the Independent Valuer is one of the generally accepted methodologies adopted by professional valuers and is in compliance with the IVS on business valuation published by International Valuation Standards Council, we consider that the methodology and basis adopted by the Independent Valuer in determining the value of the Target Company are appropriate.

5.4. Valuation assumptions

We noted that the Independent Valuer has made various assumptions for the valuation of the Target Company, details of which are set out in the sub-sections headed “Specific assumptions” and “General assumptions” as set out in the Valuation Report contained in Appendix II to the Circular. We have discussed with the Independent Valuer and reviewed the assumptions made and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Valuation Report.

10 Please refer to https://www.bvresources.com/docs/default-source/free-downloads/restricted-stock-study-stout-companion-guide.pdf?sfvrsn=b0ebc8b2_4

5.5. *Cross check with market approach*

According to the Valuation Report, although the market approach was not adopted in valuing the Target Company, the Independent Valuer was aware that Norenex acquired 563 equity shares ("**Nodetech Shares**"), which accounted for approximately 1.88% equity interest of the Target Company, from Nodetech Limited ("**Nodetech**") for HK$0.5 million in a transaction that was completed on 14 February 2020 ("**Subsequent Transaction**"), after which Nodetech ceased to be a shareholder in the Target Company. As the Subsequent Transaction constitutes a recent transaction in the equity of the Target Company, which may reflect the market value of the Target Company at the time of transaction, the Independent Valuer had compared the value implied from the Subsequent Transaction to the appraised value derived from the income approach to cross check to reasonableness of the DCF.

According to the Valuation Report, the Subsequent Transaction of 1.88% equity interest of the Target Company at HK$0.5 million implies a 100% equity value at HK$26.6 million on a non-controlling basis. The appraised value of the Target Company as at the date of the valuation of HK$32.6 million on a controlling basis, therefore represents a premium of 22.5% when compared to the 100% equity value implied from the Subsequent Transaction.

Given that controlling interest in a company is typically considered more valuable than non-controlling interest due to the ability of the former to direct managerial and financial decisions. The difference between the two is called the control premium ("**CP**"), as non-controlling interest, as in the case of the Subsequent Transaction, is usually considered to carry a discount for lack of control ("**DLOC**") in their value compared to controlling interest. Therefore, when cross-checking the appraised value of the Target Company in the Valuation Report, the Independent Valuer had taken into account such DLOC observed from the Subsequent Transaction, and was of the view that CP implied in their valuation under income approach is reasonably above the value implied from the Subsequent Transaction.

For details on the cross-checking work performed by the Independent Valuer, please refer to the section headed "Cross check with market approach" set out in Appendix II to the Circular.

5.6. Section conclusion

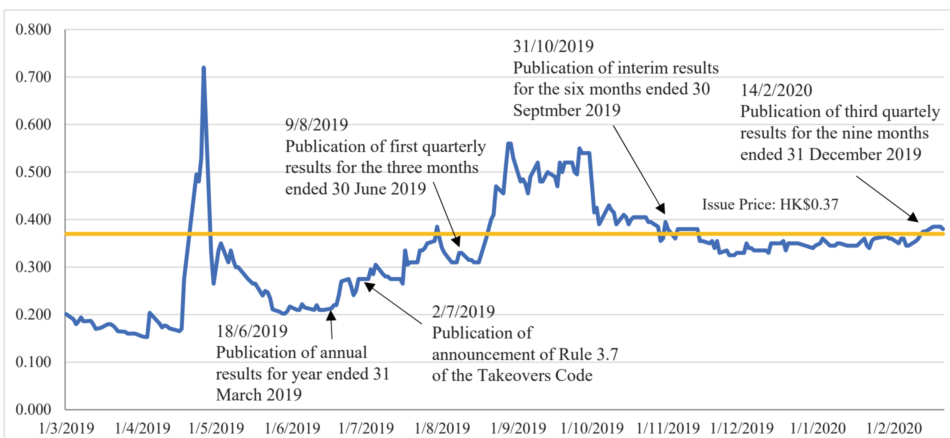
Given that the Target Company is a relatively new company which has only began to generate revenues starting from July 2018, and that the business engaged by the Target Company is considered a new market or an existing market evolving with a new technology, we consider a separate assessment on the Target Company's price-to-earnings ratio and price-to-net-asset-value ratio as not applicable for assessing the Consideration. As such, in assessing the fairness and reasonableness of the Consideration, we had focused on assessing the accuracy and completeness of the information relied upon by the Independent Valuer. In this regard, we had held discussions with the management of the Company and the Independent Valuer, reviewed the financial forecast prepared by the Management, which sets out the basis for the revenue projection of the Target Company, and conducted an independent industry research on the EV industry in Hong Kong as discussed in the above section headed "Reasons for and benefits of the Acquisition" of this letter. Based on our assessment, we are of the view that the information and representations made to the Independent Valuer are reliable and reasonable. Despite we understand that such assumptions and factors, which by their nature are subjective and uncertain, may materially differ from the actual circumstance, nothing material has come to our attention that such assumptions and factors have changed as at the Latest Practicable Date. As such, we maintain our opinion that the Valuation Report, as well as the underlying bases, methodology and assumptions are appropriate and that the Valuation Report is an appropriate reference for determining the valuation of the Target Company. In addition, given (i) the Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the Valuation Report; (ii) the appraised value in the Valuation Report had been cross-checked against a recent transaction in the equity of the Target Company; and (iii) the potential benefits as discussed in the above section headed "Reasons for and benefit of the Acquisition" of this letter, we consider that the Consideration is on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Assessment of the Issue Price of the Consideration Shares

6.1. Historical daily closing prices analysis

To assess the fairness and reasonableness of the Issue Price, we have assessed the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 1 March 2019 up to and including the date of the Agreement (the "**Review Period**"), and we consider such sampling period of twelve months is adequate as it represents a reasonable period to provide a general overview of the recent price performance of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period.

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



Source: the website of the Stock Exchange

As illustrated in the chart above, during the Review Period, the closing prices of the Shares had demonstrated an overall fluctuating trend. Starting from 16 April 2019, the Share price started to surge and reached its highest point during the Review Period at HK$0.720 on 26 April 2019. However, such surge was not maintained and the Share price dropped quickly to HK$0.330 on the next trading day on 29 April 2019. The Share prices demonstrated an overall declining trend thereafter and reached HK$0.202 on 28 May 2019. We have conducted research and inquired the management of the Company on such Share prices fluctuation, but we have not been able to identify any specific factor which caused such Share prices fluctuation. The Share prices started to rebound gradually starting from 30 May 2019 and reached its second highest point during the Review Period at HK$0.560 on 28 and 29 August 2019. We attribute such Share price growth to the publication of (i) the Company's annual results announcement for the year ended 31 March 2019 on 18 June 2019, which shows an improvement in the Company's loss position for the year; (ii) the Company's first announcement pursuant to Rule 3.7 of the Takeovers Code on 2 July 2020, which mentions a possible general offer; and (iii) the Company's first quarterly results announcement for the three months ended 30 June 2020 on 9 August 2020, which further demonstrates the Group's improved loss position for the period. However, the Share prices lost its growth momentum and started to drop in early October 2019 and stayed at a range of between HK$0.300 and HK$0.400 for most of the remaining Review Period. We attribute such Share price stabilisation partly to the publication of the Company's interim results announcement for the six months ended 30 September 2019 on 31 October 2019, which shows the Group's increased loss for the period compared to the corresponding period in the previous year.

The closing prices of the Shares ranged between HK$0.720 and HK$0.153 during the Review Period, at an average of approximately HK$0.330. Hence, the Issue Price of HK$0.37 is within the range of closing prices of the Shares and represents a premium of approximately 12.12% over the average closing price of the Shares for the Review Period. Meanwhile, given that the Share prices had fluctuated frequently before October 2019 and only started to become stable thereafter, we consider it helpful to compare the Issue Price with the recent closing prices of the Shares, particularly during period between 1 October 2019 up to and including the date of the Agreement. We note that average closing price of the Shares for such period is HK$0.363, therefore the Issue Price of HK$0.37 represents a premium approximately 1.93% over the average closing price of the Shares for such period.

6.2. Market comparable analysis

To further assess the fairness and reasonableness of the Issue Price, we have conducted a research on the website of the Stock Exchange on comparable transactions which involved the issue of consideration shares for acquisitions during the period from 1 September 2019 up to and including 21 February 2020, being the date of Agreement, and has not been terminated as at the date of the Agreement (the "**Comparable CS Issues**"). Given that it is rather common for listed companies to issue consideration shares for acquisitions, we consider the review period of approximately six-month, rather that twelve-month, immediately prior to the date of the Agreement as adequate and more appropriate in capturing the most recent market practice and reflecting the general trend of the Comparable CS Issues. Shareholders should note that the businesses, operations and prospects of the Target Company may not be the same as, or even substantially vary from, that of the Comparable CS Issues. In addition, given the wide ranges of the discount/premium of the Comparable CS Issues as illustrated in the below table, it is also more appropriate to use the analysis on the Comparable CS Issues for cross-checking purposes rather than as a principal factor for assessing the fairness and reasonableness of the Issue Price.

To the best of our knowledge, we have identified 14 transactions which meet the said criteria and such list is exhaustive as far as we are aware. Set out below is our analysis on the Comparable CS Issues.

Table 1: Comparable CS Issues

Date of Announcement	Stock Code	Company Name	Premium/(discount) of the issue price over/(to) closing share price of the last trading day prior to/on the date of relevant agreement *(%)* *(approximately)*	Premium/(discount) of the issue price over/(to) the average closing share price for the last five trading days prior to/on the date of relevant agreement *(%)* *(approximately)*
10 Sep 2019	1561	Manfield Chemical Holdings Limited	(25.59)	(25.59)
18 Sep 2019	2337	United Strength Power Holdings Limited	(23.08)	(12.92)
27 Sep 2019	1818	Zhaojin Mining Industry Company Limited	(1.21)	(6.47)
04 Oct 2019	8179	Food Idea Holdings Limited	0	(7.89)
31 Oct 2019	860	We Solutions Limited	9.47	7.44

Date of Announcement	Stock Code	Company Name	Premium/(discount) of the issue price over/(to) closing share price of the last trading day prior to/on the date of relevant agreement *(%)* *(approximately)*	Premium/(discount) of the issue price over/(to) the average closing share price for the last five trading days prior to/on the date of relevant agreement *(%)* *(approximately)*
28 Nov 2019	2357	AviChina Industry & Technology Company Limited	19.71	18.83
12 Dec 2019	8156	Sinopharm Tech Holdings Limited	4.5	(3.4)
20 Dec 2019	663	King Stone Energy Group Limited	(14.6)	(13.8)
24 Dec 2019	195	Greentech Technology International Limited	(0.21)	0
31 Dec 2019	2227	Solis Holdings Limited	0.34	1.17
19 Jan 2020	8536	TL Natural Gas Holdings Limited	6.12	6.85
20 Jan 2020	3309	C-MER Eye Care Holdings Limited	(3.6)	(1.3)
06 Feb 2020	3344	GTI Holdings Limited	1.25	0
14 Feb 2020	1010	PacRay International Holdings Limited	2.7	1.3
		Maximum	19.71	18.83
		Median	0.17	(0.65)
		Minimum	(25.59)	(25.59)
		Average	(1.73)	(2.56)
		Issue Price	**(2.63)**	**(3.65)**

Source: the website of the Stock Exchange

As set out in the above table, the issue prices of the Comparable CS Issues ranged widely (i) from a discount of approximately 25.59% to a premium of approximately 19.71% to/over the closing price of the last trading day prior to/on the date of relevant agreement with an average discount of approximately 1.73%; and (ii) from a discount of approximately 25.59% to a premium of approximately 18.83% to/over the average closing price of the last five trading days prior to/on the date of relevant agreement with an average discount of approximately 2.56%.

