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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

SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE

Financial Adviser to the Company



建泉融資有限公司
VBG Capital Limited

SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE

On 7 December 2022 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 35,200,000 new Shares at the Subscription Price of HK\$1.144 per Subscription Share. Completion of the Subscriptions is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscriptions**” of this announcement.

The Subscription Shares represent (i) approximately 4.80% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.58% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares immediately after completion of the Subscriptions, 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\$352,000.

The gross proceeds from the Subscriptions will be approximately HK\$40.3 million. The estimated net proceeds from the Subscriptions after deduction of expenses, will amount to approximately HK\$40.1 million. On such basis, the net price per Subscription Share will be approximately HK\$1.139. The Company intends to apply the net proceeds from the Subscriptions 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, Mr. Wu Jianwei is a non-executive Director, Ms. Wu Yanyan is an executive Director, Mr. Liang Zihao is an executive Director and Mr. Li Man Keung Edwin is an executive Director, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscriptions constitute connected transactions and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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 Subscriptions are on commercial terms or better and fair and reasonable, and whether the Subscriptions are 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 Subscriptions are subject to fulfilment of the conditions under the Subscription Agreement. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE

On 7 December 2022 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 35,200,000 new Shares at the Subscription Prices of HK\$1.144 per Subscription Share. Completion of the Subscriptions is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscriptions**” of this announcement.

Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 7 December 2022 (after trading hours)

Parties:

- (1) the Company (as issuer);
- (2) Wu Jianwei (as subscriber);
- (3) Wu Yanyan (as subscriber);
- (4) Liang Zihao (as subscriber); and
- (5) Li Man Keung Edwin (as subscriber)

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

Subscription Shares

The Subscription Shares represent:

- (a) approximately 4.80% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 4.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscriptions, 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\$352,000.

Subscription Price

The Subscription Prices of HK\$1.144 per Subscription Share represent:

- (a) a discount of approximately 55.8% to the closing price of HK\$2.59 per Share as quoted on the Stock Exchange on 7 December 2022, being the last trading day immediately before the date of the Subscription Agreement; and
- (b) a discount of approximately 34.3% to the average closing price of HK\$1.74 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

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

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

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

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

None of the conditions precedent set out in (a) to (e) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by before 4:00 p.m. (Hong Kong time) on 31 March 2023 (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscriptions, save for any antecedent breaches thereof.

Completion

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

Lock-up Undertakings

Each of the Subscriber hereby undertakes to the Company that, it will not, at any time within twelve months after Completion (including the date of Completion), directly or indirectly dispose any of its Subscription Share.

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 SUBSCRIBERS

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

Ms. Wu Yanyan 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.

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

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

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

As disclosed in the voluntary announcement published by the Company on 3 November 2022, Cornerstone EV Charging Service Limited (“**Cornerstone EV Charging**”), an indirectly wholly-owned subsidiary of the Company, has been selected by Link Asset Management Limited, the manager of Link Real Estate Investment Trust (Link REIT; Hong Kong Stock code: 823), as one of the partners in its Link EV Charging Programme, which is an important milestone in Link’s sustainability strategy. The Company will provide EV Charging points in respect of 33 of the 113 Link Hong Kong car parks that will provide this service (the “**Link Project**”).

The gross proceeds from the Subscriptions will be approximately HK\$40.3 million. The estimated net proceeds from the Subscriptions after deduction of expenses, will amount to approximately HK\$40.1 million. On such basis, the net price per Subscription Share will be approximately HK\$1.139. The Company intends to apply the net proceeds from the Subscriptions for financing the Link Project and as working capital of the Group.

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
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
27 June 2022 and 13 July 2022	Subscription of 32,320,000 new Shares under general mandate	Approximately HK\$20.0 million	General working capital	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 Subscriptions	
	<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	30.63%
Glorytwin Limited (<i>Note 2</i>)	81,000,000	11.03%	81,000,000	10.53%
Mr. Pan Wenyuan	27,096,000	3.69%	27,096,000	3.52%
Cornerstone Wealth Holdings Limited (<i>Note 3</i>)	22,802,703	3.11%	22,802,703	2.96%
Tanner Enterprises Group Limited (<i>Note 2</i>)	17,392,000	2.37%	17,392,000	2.26%
Mr. Lau Wai Yan Lawson (<i>Note 3</i>)	7,500,000	1.02%	7,500,000	0.98%
Mr. Yip Shiu Hong	5,997,905	0.82%	5,997,905	0.78%
Mr. Ng Sze Chun	2,998,953	0.41%	2,998,953	0.39%
Mr. Ko Shu Ki Kenneth	932,000	0.13%	932,000	0.12%
Subscribers				
Mr. Wu Jianwei (<i>Note 1</i>)	24,192,000	3.30%	32,992,000	4.29%
Ms. Wu Yanyan	18,750,000	2.55%	27,550,000	3.58%
Mr. Liang Zihao (<i>Note 1</i>)	13,708,000	1.87%	22,508,000	2.93%
Mr. Li Man Keung Edwin (<i>Note 2</i>)	5,912,613	0.81%	14,712,613	1.91%
Other public Shareholders	270,106,000	36.80%	270,106,000	35.12%
Total	733,991,399	100.00%	769,191,399	100.00%

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

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscriptions are on commercial terms or better, fair and reasonable, and whether the Subscriptions are 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 Subscriptions is subject to fulfilment of the conditions under the Subscription Agreement. As the Subscriptions 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 Subscriptions 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
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“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
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Collectively, Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin
“Subscriptions”	the subscriptions of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 7 December 2022 entered into between the Company and the Subscribers in relation to the Subscriptions
“Subscription Price”	HK\$1.144 per Subscription Share
“Subscription Shares”	an aggregate of 35,200,000 Shares to be allotted and issued by the Company to the Subscribers pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 7 December 2022

As at the date of this announcement, the executive Directors are Mr. LIANG Zihao, Mr. SAM Weng Wa Michael, Mr. LI Man Keung Edwin, 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 GEM website at www.hkgem.com for at least seven days after the date of publication and on the Company’s website at www.cstl.com.hk.