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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

CONNECTED TRANSACTION

**SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER
SPECIFIC MANDATE**

Financial Adviser to the Company



SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 September 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 20,000,000 new Shares at the Subscription Price of HK\$0.62 per Subscription Share. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscription**” of this announcement.

The Subscription Shares represent (i) approximately 2.72% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.65% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this announcement and the date of Completion. The aggregate nominal value of the Subscription Shares will be HK\$200,000.

The gross proceeds from the Subscription will be HK\$12.4 million. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$11.9 million. On such basis, the net price per Subscription Share will be approximately HK\$0.595. The Company intends to apply the net proceeds from the Subscription as working capital of the Group and for general corporate purposes.

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

LISTING RULES IMPLICATIONS

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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

EGM

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

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

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

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 September 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 20,000,000 new Shares at the Subscription Price of HK\$0.62 per Subscription Share. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscription**” of this announcement.

Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 2 September 2022 (after trading hours)

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

Subscription Shares

The Subscription Shares represent:

- (a) approximately 2.72% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 2.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this announcement and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$200,000.

Subscription Price

The Subscription Price of HK\$0.62 per Subscription Share represents:

- (a) a premium of approximately 5.1% over the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on 2 September 2022, being the Last Trading Day; and
- (b) a discount of approximately 2.8% to the average closing price of HK\$0.638 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

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

Ranking of the Subscription Shares

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

Conditions of the Subscription

Completion is conditional upon the fulfilment of the following conditions:

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

None of the conditions precedent set out in (a) to (d) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by 5:00 p.m. on 31 December 2022 (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

Completion

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

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

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

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of printing, typesetting and translation services and electric vehicle charging business in Hong Kong.

INFORMATION ON THE SUBSCRIBER

The Subscriber is an executive Director and the elder sister of Mr. Wu Jianwei, a non-executive Director, and is therefore a connected person of the Company. As at the date of this announcement, the Subscriber is interested in 18,750,000 Shares, representing approximately 2.55% of the total issued share capital of the Company.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

Pursuant to the Interim Report of the Company published on 12 August 2022, as at 30 June 2022 the Company's cash and bank balance was approximately HK\$10.4 million, representing an approximately HK\$6.2 million decrease from the Company's cash and bank balance as at 31 December 2021 being approximately HK\$16.6 million. As the Directors hold a positive prospect for the future of the Company and the EV-charging market in Hong Kong, the Directors (including the independent non-executive Directors) are of the view that the Subscription will bring additional working capital and immediate funding for the Company's operations in the upcoming months.

The gross proceeds from the Subscription will be HK\$12.4 million. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$11.9 million. On such basis, the net price per Subscription Share will be approximately HK\$0.595. The Company intends to apply the net proceeds from the Subscription as working capital of the Group and for general corporate purposes.

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

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

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

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
27 June 2022 and 13 July 2022	Subscription of 32,320,000 new Shares under general mandate	Approximately HK\$19.5 million	EV-charging business development and general working capital	Fully utilised in accordance with the intended use
29 November 2021 and 6 December 2021	Subscription of 8,000,000 new Shares under general mandate	Approximately HK\$4.92 million	Working capital and general corporate purposes	Fully utilized in accordance with the intended use
30 September 2021, 4 October 2021, 7 October 2021, 9 November 2021, 30 December 2021, 13 January 2022, 21 March 2022 and 31 May 2022	Placing of 39,520,000 new Shares under specific mandate	Approximately HK\$23.3 million	EV-charging business development, commercial and financial printing business operation and as general corporate purposes	Fully utilized in accordance with the intended use

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 733,991,399 Shares in issue. The following is a table illustrating the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this announcement and the date of Completion:

	As at the date of this announcement		Immediately after completion of the Subscription	
	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>
Controlling Shareholder, Substantial Shareholders and Directors				
Global Fortune Global Limited (<i>Note 1</i>)	235,603,225	32.10%	235,603,225	31.25%
Glorytwin Limited (<i>Note 2</i>)	81,000,000	11.03%	81,000,000	10.73%
Mr. Pan Wenyuan	27,096,000	3.69%	27,096,000	3.59%
Mr. Wu Jianwei (<i>Note 1</i>)	24,192,000	3.30%	24,192,000	3.21%
Cornerstone Wealth Holdings Limited (<i>Note 3</i>)	22,802,703	3.11%	22,802,703	3.02%
Tanner Enterprises Group Limited (<i>Note 2</i>)	17,392,000	2.37%	17,392,000	2.31%
Mr. Liang Zihao (<i>Note 1</i>)	13,708,000	1.87%	13,708,000	1.82%
Mr. Lau Wai Yan Lawson (<i>Note 3</i>)	7,500,000	1.02%	7,500,000	1.00%
Mr. Yip Shiu Hong	5,997,905	0.82%	5,997,905	0.80%
Mr. Li Man Keung Edwin (<i>Note 2</i>)	5,912,613	0.81%	5,912,613	0.78%
Mr. Ng Sze Chun	2,998,953	0.41%	2,998,953	0.40%
Mr. Ko Shu Ki Kenneth	1,432,000	0.19%	1,432,000	0.19%
The Subscriber	18,750,000	2.55%	38,750,000	5.14%
Other public Shareholders	<u>269,606,000</u>	<u>36.73%</u>	<u>269,606,000</u>	<u>35.76%</u>
Total	<u><u>733,991,399</u></u>	<u><u>100.00%</u></u>	<u><u>753,991,399</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, the non-executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, the executive Director and Co-Chairman of the Board. Mr. Wu Jianwei also directly holds 24,192,000 Shares and Mr. Liang Zihao also directly holds 13,708,000 Shares.
- (2) 81,000,000 Shares are held by Glorytwin Limited which is wholly owned by Mr. Li Man Keung Edwin, executive Director and Vice Chairman of the Board. 17,392,000 Shares are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin. Mr. Li Man Keung Edwin also directly holds 5,912,613 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 104,304,613 Shares.
- (3) 22,802,703 Shares are held by Cornerstone Wealth Holdings Limited which is wholly owned by Mr. Lau Wai Yan Lawson, the executive Director. Mr. Lau Wai Yan Lawson also directly holds 7,500,000 Shares. The aggregate Shares beneficially owned by Mr. Lau Wai Yan Lawson is 30,302,703 Shares.

LISTING RULES IMPLICATIONS

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

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

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

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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

EGM

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

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

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

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Cornerstone Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM (stock code: 8391)

“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate to allot and issue the Subscription Shares
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholder(s) other than those that are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Last Trading Day”	2 September 2022, being the last full trading day of the Shares immediately prior to the signing of the Subscription Agreement
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Ms. Wu Yanyan, an executive Director and the elder sister of Mr. Wu Jianwei, a non-executive Director
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 2 September 2022 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.62 per Subscription Share
“Subscription Shares”	an aggregate of 20,000,000 Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 2 September 2022

As at the date of this announcement, the executive Directors are Mr. LIANG Zihao, Mr. LI Man Keung Edwin, Mr. SAM WENG WA Michael, Mr. LAU Wai Yan Lawson, Mr. PAN Wenyuan, Ms. WU Yanyan and Mr. YEUNG Chun Yue David, the non-executive Director is Mr. WU Jianwei and the independent non-executive Directors are Mr. TAM Ka Hei Raymond, Mr. YUEN Chun Fai, Ms. ZHU Xiaohui and Mr. KO Shu Ki Kenneth.

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

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