While we noted that the Issue Price represents a discount of approximately 2.63% to the closing price of the Shares on the date of the Agreement, and a discount of approximately 3.65% and 1.60% to the average closing prices of the Shares for the last five and ten consecutive trading days up to and including the trading date on the date of the Agreement respectively, and that the discounts represented by the Issue Price is more than but close to the average discount of the Comparable CS Issues, having considered that (i) the Issue Price represents a premium of approximately 12.12% over the average closing price of the Share for the period of approximately twelve-month immediately prior to the date of the Agreement; (ii) the Issue Price falls within the range of the discount/premium of the issue prices of the Comparable CS Issues at each of the last trading day and last five trading days; (iii) from our further review, the Issue Price represents a premium of approximately 86.70% over the unaudited equity attributable to owners of the Company per Share of approximately HK$0.198 as at 30 September 2019; and (iv) the analysis on the Comparable CS Issues should be considered mainly for cross-checking purposes, we consider that the Issue Price is fair and reasonable.

7. Assessment of the principal terms of the Promissory Note

To assess the fairness and reasonableness of the principal terms of the Promissory Note, we have conducted a research on the website of the Stock Exchange on comparable transactions which involved the issue of promissory notes for acquisitions during the Review Period, and has not been terminated as at the date of the Agreement (the "**Comparable PN Issues**").

As the issue of promissory notes is less frequent than that of consideration shares for acquisitions, we consider the Review Period of approximately twelve months immediately prior to the date of the Agreement as adequate and appropriate in reflecting the general trend of the Comparable PN Issues. Shareholders should note that the businesses, operations and prospects of the Target Company may not be the same as, or even substantially vary from, that of the Comparable PN Issues. However, given that the Acquisition and the Comparable PN Issues were conducted under similar market conditions and sentiments during the same twelve-month period, we are of the view that the Comparable PN Issues reflect the general market trend of the terms involved in issuing promissory notes as full or partial settlement for acquisitions and are meaningful and representative samples for assessing the fairness and reasonableness of the principal terms of the Promissory Note.

To the best of our knowledge, we have identified eight transactions which meet the said criteria and such list is exhaustive as far as we are aware. Set out below is our analysis on the Comparable PN Issue.

Table 2: Comparable PN Issues

Date of Announcement	Stock Code	Company Name	Term (years)	Interest rate per annum (%)	Early Redemption (Y/N)
3 Mar 2019	526	Lisi Group (Holdings) Limited	3	0	Y
11 Mar 2019	1229	Nan Nan Resources Enterprise Limited	0 year for promissory note 1; 1 year for promissory note 2; and 2 years for promissory note 3	0	Not disclosed
27 May 2019	8062	EFT Solutions Holdings Limited *(Note)*	2.08	4	Y
11 Jun 2019	1116	Mayer Holdings Limited	2.8	3	Y
27 Sep 2019	1323	Newtree Group Holdings Limited	1 year for part of promissory note; 2 years for part of promissory note; and 3 years for remaining part of promissory note	2	Y
4 Oct 2019	8179	Food Idea Holdings Limited	2	5	Y

Date of Announcement	Stock Code	Company Name	Term (years)	Interest rate per annum (%)	Early Redemption (Y/N)
8 Nov 2019	1372	Bisu Technology Group International Limited *(Note)*	Perpetual	10% from 4 Feb 2016 to 4 Feb 2018; 8% from 5 Feb 2018 to 4 Feb 2020; and 5% from 5 Feb 2020 onwards	Y
31 Dec 2019	2227	Solis Holdings Limited	1	Not disclosed	Y
		Maximum	Perpetual	10	
		Median	2	4	
		Minimum	0	0	
		Average	1.98	4.11	
		Promissory Note	**3**	**5**	

Source: the website of the Stock Exchange

Note: This announcement regards the amendments of the terms of the promissory notes.

7.1. Interest Rate

As illustrated by the above table, the interest rates of the Comparable PN Issues range from 0% to 10%, with an average of approximately 4.11% and a median of approximately 4%. The interest rate of 5% of the Promissory Note therefore falls within the range of the interest rates of the Comparable PN Issues. We are also of the view that the discrepancy between the interest rate of 5% of the Promissory Note and the average and median interest rates of the Comparable PN Issues of approximately 4% is reasonable, as two out of the eight Comparable PN Issues have an interest rate equal or higher than 5%, and that the Company can choose to repay all or any part of the amount outstanding under the Promissory Note at any time prior to the Maturity Date as further discussed below. Accordingly, we consider the interest rate of the Promissory Note is in line with the market rates and that such interest rate as fair and reasonable.

7.2. Terms of maturity

As illustrated by the above table, the maturity period of the Comparable PN Issues ranges from 0 to perpetual, with an average maturity period of approximately 1.98 years and a median maturity period of approximately 2 years. The maturity period of 3 years of the Promissory Note therefore falls within the range of the maturity period of the Comparable PN Issues. While the maturity period of 3 years of the Promissory Note is higher than the average and median maturity periods of the Comparable PN Issues of approximately 2 years, we consider such discrepancy as reasonable as that additional year would provide the Group with further flexibility in managing its cash resources, especially when the Company can in its sole discretion, choose to repay all or any part of the amount outstanding under the Promissory Note at any time prior to the Maturity Date. As such, we consider the duration of the Promissory Note is fair and reasonable.

7.3. Terms of early redemption

As illustrated by the above table, except for the issue of promissory note of Nan Nan Resources Enterprise Limited, whose terms of early redemption are not disclosed in the company's announcement, all other Comparable PN Issues are redeemable prior to their respective maturity dates. Therefore, the terms of early redemption of the Promissory Note are in line with the market practice.

7.4. Section conclusion

Taking into consideration that the interest rate, the terms of maturity and early redemption are in line with those arrangements of the Comparable PN Issues, we are of view that the principal terms of the Promissory Note are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

8. Evaluation of the issue of the Consideration Shares and Promissory Note as the partial payment of the Consideration

We have discussed with the management of the Company and noted that when determining the settlement method for the Consideration, the Directors have considered other settlement alternatives such as cash payment or/and debt financing. As disclosed in the 2019 Interim Report, the Group had bank balances and cash of approximately HK$59.78 million and total borrowings, including bank borrowings and finance lease obligations, of approximately HK$3.5 million as at 30 September 2019. Although the Group had sufficient working capital to settle its total borrowings, according to the 2019 Interim Report, the finance costs of the Group had increased by approximately 160.5% from approximately HK$114,000 for the six months ended 30 September 2018 to approximately HK$297,000 for the six months ended 30 September 2019. Although such increase was mainly primarily due to the additional finance costs arising from the new adoption of HKFRS16 “Leases”, the Directors are of the view that additional borrowings or issue of debt instruments will further increase the Group’s finance costs and may adversely impact the profitability of the Group, in addition to the expected longer time usually required in arranging borrowings or issue of debt instruments. On the other hand, the issue of Consideration Shares and Promissory Note to settle most of the Consideration will allow the Group to reserve its working capital without material cash outlay for the Acquisition, thereby avoiding any considerable pressure on its cash flow, liquidity position and financial leverage. Having considered the above, we concur with the Directors that the issue of Consideration Shares and Promissory Note is a preferred method for settling most of the Consideration.

9. Possible shareholding effects to the Acquisition

The following illustrates the Company's shareholding structure, assuming there is no further change to the share capital of the Company: (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issuance of the Consideration Shares:

Table 3: Shareholding structure of the Company

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	*% (approximately)*	*Number of Shares*	*% (approximately)*
Global Fortune Global and parties in concert with it (excluding the Glorytwin)	223,778,000	50.86	223,778,000	46.57
Norenex	—	—	17,737,838	3.69
Glorytwin and parties in concert with it	94,200,000	21.41	94,200,000	19.60
Public Shareholders	122,022,000	27.73	144,824,703	30.14
— Cornerstone	—	—	*22,802,703*	*4.75*
— Other public Shareholders	*122,022,000*	*27.73*	*122,022,000*	*25.39*
Total	**440,000,000**	**100.00**	**480,540,541**	**100.00**

Note: As at the Latest Practicable Date, Cornerstone is wholly owned by Mr. Lau. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, Cornerstone and Mr. Lau are independent third parties, which are not connected person(s) of the Company and are independent of and not connected with the Company and the Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates. Furthermore, Cornerstone is not accustomed to take instructions from a person referred under note 3(b) in relation to the Acquisition under GEM Rule 11.23(11).

Therefore, the Consideration Shares to be held by Cornerstone are regarded as being in "public hands" and that the Company is in compliance with the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

Pursuant to the Agreement, the Consideration of HK$35,000,000 will be satisfied by (i) the allotment and issue of an aggregate of 40,540,541 Consideration Shares, (ii) the cash consideration in the total sum of HK$15,000,000; and (iii) the issue of the Promissory Note. As illustrated from the above, the allotment and issue of the Consideration Shares will dilute the shareholding interest of the existing other public Shareholders by approximately 2.34%, from approximately 27.73% before the Completion of Acquisition to approximately 25.39% upon Completion and immediately after the allotment and issue of the Consideration Shares. Nonetheless, having considered that (i) the Consideration is fair and reasonable and that the issue of Consideration Shares, which will be used to settle most of the Consideration, would enable the Group to reserve its working capital; (ii) the potential dilution impact of the Acquisition on existing other public Shareholders has already been lowered given the inclusion of the cash consideration and the Promissory Note in the Consideration; (iii) the average potential dilution impact of the Comparable CS Issues' acquisitions on existing public Shareholders is approximately 4.38%; (iv) other methods of debt financing for the Acquisition such as bank borrowings would incur longer time, additional finance costs and may lower future profitability of the Group; (v) the reasons for and the possible benefits of the Acquisition as discussed in the above section headed "Reasons for and benefits of the Acquisition" of this letter; and (vi) the terms of the Agreement being fair and reasonable, we concur with the Directors' view that the dilution effects on the shareholding of the existing other public Shareholders are acceptable.

10. Financial effects of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and hence its financial results will be consolidated into the financial statements of the Enlarged Group. The financial effects of the Acquisition on the Enlarged Group's earnings, working capital and net asset value are set out below. However, it should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Enlarged Group would be upon Completion.

10.1. Earnings

According to the 2019 Annual Report and the 2019 Third Quarterly Report, loss of the Group for the year ended 31 March 2019 and the nine months ended 31 December 2019 amounted to approximately HK$7.57 million and HK$7.63 million respectively, while based on the audited financial information of the Target Company, it had a loss before and after tax of approximately HK$9.10 million for the period from 10 July 2018 (date of incorporation of the Target Company) to 31 December 2019. Therefore, the Acquisition will further increase the net loss of the Group upon Completion. On the other hand, based on the financial forecast prepared by the Management and our analysis in above section headed "Reasons for and benefits of the Acquisition" of this letter, the Acquisition is expected to provide positive revenue contribution to the Enlarged Group but the extent of such contribution will depend on the future performance of the Target Company.

10.2. Working capital

The working capital position of the Group is expected to decrease immediately upon Completion, as part of Consideration B will be settled by cash in the total sum of HK$15.0 million.

On the other hand, according to the 2019 Interim Report, the Group had bank balances and cash of approximately HK$59.78 million as at 30 September 2019, meaning that the Group has sufficient cash resources to settle the aforementioned cash consideration of HK$15.0 million. Given that the remaining balance of the Consideration shall be satisfied by the allotment and issue of Consideration Shares and the issue of the Promissory Note, the Acquisition is not expected to exert considerable pressure to the working capital of the Enlarged Group upon Completion.

10.3. Net asset value

Given that the Consideration would be settled by a cash consideration of HK$15.0 million and the issue of Consideration Shares and Promissory Note, and that the unaudited net asset value of the Target Company as at 31 March 2020 was approximately HK$4.0 million, it is expected that the net asset value of the Enlarged Group would decrease by approximately HK$11.0 million.

Based on the above analysis, we noted that the Acquisition would have a temporary negative effect on the Group's earnings, working capital position, as well as net asset value. However, as discussed above, it is expected that the Acquisition will provide positive revenue contribution to the Enlarged Group in the long-term and the Consideration will not exert considerable pressure on the working capital of the Enlarged Group upon Completion. Therefore, having considered the reasons and benefits of the Acquisition, the fairness and reasonableness of the Consideration and the future revenue to be generated from the Target Company, we are of the view that the short-term adverse financial impacts of the Acquisition on the Group's earnings, working capital position and net asset value are commercially justifiable.

RECOMMENDATION

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

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

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

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OFFICER OF THE COMPANY IN THE SHARES, THE UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive officers of the Company or any of their associates in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein; or (iii) 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:

(i) Interests in the Shares of the Company

Name of Director	Number of Shares held *(Note 1)*	Capacity	Approximate percentage of the total issued share capital of the Company *(Note 2)* *% (approximately)*
Mr. Wu	223,778,000 (L)	Interest of corporation controlled by him *(Note 3)*	50.86
Mr. Liang	223,778,000 (L)	Interest of corporation controlled by him *(Note 4)*	50.86

Notes:

(1) The letter "L" represents the long position in the Shares and underlying Shares of the Company.

(2) As at the Latest Practicable Date, the entire issued share capital of the Company was 440,000,000 ordinary Shares of HK$0.01 each.

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

(4) Mr. Liang owns 49% of the issued share capital of Global Fortune Global Limited. Mr. Liang is deemed to be interested in the Shares in which Global Fortune Global Limited is interested under the SFO.

(ii) Interests in the shares of Global Fortune Global, an associated corporation of the Company

Name of Director	Number of shares	Approximate percentage of issued registered capital of Global Fortune Global
Mr. Wu	51	51
Mr. Liang	49	49

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive officer of the Company nor their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(iii) Interests in the substantial shareholders of the Company

As at the Latest Practicable Date, so far as being known to the Directors or chief executive officer of the Company, the following persons or corporations (other than a Director or chief executive of the Company) had or were deemed or taken interests or short positions in the Shares and underlying Shares 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 were directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholders	**Number of Shares interested** ***(Note 1)***	**Capacity**	**Approximate percentage of the total issued share capital of the Company** ***(Note 2)*** *% (approximately)*
Global Fortune Global	223,778,000 (L)	Beneficial Owner	50.86
Glorytwin	106,200,000 (L)	Beneficial owner	24.14
Colorful Bay	106,200,000 (L)	Interest of corporation controlled by it *(Note 3)*	24.14
Mr. So	106,200,000 (L)	Interest of corporation controlled by him *(Note 4)*	24.14

Notes:

1. The letter "L" represents the long position in the Shares and underlying Shares of the Company.

2. As at the Latest Practicable Date, the entire issued share capital of the Company was 440,000,000 ordinary Shares of HK$0.01 each.

3. Colorful Bay owns 90% of the issued share capital of the Vendor. Colorful Bay is deemed to be interested in the Shares in which the Vendor is interested under the SFO.

4. Mr. So, who beneficially owns 90% of the issued share capital of Glorytwin through his wholly-owned company, Colorful Bay. Mr. So is deemed to be interested in the Shares in which the Vendor is interested under the SFO.

3. COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, save for Mr. Wu and Mr. Liang, who are controlling shareholders of the Company and concurrently serving as Directors and directors and/or management members of the Target Company, and so far as the Directors are aware, none of the Directors or any of their respective associate(s) had any interest in a business which causes or may cause, either directly or indirectly, any significant competition with the business of the Group.

4. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into any existing or proposed service contract or service agreement with any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, save for Mr. Wu and Mr. Liang, none of the Directors had any interest, either directly or indirectly, in any assets which have been since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting as at the date of this circular, in which any of the Directors are materially interested and which is significant to the business of the Group.

6. EXPERTS AND CONSENTS

The qualification of the experts who have given opinions and advice in this circular is as follows:

Name	Qualification
VBG Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Pelican Financial Limited	a licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
D & Partners CPA Limited	Certified Public Accountants
Savills Valuation and Professional Services Limited	an independent professional valuer

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the incorporation herein of their letters, reports, advice and/or references to its name, in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of the experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. MATERIAL ADVERSE CHANGE

References are made to the annual report, profit warning announcement and third quarterly report of the Company dated 27 June 2019, 5 February 2020 and 14 February 2020, respectively published on the websites of the Stock Exchange and the Company regarding the increase in consolidated net loss for the nine months ended 31 December 2019, as compared to the corresponding period in 2018. As disclosed in the aforementioned announcement and third quarterly report, such increase was primarily attributable to (i) the reduction in the orders from customers for printing services resulting from the increasing concern on environment protection, the popularity of digitalization of information, the rise of online marketing, social media and globalization; and (ii) incurrence of additional administrative and other operating expenses including staff costs (including directors' emoluments), rental expenses, professional fees and audit fees as compared to the corresponding period last year.

Furthermore, due to the risk of an imminent outbreak of COVID-19, the Board expects that the initial public offering market would perform poorly due to the low market sentiment, and hence the financial printing business will be adversely affected. The recession in the economy in Hong Kong or uncertainties regarding future economic prospects could have a material adverse effect on our results of operations. The Group will continue to pay close attention on the market trend and cautiously tighten the control over operating expenses by ongoing review on the operation model to maintain our profitability and competitiveness in the market.

Save as disclosed above, the Directors have confirmed that as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, being the date of which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday, except the public holiday, at the office of the Company, Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the EGM:

(a) the second amended and restated articles of association of the Company;

(b) the letter from the Board, the text of which is set out from pages 9 to 45 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out from pages 46 to 47 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out from pages 48 to 95 of this circular;

(e) the summary of the Valuation Report, the text of which is set out in Appendix II to this circular;

(f) the report from the Reporting Accountants in relation to the profit forecast, the text of which is set out in Appendix III to this circular;

(g) the letter from VBG Capital in relation to the profit forecast, the text of which is set out in Appendix IV to this circular;

(h) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(i) the Agreement;

(j) the Amendment Letter; and

(k) this circular.

9. MISCELLANEOUS

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

The following is the text of a letter prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with its valuation as at 31 December 2019 of the 100% equity interest in the Target Company.

savills
第一太平戴維斯

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30 June 2020

Dear Sirs,

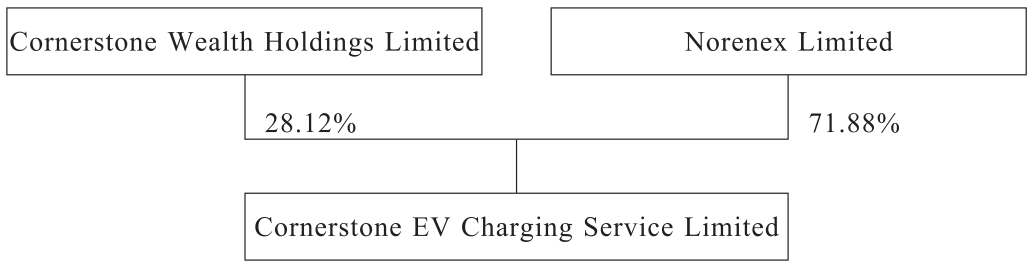
RE: VALUATION OF 100% EQUITY INTEREST IN CORNERSTONE EV CHARGING SERVICE LIMITED

In accordance with your instructions, we have undertaken a valuation on behalf of Elegance Commercial and Financial Printing Group Limited (the "**Company**") to determine the Market Value (as defined below) of 100% equity interest ("**Equity**") in Cornerstone EV Charging Service Limited ("**Target**") as at 31 December 2019 (the "**Valuation Date**").

1. BRIEF DESCRIPTION OF TARGET

The Target is a company incorporated in Hong Kong with limited liability on 10 July 2018, which is an electric vehicle ("**EV**") charging service provider and is principally engaged in supplying charging solutions and charging system, including central management system, hub for e-payment, Load Management System and license plate recognition system to EVs and smart parking.

The shareholding structure of the Target as at the date of this report is depicted as follows:



Source: the Company

2. PURPOSE OF VALUATION AND STANDARD OF VALUE

The purpose of this valuation is to express an independent opinion of the Market Value of 100% equity interest in the Target as at the Valuation Date stated above for the purpose of acquisition of the equity interest in the Target by the Company's subsidiary.

Our valuation is prepared in accordance with the International Valuation Standards ("**IVS**") published by International Valuation Standards Council.

According to IVS, Market Value is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.".

We acknowledge that this report may be made available to the Company for public circulation purpose. We however assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

3. SOURCES OF INFORMATION

For the purpose of our valuation, we have relied on the following major documents and information in the valuation analysis. Certain documents and information have been provided by the Company and the Target. Other information are extracted from public sources. We have discussed with the management of the Company and Target to assess the reasonableness and fairness of the documents and information adopted by us. While we have satisfied ourselves with the reasonableness and fairness of the documents and information adopted, we expressly disclaim any responsibility or liability for the accuracy of the said documents and information. The major documents and information include but not limited to the following:

— Background information of the Target's business operations and relevant corporate information;

— Audited financial statements and historical financial information of the Target;

— Hong Kong Government initiative relevant to the industry the Target operating in;

— Registration documents and selected contracts provided by the Target;

— The economic outlook in general and the specific economic environment and elements affecting the Target, industry and market;

— Bloomberg Database and other internet information; and

— Equity risk premium database published by Prof. Aswath Damodaran of New York University.

4. SCOPE OF WORK PERFORMED

Our work included a site inspection of the Target's operation, analysis of the Target's background, historical and projected financial information, and other relevant information of the Target, as well as discussions with the management of Company and Target regarding Target's business operations and other material information and assumptions.

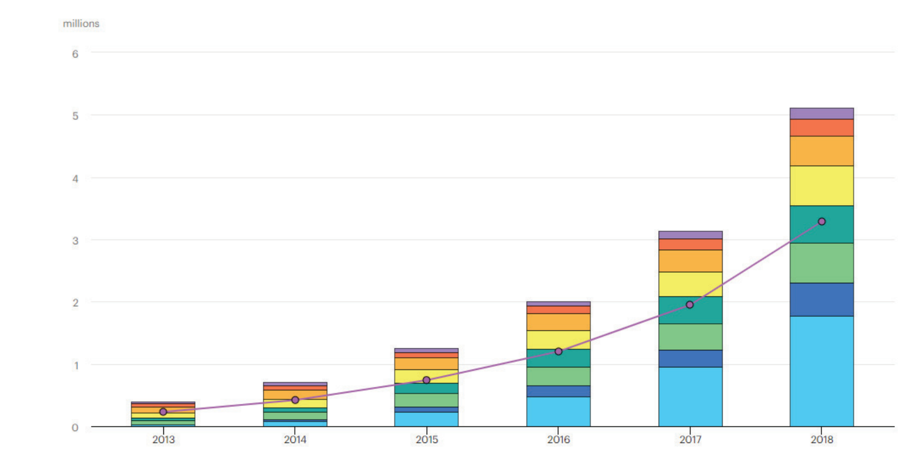
5. INDUSTRY ANALYSIS

5.1. Global EV Market Overview

EVs are automobiles that run on electric power. With the help of an electric motor, the power is converted into mechanical energy without any type of additional fuel. The idea for EVs was conceived in the early 19th century and advancements have been made for mass commercialization over the past decades.

Increasing global concerns regarding the negative effect of climate change along with alarming pollution levels recorded in major cities have created a demand for EVs. Nowadays, climate change is one of the most important issues all around the world and carbon emission is the core. It is argued that there is a huge market for EVs in the future as the carbon emissions generated by EVs are far less than gasoline vehicles. A report published by Bloomberg projected that by 2040, 57% of all passenger vehicle sales, and over 30% of the global passenger vehicle fleet will be electric.

As EV technology moves from theory to reality, many major EV manufacturers, such as Tesla in the United States and BYD in mainland China, have gained the attention of investors and consumers all around the world. In 2018, the number of EV exceeded 5.1 million, an increase of 2 million over the previous year, and new electric vehicle sales almost doubled, which indicates that the market acceptance of electric vehicles is getting higher. In addition to major EV manufacturers, many Internal Combustion Engine Vehicles ("**ICEV**") manufacturers began to add EV to their offerings, e.g. "Leaf" by Nissan and electric version of "Smart" by Mercedes-Benz. And some ICEV manufacturers, such as Mercedes-Benz and BMW, project to provide more electric version for all current models in future 10 years.



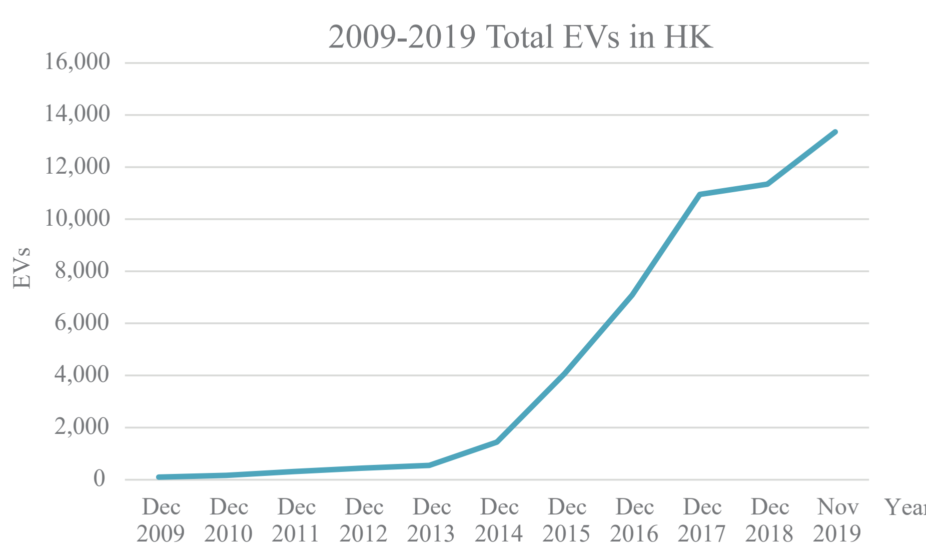
(Source: International Energy Agency)

A major factor behind the growth of EVs is the support provided by various governmental initiative to encourage the sale of these vehicles. Furthermore, the expanding infrastructure network has further aided the market for these vehicles, with charging points increasingly available more frequently on the civilian roads in some countries. The development of public environmental awareness and the technology have always been the core forces of EV market growth. The battery-related technology, which is one of the core technologies of EVs, is developing rapidly, and battery prices keep falling. As a result, Bloomberg projected that the price between EVs and ICEV will reach parity by mid-2020s in most segments.

5.2. Hong Kong EV Market Overview

In May 2011, the government revised the Hong Kong Planning Standards and Guidelines, stating that the long-term goal is that by 2020, 30% of private cars are electric or hybrid vehicles, and 30% of private parks in new buildings should provide charging facilities. The total number of EVs in Hong Kong increased from 98 in December 2009 to 13,866 in December 2019. However, the number of private EVs in November 2019 only accounted for 2% of the total registered private cars in Hong Kong (13,066 of 627,183), still far from the original governmental target set in 2011 (30%).

Three factors which have great impact on the number of EVs in Hong Kong are production technology, total cost and supporting infrastructure. Around 2013-14, as the production technology of EVs gradually improves and private EVs could be mass produced and delivered, the number of private EVs in Hong Kong began to increase significantly, it is however still constrained by limitations of battery capacity and availability of charging facilities, which is considered a major reason for failing to meet the original target above.



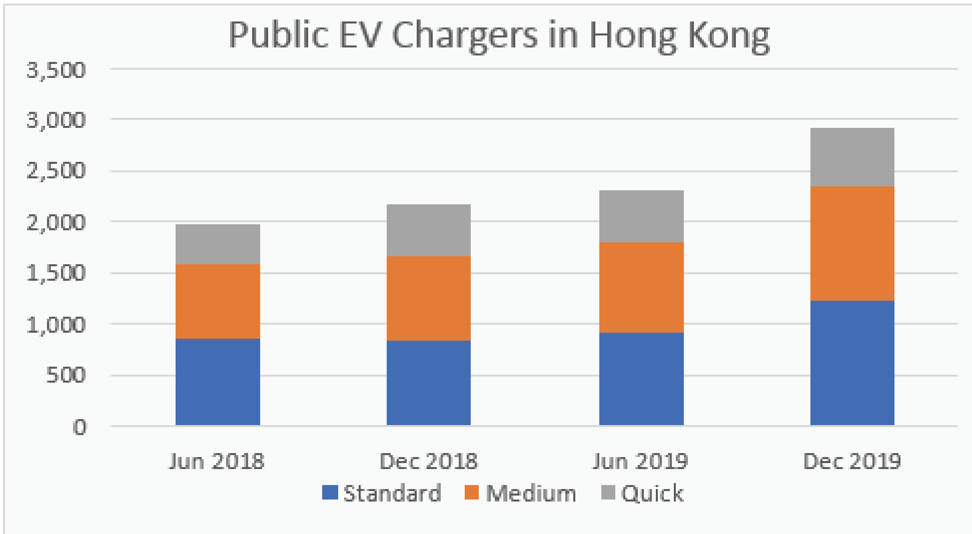
(Source: Transports Department of HKSAR)

Total cost and supporting infrastructure are both influenced by government policy. Prior to April 2017, the Hong Kong Government had given first registration tax ("**FRT**") waiver for EVs as incentives for citizens to choose EVs over other types of vehicles. As price of EV came down, EVs became cost competitive (purchase plus operating and maintenance cost) against ICEV. However, in 2017, the government announced a cap on the FRT concession for EVs in order to encourage citizens to choose public transportation instead of private cars. In 2018 the Hong Kong Government revised the scheme, launched new "One for One Replacement" scheme and in 2019 further improve the "One for One Replacement" scheme. Total number of EV continues its growth in 2019.

The lack of public charging facilities was a major issue for further expansion of EV adoption in Hong Kong. As of December 2019, there are only 2,929 public chargers. As the installation of charging facilities in existing private carparks requires modification of original power system and wiring, many existing private carparks do not have private charging facilities, especially those under strata-title ownerships. With the ratio of public charging facilities to EVs at one to five, regular charging of EVs was a major problem and hindrance to the popularity of EV. In light of this situation, the Hong Kong Government announced in October 2019 that it will prepare a HK$2 billion pilot subsidy scheme ("**EV Pilot Scheme**") to subsidise installation of charging facilities for eligible existing private residential buildings, while new private residential buildings will be granted with gross floor area concessions as incentive to install EV charging facilities. According to government's preliminary assessment, about 60,000 parking spaces in existing private residential buildings will be provided with EV charging-enabled infrastructure in about three years under the EV Pilot Scheme. Together it is expected that about one-fourth of all parking spaces in private residential buildings will be EV charging-enabled upon the completion of the EV Pilot Scheme.

5.3. Hong Kong EV Charging Infrastructure Overview

Currently EV owners can choose either private or public charging facilities for EV charging in Hong Kong. Certain public charging facilities are free while some are billed by hours or electricity usage on top of parking fee.



(Source: Environmental Protection Department of HKSAR)

As of December 2019, there are a total of 2,929 public charging devices in Hong Kong, of which 588 are quick charging model, 1,108 are medium charging model and 1,233 are standard model. The main public charging service providers in Hong Kong are Tesla, HK Electric ("**HKE**"), CLP, SmartCharge and EV Power. For medium-speed charging service, SmartCharge and EV Power both have monthly subscription plans where customers can charge for a certain number of hours after paying a fixed amount each month, and pay-as-you-go facilities in certain carparks.

On the other hand, the Target's monthly plan is priced on the amount of electricity consumed as opposed to time charged. The Target's starter plan is cheaper than SmartCharge and EV Power's current starter plan. It is also integrated with load management and contactless payment mechanism to enable flexible purchase of extra electricity beyond the monthly plan limit. The contract period at 24 months is also competitive compared to the 24-36 months minimum contract period. The Target's management advised us that charging by amount of electricity consumed is fairer to user as the charging speed varies with the equipment, electricity supply and the battery status. The amount of electricity charged to battery per hour (i.e. charging efficiency) usually declined as the battery approaches full charging capacity, thus billing user by time may not be as fair to the user when compared to billing by electricity consumed.

According to the Company, as of February 2020, the Target provides its EV charging subscription service in three residential car parks, while SmartCharge's subscription services cover 26 car parks and EV Power's subscription services cover 22 car parks. Based on the number of car parks, the Target has approximately 5.9% market share in the EV charging subscription service sector[1] in Hong Kong.

6. VALUATION METHODOLOGY AND BASIS

In conducting the valuation, we have considered three generally accepted approaches, including income approach, market approach and cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation and the commonly adopted practice.

6.1. Market Approach

According to the IVS, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

In the business valuation context, the market approach valuation shall analyse recent transaction(s) in the equity interest of the valuation subject and/or comparable companies and benchmark the valuation subject with the selected comparable(s).

[1] We understand that there is no publicly available statistics on the number of subscriptions or parking spaces operated by SmartCharge and EV Power to estimate the market share on the number of subscriptions or parking spaces basis. The Company does not note any other monthly subscription service providers in Hong Kong beyond the Target, SmartCharge and EV Power. We further note that this basis excludes public chargers that are not under the subscription model.

We are aware that Norenex Limited ("**Norenex**") acquired 563 equity shares ("**Nodetech Shares**") which is approximately 1.88% equity interest in the Target from Nodetech Limited ("**Nodetech**") for HK$0.5 million in a transaction that was completed on 14 February 2020 ("**Subsequent Transaction**"), after which Nodetech ceased to be a shareholder in the Target. We will consider the reasonableness of our valuation of the Target with reference to the transaction price of the Subsequent Transaction as a market approach cross check.

The market approach using publicly listed comparable companies ("**CoCos**") is not adopted in this valuation as the Target is only recently incorporated in July 2018 and does not have CoCos at similar size and stage for appropriate valuation multiple analysis.

6.2. Cost Approach Or Asset Approach

According to the IVS, the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence

In the business valuation context, cost approach is often presented as asset approach, in which Market Value of the business entity is derived from the sum of Market Value of its existing assets less the Market Value of its liabilities.

The asset approach is not adopted to value the Target because it cannot capture the future earning potential of the Target from operation where such benefits are not reflected on the statement of financial position.

6.3. Income Approach

According to the IVS, the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

In the business valuation context, under income approach, value of the business entity is derived primarily from the present value ("**PV**") of its future cash flow, typically through the use of discounted cash flow ("**DCF**") method.

Given the close relationship between cash flow and value of a company, and the availability of a cash flow forecast of the Target confirmed by the Company's management, we have adopted the income approach as the primary approach to estimate the Market Value of the Target.

7. IMPLEMENTATION OF DCF METHOD FOR VALUATION OF THE TARGET

7.1. Basis Of Cash Flow

Under DCF method, it is possible to use free cash flow to firm ("**FCFF**") or free cash flow to equity ("**FCFE**") to value a company. The differences between FCFF and FCFE is that FCFF reflects the value of debt (if any) as at the Valuation Date in the net debt adjustment in arriving at the equity value, whereas FCFE considers debt financing and repayment explicitly over the projection period in the cash flow projection in arriving at the equity value. Also, FCFF is discounted to PV using weighted average cost of capital ("**WACC**"), while FCFE is discounted to PV using cost of equity.

Based on our discussion with the management of the Company, we have selected FCFF as the basis of cash flow as we understand that while the Company may consider to finance the Target's business expansion from internally available resource, it may apply a long term optimal capital structure for the Target which will fulfil the requirement in the adoption of FCFF and WACC.

The FCFF for each year is calculated as follows where each component is discussed in the next section:

FCFF = Earnings Before Interest and Tax ("**EBIT**") – Tax + Depreciation and Amortisation – Capital Expenditure ("**Capex**") – Change in Net Working Capital

7.2. Financial Projections

We understand that the Board of the Company, including the Independent Board Committee, with the assistance of the financial advisor and the reporting accountant, have reviewed the 10-years expansion plan of the Target in connection with this valuation, and is of the view that the 10-years expansion plan is prudent and feasible.

The forecast financial projections of the Target are principally based on the following components:

7.2.1. Revenue

There are two main streams of revenue, namely subscription revenue by EV users and installation revenue generated at the time of subscription.

Subscription revenue is further separated into residential and commercial subscription which are under different business model owing to different usage pattern. Residential subscription revenue is driven by the number of subscription and the respective subscription rate with reference to the current offering price by the Target, and projected to grow with inflation in future as electricity cost is expected to grow. Commercial subscription revenue is driven by the amount of electricity charged by EV users on a revenue sharing model in commercial buildings installed with the Target's chargers.

According to the Target, as commercial carpark ownership is usually concentrated with no strata title, it is more likely for them to purchase the equipment and do their own installation ("Buy and Own" model) instead of choosing the subscription model. In addition, the EV Pilot Scheme applies to existing residential buildings only, therefore residential subscription is the main focus of the Target.

Installation revenue represents a one-off income for each new residential subscription, as renewal of subscription will not generate installation revenue.

As discussed in section 5.3 above, currently, the Target has approximately 5.9% market share in the EV charging subscription service sector on the basis of car parks presence. As of the date of this report, 15 customers have signed up to the Target monthly subscription program and the Company and the Target predicted that there will be further growth in the number of customers as EV is becoming more popular in Hong Kong.

The Target noted that the Hong Kong Government has introduced policies to promote the use of EVs in Hong Kong by way of (i) allocating HK$120 million to install over 1,000 medium chargers in 2020 to 2022, and (ii) earmarking HK$2 billion to subsidise the installation of EV charging infrastructure where 60,000 existing private residential parking spaces estimated to be equipped by 2022.

Based on the above, the management of the Target considered that the business prospects for EV charging business is positive, and planned to enhance the coverage of the EV charging system and solution to capture the potential increase in approximately 60,000 EV charging systems by the government policies imposed up to 2022, which represents a compound annual growth rate (CAGR) of approximately 403.4%.

Based on the current estimated market share of 5.9% and the expected market size of approximately 60,000 EV charging systems in 2022 according to the government's timeline, the Target estimated that its EV charging subscription services could theoretically cover approximately 3,540 parking spaces with EV charging enabling facilities by 2022.

The management of the Target adopted a more gradual approach in the preparation of the financial projections (i.e. 10-years expansion plan) which prolonged the period for completing the expected installation from 2 years to 10 years. In the financial projections, the management of the Target projects total EV charging systems installed to reach approximately 900 by the end of 2022, and the number will gradually increase to approximately 3,100 by the end of 2025 and then 3,700 by the end of 2028, and expects it to remain unchanged for the year ending 2029 and beyond.

We understand that carpark operators will likely face a high switching cost in the event of changing EV charging subscription service provider to their carparks due to the retention of ownership over the wiring and equipment by the servicer provider such as the Target. While there is a risk that SmartCharge, EV Power and/or other similar service provider may saturate the market in two years, we also observed delay in policy promulgation or lukewarm reaction by car owners in earlier initiatives. The prolonged timeline by the Target is considered more prudent given the availability of capital and human resource, growing popularity of EV in Hong Kong over the long term and the possible time required for reaction by car owners to government's policy when promulgated.

7.2.2. Cost of revenue

Cost of revenue comprises the projected amount of electricity consumed and the unit electricity cost of residential and commercial chargers based on actual unit electricity tariff for non-residential use published by the utilities companies as of the Valuation Date, and is projected to grow at inflation rate of 2.5% per annum.

No cost of sales is associated with the installation revenue as relevant costs are reflected in Capex as described in the following section.

7.2.3. Operating expenses

Operating expenses primarily comprises administrative expenses, depreciation and other operating expenses. Administrative expenses comprises manpower cost, IT cost, office rent and other administrative cost. Depreciation is over the estimated economic useful lives of the relevant fixed assets. Other operating expenses are mainly variable expenses such as insurance which will grow with the size of the operation.

7.2.4. Income tax

There is a two-tiered profits tax rate system from 2018/19 onwards, whereby 8.25% is applicable on assessable profits up to HK$2 million, and 16.5% is applicable on assessable profits over HK$2 million. We have applied such rate in calculating the tax expense for the Target. Due to lack of information, we have assumed that there is no significant differences between accounting profit and taxable profit.

Due to the tax loss carrying forward as at the Valuation Date and incurred in early years of the projection period, the Target is projected to start paying profits tax from 2025.

7.2.5. Capex

Capex comprises expansion Capex and maintenance Capex. Expansion Capex is incurred for installation of EV charger and related devices and electrical work for carpark rewiring and one-off engineering. EV charger cost and network device are projected based on the number of charger subscribed, and electrical work expenditure is projected based on the number of EV ready parking space.

According to the Target, while carparks may have different maximum capacity and number of subscriptions at the time of initial sign up, the Target has to perform electrical work for a substantial part of the carpark in order to make it EV ready, therefore incurring an upfront set up cost that is one-off before the Target can accept subscription. Such expenditure varies with the size of carpark.

The Target expects that subscription in those EV ready carparks will eventually increase, therefore providing sustainable earnings to recoup the relatively high upfront expansion Capex for electrical work.

Maintenance Capex is projected for replacing faculty devices or wiring if any.

7.2.6. Change in net working capital

Target's business model is to collect deposit for chargers and subscription fee prior to ordering inventory and delivery of charging service, thus there is no inventory and receivable related working capital. For operational needs, it is assumed that the Target will maintain certain cash balance to meet needs for monthly administrative expense, therefore a portion of cash is assumed to be part of working capital. Based on the discussion with the Target, existing working capital related to charger sales prior to the Valuation Date will be released during 2020. The Target is projected to generate cash inflow from increase in customer deposits and payable for the Capex incurred upon the projected increase in subscription and installation.

7.2.7. EBIT

Based on the above assumptions, the EBIT of the Target is projected to be negative until 2022 due to the relatively low number of subscription and high fixed cost. EBIT will increase gradually and became positive from 2023 onwards as the number of subscription grows with expected increasing EV popularity and the support of the EV Pilot Scheme in Hong Kong.

7.2.8. Discount rate

In estimating an appropriate discount rate for the Target, we have used the Capital Assets Pricing Model (the "**CAPM**") to estimate the cost of equity and then WACC for the discounting of FCFF to PV taking into consideration of pertinent factors which primarily include the following:

— the market and the business risks of the Target;

— the general economic outlook as well as specific investment environment for the business;

— the nature and current financial status of the Target;

— the forecast performance of the Target;

— the market expectation and required rate of return for similar business; and

— the assumptions as stated in the Specific and General Assumptions of this report.

Under CAPM, cost of equity is the sum of the risk-free rate and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the cost of equity of the Target may be subject to other firm specific risk factors (e.g. size premium) that are independent of the general market. The discount rate is determined by the then prevailing risk-free rate, required market return, estimated beta of the Target and firm specific risk factors prevailing as at the Valuation Date. The formula are as follows:

$$\text{WACC} = \text{Ke} \times \frac{\text{E}}{(\text{D} + \text{E})} + \text{Kd} \times (1 - \text{T}) \times \frac{\text{D}}{(\text{D} + \text{E})}$$

Where:
WACC = weighted average cost of capital
Ke = cost of equity
E = market value of equity
Kd = cost of debt
D = market value of debt
T = corporate tax rate

$$\text{Ke} = \text{R}_f + \beta \times \text{ERP} + \alpha$$

Where:
R_f = risk free rate
ERP = equity risk premium
β = the beta factor
α = firm specific risk factors (alpha)

We note that the Target is a Hong Kong company and its business is operated in Hong Kong. As such, we have adopted a Hong Kong based risk free rate and market risk premium.

As discussed in section 6.1, we could not identify any publicly listed companies in Hong Kong with business model and stage of development comparable to the Target. For discount rate calculation purpose, we note that the Target is subject to the EV charging solution industry risk that is applicable to companies in the same industry even if they are in different stage of development or countries given the global trend towards EV adoption. We have therefore adopted a less restrictive CoCos selection criteria and included companies that are suppliers of EV charging equipment and solution outside Hong Kong in deriving the beta and debt/equity ratio. This is on the basis that CoCos selection for discount rate determination is primarily for the estimation of industry risk (i.e. systematic risk). Unsystematic risk that cannot be reflected by the CoCos can be adjusted through the application of specific risk premium.

Based on the above criteria, we have selected publicly listed Cocos that are broadly comparable to the business of the Target in estimating the beta and capital structure for the Target. Details of the Comparable Companies and parameters adopted are tabulated below:

Company Name	Ticker	Unlevered beta	D/E ratio	Description
Shenzhen Megmeet Electrical Co., Ltd.	002851 ch equity	1.00	7.9%	Shenzhen Megmeet Electrical Co., Ltd. provides industrial automation and power supply solutions. The Company offers medical and IT equipment, telecom products, smart home appliances, lighting systems, flat panel displays, electric vehicles, and electric charging systems.

Company Name	Ticker	Unlevered beta	D/E ratio	Description
Alfen Beheer B.V.	alfen na equity	0.83	5.3%	Alfen Beheer B.V. provides energy equipment and solutions. The Company offers transformer substations, energy storage systems, and charging stations for electric vehicles, as well as specializes in grid automation, management and maintenance, and energy solutions. Alfen Beheer serves greenhouse horticulture, grid operators, and energy markets in Europe.
Shenzhen Sinexcel Electric Co., Ltd.	300693 ch equity	1.15	5.6%	Shenzhen Sinexcel Electric Co., Ltd. manufactures electrical power equipment. The Company produces and sells power generators, electric vehicle charging equipment, storage converters, battery formation systems, and other products. Shenzhen Sinexcel Electric also provides energy solution services.
Blink Charging Co	blnk us equity	1.49	0.8%	Blink Charging Co. operates as an electric vehicle charging stations. The Company develops charging stations for building owners, parking garages, municipalities, sporting venues, and other public areas. Blink Charging serves customers in the United States.

Company Name	Ticker	Unlevered beta	D/E ratio	Description
Hangzhou Zhongheng Electric Co Ltd.	002364 CH EQUITY	0.89	1.7%	Hangzhou Zhongheng Electric Co Ltd. develops and supplies electrical products. The Company's products include electric power operating power systems, outdoor communication power supply systems, and indoor communication power supply systems.

Source: Bloomberg

Other parameters of the WACC are tabulated below:

WACC parameters

Item	Parameter adopted	Note
Unlevered beta	1.00	Median of Comparable Companies' 2-year weekly beta
Debt-to-equity ratio	5.32%	Median of Comparable Companies D/E ratio
Tax rate	16.5%	Hong Kong profits tax rate as at Valuation Date
Levered beta	1.05	Based on releveraging formula
Risk free rate	1.76%	Hong Kong 10-year government bond yield as at Valuation Date
Equity risk premium	6.23%	Damodaran data inclusive of country risk premium for Hong Kong
Size premium	5.22%	2019 Valuation Handbook — Guide to Cost of Capital published by Duff & Phelps, LLC.
Specific risk premium	3.00%	Valuer's judgment based on risk of the forecast

WACC parameters

Item	**Parameter adopted**	**Note**
Cost of equity	16.52%	CAPM formula
Cost of debt (pre-tax)	5.00%	Hong Kong prime rate based on HSBC prime rate
Cost of debt (post-tax)	4.18%	Cost of debt (pre-tax) adjusted with tax
Percentage of debt	5.1%	
Percentage of equity	94.9%	
WACC	15.9%	
WACC adopted	**16.0%**	**Rounded**

Based on the above, the adopted WACC is 16%.

For illustration purpose, a 100% equity financing assumption would reach the same WACC conclusion at 16% after rounding as a 0% debt financing would result in a relevered beta of 1.00 instead of 1.05, all else being equal.

7.3. Terminal Value

We have calculated a terminal value in order to capture the value attributed to cash flow after the explicit forecast period for the Valuation Date based on terminal year FCFF, WACC and terminal growth using Gordon Growth Model. Therefore, the terminal value is calculated using the following formula:

$$TV = \frac{FCFF_{TY}}{(WACC - g)}$$

where:

TV = terminal value
$FCFF_{TY}$ = FCFF in terminal year
g = terminal growth rate

Based on the above, it is assumed that the Target has reached a steady growth stage after the explicit forecast period with an estimated long term nominal growth rate of 2.5% for Hong Kong.

7.4. Discounted Cash Flow

Based on the above financial projections and discount rate, we have adopted mid-period discounting to discount the FCFF to PV on the assumption that the revenue is collected throughout the year and therefore the cash flow is on average to be discounted in mid-period as opposed to end of period.

The net present value ("**NPV**") of the FCFF for each period is added to arrive at the NPV from the DCF. Further adjustment for non-operating items such as cash, other surplus assets and liabilities as at the Valuation Date are made to the NPV to arrive at the Market Value of the 100% equity interest of the Target.

7.5. Discount

As the Target is a private company where its equity is non-marketable, a Discount for Lack of Marketability ("**DLOM**") is applicable to the valuation of Equity of the Target.

Marketability is defined as the ability to convert an investment into cash quickly at a known price with minimum transaction cost. Given two identical business interests, a higher price will usually be paid by investors in the market for the asset that can be converted to cash most rapidly, with lower risk of loss in value during the search for a buyer. The difference between these two prices is the DLOM. DLOM is typically applied in the valuation of equity interest in non-publicly traded companies in order to adjust the valuation basis to a non-marketable basis.

Restricted stock study is a source of reference for DLOM by valuation practitioners. The discount was calculated by dividing the difference between the private placement price and the market reference price by the market reference price. The market reference price in the study is represented by the stock price on the agreement date, closing date, announcement date, or the high-low average stock price for the month of the transaction if no date is specified.

According to the data published by Stout Risius Ross, LLC in the 2019 edition of the Stout Restricted Stock Companion guide, the average discount observed is 20.6%. We have adopted a DLOM of 20.6% in arriving at the Market Value of the Target as at the Valuation Date due to the absence of equivalent study in Hong Kong.

The discounted cash flow calculation for the FCFF and Market Value of the Equity is set out in Appendix I.

8. RISK FACTORS

We have identified several key risk factors in the business of the Target and these risk factors may affect the valuation:

- **Policy support for EV charging industry:** Currently EV industry is under favorable government treatment/policies in many parts of the world including Hong Kong. While successful and timely implementation of the EV Pilot Scheme will bring significant positive development to the EV industry in Hong Kong, any unforeseen delay or changes in the EV Pilot Scheme or lukewarm responses by car parks owners/incorporated owners may lead to a lower impact than projected, which may slow the growth of installation of chargers and reduce demand or even price of the Target's solutions.

- **Technology evolution:** EV and EV charging technology constantly evolve as technology advances. The solution proposed by the Target is based on currently available technology. In the extreme event that EV no longer requires destination charging for operation, such as by significantly improving its energy conversion or battery efficiency or through alternative charging mechanism, a destination charging service such as the one offered by the Target may no longer be necessary.

- **Market dynamics:** Although there are limited EV charging solution providers in Hong Kong, existing incumbents have sizable shareholders with well-established business connections and strong reputation. Although Target's equipment is also being deployed by SmartCharge as part of their solution, there is possibility that substitute equipment will be deployed in future. New residential and commercial buildings are also installing EV chargers under a Buy and Own model providing EV charging infrastructure. The Target may not be able to achieve the projected subscription in future owing to market dynamics.

- **Subscription growth within EV ready carparks:** Target's business model assumes a subscription growth within EV ready carparks which is essential in recouping the upfront cost for electrical work which spans across substantial portion of the carpark and achieving the projected profitability. Continual renewal with those EV ready carparks is also assumed in the financial forecast. We understand that the Target intends to approach existing residential properties with sizable carparks which will increase the chance of achieving the projected subscription ratio, there is however no guarantee that such ratio can be achieved for each EV ready car park that the Target has performed electrical work for.

- **Negative cash flow in early years:** As the Target projects to scale up subscription and incur expansion Capex in early years with a relatively fixed administrative cost base, it is projected to incur negative cash flow in early years before it reaches profitability. It is therefore important for the Target to obtain sufficient fund from time to time to sustain its operation and growth during those years in order to remain as a going concern.

The above list of risk factors is not intended to be exhaustive and other abrupt changes in macro-economic or micro-economic factors may also affect the value of the Target.

9. SENSITIVITY ANALYSIS

We have performed a sensitivity analysis on the Market value of the Target to change in discount rate and the terminal growth rate tabulated below:

Sensitivity analysis of Equity value to growth rate and discount rate						
In HK$'000		**Discount rate**				
		15.00%	15.50%	16.00%	16.50%	17.00%
Terminal	2.0%	36,272	33,959	31,824	29,848	28,015
growth	2.5%	37,287	34,866	**32,636**	30,578	28,673
rate	3.0%	38,387	35,845	33,511	31,362	29,378

As the Target is projected to achieve positive cash flow from 2023 onwards, its value is sensitive to the change in discount rate.

10. CROSS CHECK WITH MARKET APPROACH

As mentioned in section 6.1, the Subsequent Transaction constitutes a recent transaction in the Target Equity, which may reflect the Market Value at the time of transaction. We therefore compared the value implied from the Subsequent Transaction to the Market Value from income approach as a cross check to reasonableness of the DCF.

The Subsequent Transaction of 1.88% equity interest of the Target at HK$0.5 million implies a 100% equity value at HK$26.6 million on a non-controlling basis. The equity value of the Target as at the Valuation Date from income approach amounts to HK$32.6 million on a controlling basis. The difference of HK$6.0 million represents a premium of 22.5% if based on the 100% equity value implied from the Subsequent Transaction, or a discount of 18.4% if based on the 100% equity value from our income approach valuation.

Controlling interest in a company is typically considered more valuable than non-controlling interest due to the ability of a controlling interest to direct managerial and financial decision. The difference between the two is the control premium ("**CP**"). Conversely, non-controlling interest are usually considered to carry a discount for lack of control ("**DLOC**") in their value compared to controlling interest.

From an economic point of view, acquirer of publicly listed company often needs to pay a premium price over the public traded stock price in order to induce more existing shareholders to sell so as to purchase a controlling interest in a company.

Based on our discussion with the management of the Target and the Company, the 20% DLOC applicable to the Nodetech Shares in the Subsequent Transaction can be attributed to the following:

i. Nodetech being a strictly minority shareholder (relative to the 70% then held by Norenex and the 28.12% held by Cornerstone Wealth Holdings Limited) has minimum influence on the operation of the Target;

ii. The ultimate owner of Nodetech has no management role within the Target, thus no involvement in the daily operation and strategic operative of the Target;

iii. Nodetech does not have any experience in the EV charging industry in Hong Kong and was a passive investor from the beginning. It does not intend to remain as a shareholder to fund the growth in the Target as set out in the financial projections;

iv. The offer of buyout by Norenex, the controlling shareholder, represents a quick exit for Nodetech prior to the proposed acquisition by the Company which was unknown to Nodetech at the time of the Subsequent Transaction and is uncertain due to the nature as a connected transaction subject to the Company's shareholders' approval; and

v. The consideration in the Subsequent Transaction, being HK$0.5 million, is also considered insignificant relative to the value of the 100% equity interest of the Target, thus cannot indicate the value of the Equity as of the Valuation Date.

Based on the above, we consider the CP implied in our valuation of the Equity under income approach above the value implied from the Subsequent Transaction to be reasonable.

11. REMARKS

Unless otherwise stated, all monetary amounts are stated in Hong Kong Dollar.

Figures may not sum due to rounding.

This report is issued subject to our Assumptions and Limiting Conditions as attached.

12. SPECIFIC ASSUMPTIONS

A number of specific assumptions have been made in the preparation of the reported figures. The major specific assumptions are set out below:

- The future financial performance of the Target will be in line with FCFF projections confirmed by the Company at the required rate of return;

- Deposit by subscribers will only be returned upon the termination of subscription. As the Target expects subscription to be continuously renewed upon expiry, no deposit refund is necessary;

- The expansion Capex and maintenance Capex are sufficiently budgeted for the projected expansion and ongoing operation;

- Out of HK$3.3 million cash and cash equivalent held by the Target as at the Valuation Date, HK$0.7 million is assumed to be operating cash and HK$2.6 million is assumed to be surplus cash for valuation purpose;

- The financial and operational information confirmed by the Company are accurate. The Target will have sufficient financial support as required to remain as a going concern; and

- There are no hidden or unexpected conditions associated with the assets of the Target that might adversely affect the reported value.

13. GENERAL ASSUMPTIONS

A number of general assumptions have been made in the preparation of the reported figures. The general assumptions are:

- There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;

- The long term inflation rate, interest rates and currency exchange rate will not differ materially from those presently prevailing;

- The Target will retain sufficient management and technical personnel to maintain their ongoing operations;

- There will be no major business disruptions through epidemic, international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business;

- The Target's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with;

- The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target default against its outstanding commitment or obligations; and

- Any potential bad debt of the Target will not significantly affect the value of the Target.

14. LIMITING CONDITIONS

We understand that you will perform additional separate due diligence before making any transaction decision related to the Target. You will not solely rely on our opinion regarding any transaction related to the Target. Our report will be used for internal reference purpose only and cannot replace any managerial decision or judgment of the Company's management. Our work does not constitute any buy or sell recommendation.

No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is beyond what is customarily expected on valuers' capacity or expertise. We are not in a position to, nor have been instructed to, comment on the lawfulness of the businesses and the Target's possession of the assets. In the course of our valuation, we have assumed that the assets have obtained all required registration and are freely transferable in the market without any significant obstacles.

We have been provided with extracts of copies of relevant documents and financial information relating to the Target. We have relied upon the aforesaid information and certain data from various databases in forming our opinion of the Market Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. Our work has relied to a considerable extent on the information provided by the Company and does not constitute an audit and no assurance is given by us to the information supplied to us. Details of our principal information sources are set out in the report and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work. We have made relevant inquiries and obtained further information as we considered necessary for the purpose of this valuation, we however cannot guarantee the reliability or accuracy of the information sources. We have no responsibility to doubt the truthfulness and accuracy of the said information which is material to the valuation. We have also been confirmed by the Company that no material facts related to this valuation have been omitted from the information provided.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Furthermore, the assumptions adopted are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Target and us. While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors. We must emphasise that the realisation of any prospective financial information set out within our report is dependent on the continuing validity of the assumptions on which it is based. We accept no responsibility for the realisation of any prospective financial information. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.

In accordance with our standard practice, we must state that this report and valuation is for the purpose of incorporation into the public announcement and circular of the Company in connection with the Acquisition and the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

We shall be under no obligation to update our report in respect of events or information which come to our attention subsequent to the date of this report. Notwithstanding this, we reserve the right, should we consider it necessary, to revise our valuation in light of any information which existed at the Valuation Date but which becomes known to us subsequent to the date of this report.

We shall not testify or attend in court due to this exercise, with reference to the valuation described herein. Should there be any further services required, the corresponding expenses and provision of services will be reimbursed from the Company and such additional work may incur without prior notification.

15. MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculation has been sent to management of the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

16. CONFIRMATION OF INDEPENDENCE

We hereby confirm that we have neither present nor prospective interests in the Company, Target and their respective holding companies, subsidiaries and associated companies, or the value reported herein.

17. OPINION OF VALUE

Based on our analysis and method employed, we are of the opinion that the Market Value of 100% equity interest in the Target as of the Valuation Date to be HK$32,636,000 (HONG KONG DOLLARS THIRTY TWO MILLION SIX HUNDRED AND THIRTY SIX THOUSAND ONLY).

Since the Valuation Date the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Whilst at the Valuation Date we have obtained evidence upon which to base opinions of value, as at the date of this report, in Hong Kong market activity is now being impacted across all sectors. Our valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the financial market we recommend that you keep the valuation of this Target under frequent review.

Our opinion of value is made as at the Valuation Date only. Any value changes subsequent to the Valuation Date could be material depending on facts and circumstances.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Wiley W.F. Pun
HKICPA CICPA (non-practising) PRM
Director

Encl.

Appendix I — DCF calculation

DCF analysis												
In HK$'000		Forecast 31/12/2020	Forecast 31/12/2021	Forecast 31/12/2022	Forecast 31/12/2023	Forecast 31/12/2024	Forecast 31/12/2025	Forecast 31/12/2026	Forecast 31/12/2027	Forecast 31/12/2028	Forecast 31/12/2029	Terminal Year
Revenue		2,380	8,107	17,433	30,297	44,872	55,687	61,473	64,349	65,580	66,912	68,585
Cost of sales		(859)	(3,186)	(7,292)	(13,163)	(19,826)	(25,391)	(29,082)	(31,219)	(32,321)	(33,129)	(33,957)
Gross Profit		1,521	4,922	10,141	17,134	25,046	30,297	32,391	33,130	33,259	33,784	34,628
Administrative cost		(8,255)	(8,615)	(8,831)	(9,051)	(9,278)	(9,509)	(9,747)	(9,991)	(10,241)	(10,497)	(10,759)
Depreciation		(409)	(1,145)	(1,985)	(2,975)	(4,017)	(4,996)	(5,844)	(5,844)	(5,844)	(5,844)	(5,844)
Other operating expenses		(196)	(526)	(829)	(1,124)	(1,384)	(1,585)	(1,724)	(1,813)	(1,869)	(1,916)	(1,964)
EBIT		(7,339)	(5,365)	(1,503)	3,984	10,367	14,206	15,076	15,482	15,306	15,527	16,062
Less: tax paid		—	—	—	—	—	(701)	(2,322)	(2,390)	(2,360)	(2,397)	(2,485)
Add: depreciation and amortisation		409	1,145	1,985	2,975	4,017	4,996	5,844	5,844	5,844	5,844	5,844
Less: capex		(4,088)	(7,366)	(8,395)	(9,900)	(10,426)	(9,788)	(8,475)	(7,448)	(6,209)	(5,844)	(5,844)
Less: change in WC		2,590	2,743	4,668	6,907	8,125	6,728	3,871	1,694	276	(52)	(22)
Free cash flow to firm (FCFF)		(8,428)	(8,842)	(3,245)	3,966	12,084	15,442	13,993	13,182	12,856	13,079	13,555
Terminal value												100,404
Partial period		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	—
Discount period		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	—
Discount factor		0.93	0.80	0.69	0.59	0.51	0.44	0.38	0.33	0.28	0.24	0.24
Discounted value		(7,825)	(7,077)	(2,239)	2,359	6,196	6,826	5,332	4,331	3,641	3,193	24,513
Present value from DCF	**39,250**											
Add: Cash	2,598											
Less: Net non-operating liabilities	(744)											
100% Equity Value before DLOM	41,103											
Less: DLOM	(8,467)											
100% Equity Value after DLOM	**32,636**											

Source: Target, Company, Savills Analysis

The following is the text of a report received from the Reporting Accountants, D & Partners CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.

30 June 2020

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN CORNERSTONE EV CHARGING SERVICE LIMITED

TO THE DIRECTORS OF ELEGANCE COMMERCIAL AND FINANCIAL PRINTING GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows (the "**Profit Forecast**") on which the valuation prepared by Savills Valuation and Professional Services Limited dated 30 June 2020, of the entire equity interest in Cornerstone EV Charging Service Limited as at 31 December 2019 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and will be included in a circular dated 30 June 2020 to be issued by Elegance Commercial and Financial Printing Group Limited (the "**Company**") involving the issue of Consideration Shares under specific mandate. (the "**Circular**").

Directors' Responsibilities

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Profit Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 11 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on whether the calculations of the Profit Forecast have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 19.62(2) of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the Assumptions adopted by the directors. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and Assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Accordingly, we do not express an audit opinion.

The Profit Forecast does not involve the adoption of accounting policies. The Profit Forecast depends on future events and Assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 19.62(2) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, so far as the calculations are concerned, the Profit Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in the Circular.

D & Partners CPA Limited
Certified Public Accountants
Hong Kong

The following is the full text of the letter from VBG Capital Limited, for the purpose of, among other things, incorporation into this circular.

30 June 2020

The Board of Directors
Elegance Commercial and Financial Printing Group Limited

Dear Sirs,

Reference is hereby made to the valuation prepared by Savills Valuation and Professional Services Limited (the "**Valuer**") dated 30 June 2020, in relation to the 100% equity interest in Cornerstone EV Charging Service Limited as at 31 December 2019 (the "**Valuation**"), which is set out in the Appendix II to this circular.

The Valuation has been arrived at using the discounted cash flow method and is regarded as a profit forecast (the "**Profit Forecast**") under Rule 19.61 of the GEM Listing Rules. We, as financial adviser to the Company in relation to the acquisition of the entire issued share capital and the shareholder's loan of Cornerstone EV Charging Service Limited (the "**Acquisition**"), have reviewed the Profit Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer the bases and assumptions upon which the Profit Forecast has been prepared. We have also considered the letter from D & Partners CPA Limited ("**Reporting Accountants**") dated 30 June 2020 addressed to yourselves as set out in Appendix III to the Circular regarding the calculations of the discounted future estimated cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Valuer and the Company for which the Valuer and the Company are solely responsible, we are of the opinion that the Profit Forecast, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 19.62(3) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Your Faithfully
For and on behalf of
VBG Capital Limited

Existing Articles of Association	Revised Articles of Association
Article 70	**Article 70**
~~70 The chairman (if any) of the Company or if he is absent or declines to take the chair at such meeting, the Vice chairman (if any) of the Company shall take the chair at every general meeting, or, if there be no such chairman or Vice chairman, or, if at any general meeting neither of such chairman or Vice chairman is present within 15 minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as chairman of the meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be chairman of the meeting.~~	(a) 70 Where the Company has only one chairman, the chairman of the Company or, if he is absent or declines to take the chair at such meeting, the vice chairman (if any) of the Company shall take the chair at every general meeting, or, if there be no such chairman or vice chairman of the Company, or, if at any general meeting neither of such chairman or vice chairman of the Company is present within 15 minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as chairman of the meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be chairman of the meeting.
	(b) Where the Company has two (2) co-chairmen appointed, prior to the holding of each general meeting, the chairman of such general meeting (the "**agreed General Meeting Chairman**") shall be decided by agreement

between the two (2) co-chairmen of the Company, and if the two (2) co-chairmen of the Company fail to reach such agreement, the vice chairman (if any) of the Company shall preside as chairman at such general meeting. Where the agreed General Meeting Chairman is absent or declines to take the chair at such general meeting, the other co-chairman of the Company (the "**stand-in General Meeting Chairman**") shall take the chair at such general meeting, and where the stand-in General Meeting Chairman is absent or declines to take the chair at such general meeting, the vice chairman (if any) of the Company shall preside as chairman at such general meeting. Where, in the aforesaid situations, (i) the agreed General Meeting Chairman, or the stand-in General Meeting Chairman, or the vice chairman of the Company (as the case may be) is not present within 15 minutes after the time appointed for holding such meeting, or declines to take the chair at such general meeting, or (ii) if no such vice chairman of the Company be elected or appointed, in each case (as relevant) the Directors present shall choose one of their number as chairman of the

	meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be the chairman of the meeting.
Article 76	**Article 76**
76 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote, the chairman of the meeting shall determine the same, and such determination shall be final and conclusive. ~~chairman to have casting vote~~	76 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall not be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote, the chairman of the meeting shall determine the same, and such determination shall be final and conclusive. Chairman not to have casting vote
Article 125	**Article 125**
125 The Board may from time to time entrust to and confer upon a chairman, vice chairman, managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose,	125 The Board may from time to time entrust to and confer upon a chairman of the Company (and where the Company has more than one chairman, each co-chairman), vice chairman, managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such

and, subject to the terms thereof, the said powers may at any time be withdrawn, revoked or varied, but no person dealing in good faith and without notice of such withdrawal, revocation or variation shall be affected thereby.	regulations and restrictions as the Board may from time to time make and impose, and, subject to the terms thereof, the said powers may at any time be withdrawn, revoked or varied, but no person dealing in good faith and without notice of such withdrawal, revocation or variation shall be affected thereby.
Article 132	**Article 132**
~~132 The Board may from time to time elect or otherwise appoint one of them to the office of chairman of the Company and another to be the vice chairman of the Company (or two or more vice Chairmen) and determine the period for which each of them is to hold office. The chairman of the Company or, in his absence, the vice chairman of the Company shall preside as chairman at meetings of the Board, but if no such chairman or vice chairman be elected or appointed, or if at any meeting the chairman or vice chairman is not present within five minutes after the time appointed for holding the same and willing to act, the Directors present shall choose one of their number to be chairman of such meeting. All the provisions of Articles 103, 108, 123, 124 and 125 shall mutatis mutandis apply to any Directors elected or otherwise appointed to any office in accordance with the provisions of this Article.~~	132 (a) The Board may from time to time elect or otherwise appoint: (i) not more than two of them to the office of chairman of the Company (and where the Company has more than one chairman, each a co-chairman); and (ii) any one of them to the office of vice chairman, and determine the period for which each of them is to hold office. (b) Where the Company has only one chairman, the chairman of the Company or, in his absence, the vice chairman (if any) of the Company shall preside as chairman at meetings of the Board, but if no such chairman or vice chairman of the Company be elected or appointed, or if at any meeting the chairman or vice

chairman (as the case may be) of the Company is not present within 5 minutes after the time appointed for holding the same and willing to act, the Directors present shall choose one of their number to be chairman of such meeting.

(c) Where the Company has two (2) co-chairmen appointed, prior to the holding of each meeting of the Board, the chairman of such meeting (the "**agreed Chairman**") shall be decided by agreement between the two (2) co-chairmen of the Company, and if the two (2) co-chairmen of the Company fail to reach such agreement, the vice chairman (if any) of the Company shall preside as chairman at such meeting. Where the agreed Chairman is absent at such meeting of the Board, the other co-chairman of the Company (the "**stand-in Chairman**") shall take the chair at such meeting of the Board, and where the stand-in Chairman is absent at such meeting of the Board, the vice chairman (if any) of the Company shall preside as chairman at such meeting of the Board. Where, in the aforesaid situations, (i) the agreed Chairman, or the stand-in Chairman, or the vice chairman of the Company (as the case may be) is not present within 5 minutes after the time appointed for holding the same and willing to act, or (ii) if no such vice chairman of the Company be elected or appointed, in each case (as relevant) the Directors present shall choose one of their number to be the chairman of such meeting.

(d) All the provisions of Articles 103, 108, 123, 124 and 125 shall mutatis mutandis apply to any Directors elected or otherwise appointed to any office in accordance with the provisions of this Article.

Article 135	Article 135
~~135 Subject to Article 107, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes the chairman of the meeting shall have a second or casting vote.~~	135 Subject to Article 107, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes the chairman of the meeting shall not have any second or casting vote.

ELEGANCE COMMERCIAL AND FINANCIAL PRINTING GROUP LIMITED
精雅商業財經印刷集團有限公司
(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 Elegance Commercial and Financial Printing Group Limited (the "**Company**") will be held at 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 23 July 2020 at 2:30 p.m. for the following purposes:

SPECIAL RESOLUTIONS

As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as special resolutions:

1. "**THAT** the amended and restated articles of association of the Company adopted on 19 April 2018 and with effect from 11 May 2018 (the "**Existing Articles**") be amended as follows:

   (a) by deleting article 70 in its entirety and substituting therefor the following:

   "70 (a) Where the Company has only one chairman, the chairman of the Company or, if he is absent or declines to take the chair at such meeting, the vice chairman (if any) of the Company shall take the chair at every general meeting, or, if there be no such chairman or vice chairman of the Company, or, if at any general meeting neither of such chairman or vice chairman of the Company is present within 15 minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as chairman of the meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be chairman of the meeting.

(b) Where the Company has two (2) co-chairmen appointed, prior to the holding of each general meeting, the chairman of such general meeting (the "**agreed General Meeting Chairman**") shall be decided by agreement between the two (2) co-chairmen of the Company, and if the two (2) co-chairmen of the Company fail to reach such agreement, the vice chairman (if any) of the Company shall preside as chairman at such general meeting. Where the agreed General Meeting Chairman is absent or declines to take the chair at such general meeting, the other co-chairman of the Company (the "**stand-in General Meeting Chairman**") shall take the chair at such general meeting, and where the stand-in General Meeting Chairman is absent or declines to take the chair at such general meeting, the vice chairman (if any) of the Company shall preside as chairman at such general meeting. Where, in the aforesaid situations, (i) the agreed General Meeting Chairman, or the stand-in General Meeting Chairman, or the vice chairman of the Company (as the case may be) is not present within 15 minutes after the time appointed for holding such meeting, or declines to take the chair at such general meeting, or (ii) if no such vice chairman of the Company be elected or appointed, in each case (as relevant) the Directors present shall choose one of their number as chairman of the meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be the chairman of the meeting."

(b) by adding the word "not" immediately before the words "be entitled to a second or casting vote" in article 76;

(c) by deleting the marginal note to article 76 in its entirety and substituting therefor "Chairman not to have casting vote";

(d) by deleting "chairman, vice chairman" and substituting therefor "chairman of the Company (and where the Company has more than one chairman, each co-chairman), vice chairman" in article 125; and

(e) by deleting article 132 in its entirety and substituting therefor the following:

"132 (a) The Board may from time to time elect or otherwise appoint:

(i) not more than two of them to the office of chairman of the Company (and where the Company has more than one chairman, each a co-chairman); and

(ii) any one of them to the office of vice chairman,

and determine the period for which each of them is to hold office.

(b) Where the Company has only one chairman, the chairman of the Company or, in his absence, the vice chairman (if any) of the Company shall preside as chairman at meetings of the Board, but if no such chairman or vice chairman of the Company be elected or appointed, or if at any meeting the chairman or vice chairman (as the case may be) of the Company is not present within 5 minutes after the time appointed for holding the same and willing to act, the Directors present shall choose one of their number to be chairman of such meeting.

(c) Where the Company has two (2) co-chairmen appointed, prior to the holding of each meeting of the Board, the chairman of such meeting (the "agreed Chairman") shall be decided by agreement between the two (2) co-chairmen of the Company, and if the two (2) co-chairmen of the Company fail to reach such agreement, the vice chairman (if any) of the Company shall preside as chairman at such meeting. Where the agreed Chairman is absent at such meeting of the Board, the other co-chairman of the Company (the "stand-in Chairman") shall take the chair at such meeting of the Board, and where the stand-in Chairman is absent at such meeting of the Board, the vice chairman (if any) of the Company shall preside as chairman at such meeting of the Board. Where, in the aforesaid situations, (i) the agreed Chairman, or the stand-in Chairman, or the vice chairman of the Company (as the case may be) is not present within 5 minutes after the time appointed for holding the same and willing to act, or (ii) if no such vice chairman of the Company be elected or appointed, in each case (as relevant) the Directors present shall choose one of their number to be the chairman of such meeting.

(d) All the provisions of Articles 103, 108, 123, 124 and 125 shall mutatis mutandis apply to any Directors elected or otherwise appointed to any office in accordance with the provisions of this Article."

(f) by deleting article 135 in its entirety and substituting therefor the following:

"Subject to Article 107, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes the Chairman of the meeting shall not have any second or casting vote."

2. "**THAT** the second amended and restated articles of association of the Company in the form of the document marked "A" and produced to this meeting and for the purpose of identification signed by the chairman of this meeting, which consolidate all the proposed amendments mentioned in Resolution 1 above be approved and adopted as the second amended and restated articles of association of the Company in substitution for and to the exclusion of the Existing Articles with immediate effect."

ORDINARY RESOLUTIONS

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

3. "**THAT** subject to the passing of ordinary resolution numbered 4 herein and the GEM Listing Committee to The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in the Consideration Shares (as defined below):

(a) the sale and purchase agreement dated 21 February 2020 (the "**Agreement**") entered into amongst (i) Cornerstone Wealth Holdings Limited ("**Cornerstone**"), as vendor of 8,437 issued shares of Cornerstone EV Charging Service Limited (the "**Target Company**") (the "**Sale Shares A**"); (ii) Norenex Limited ("**Norenex**", together with Cornerstone, the "**Vendors**"), as vendor of 21,563 issued shares of the Target Company (the "**Sale Shares B**") and the shareholder's loan of not less than HK$5,000,000 (the "**Sale Loan**") owing by the Target Company to Norenex; (iii) Mr. Lau Wai Yan Lawson; and (iv) Qing Heng Investment Limited (the "**Purchaser**"), for a total consideration of HK$8,437,000 in respect of the Sale Shares A and HK$26,563,000 in respect of the Sale Shares B and the Sale Loan (copy of the Agreement is tabled at the meeting and marked "B" and signed by the chairman of the meeting for identification purpose) pursuant to which, among others, Cornerstone has conditionally agreed to sell the Sale Shares A, Norenex has conditionally agreed to sell the Sale Shares B and the Sale Loan, and the Purchaser has conditionally agreed to purchase the Sale Shares A and Sale Shares B, collectively representing the entire issued share capital of the Target Company, and Sale Loan (the "**Acquisition**"), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company (the "**Director(s)**") be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with or to give effect to the Agreement and the transactions contemplated thereunder; and

4. "**THAT** subject to the passing of ordinary resolution numbered 3 herein and the GEM Listing Committee to The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in the Consideration Shares (as defined below):

(a) the Directors be and are hereby granted a specific mandate (the "**Specific Mandate**") which shall entitle the Directors to exercise all the powers of the Company to (i) allot and issue up to 40,540,541 new ordinary shares of the Company (the "**Consideration Shares**") at the subscription price of HK$0.37 per Consideration Share to the Vendors (or their nominee(s)) as part of the consideration for the Acquisition subject to the terms and conditions of the Agreement, where such Consideration Shares shall rank pari passu in all respects with the other ordinary shares of the Company in issue or to be issued by the Company on or prior to the date of allotment of the Consideration Shares; and (ii) credit the Consideration Shares as fully paid and register the Consideration Shares in the name of the Vendors on the Hong Kong branch register of members of the Company subject to the terms and conditions of the Agreement, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

(b) the Directors be and are hereby authorised to execute all such documents and do all such acts and things and to sign all documents and to take any steps as they consider desirable, necessary or expedient in connection with and to give effect to the granting of the Specific Mandate for the allotment and issue of the Consideration Shares."

By Order of the Board
Elegance Commercial and Financial Printing Group Limited
LIANG Zihao
Executive Director

Hong Kong, 30 June 2020

Registered Office:
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong:
2402, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

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

Executive Directors:	Mr. LIANG Zihao Mr. SAM WENG WA Michael
Non-executive Director:	Mr. WU Jianwei (Chairman)
Independent non-executive Directors:	Mr. TAM Ka Hei Raymond Mr. YUEN Chun Fai Ms. ZHU Xiaohui

Notes:

1. A member entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint one or (if he holds two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

3. Where there are joint registered holders of any shares, any one of such persons may vote at the EGM (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 2:30 p.m. on Tuesday, 21 July 2020) 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 Monday, 20 July 2020 to Thursday, 23 July 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 17 July 2020.

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, all resolutions 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.