



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)



**FIRST
QUARTERLY
REPORT**

2021



MIX
Paper from
responsible sources
FSC™ C007234

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”, each a “Director”) of Cornerstone Technologies Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report 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 report misleading.

CONTENTS

Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Changes in Equity	4
Notes to the Condensed Consolidated Financial Statements	6
Management Discussion and Analysis	14
Other Information	28

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Three months ended 31 March	
		2021	2020
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	3	14,389	10,899
Cost of services		(11,599)	(11,882)
Gross profit (loss)		2,790	(983)
Other income	4	218	892
Selling expenses		(574)	(689)
Administrative and other operating expenses		(14,453)	(7,570)
Finance costs	5	(351)	(413)
Loss before taxation		(12,370)	(8,763)
Income tax credit	7	34	113
Loss and total comprehensive expense for the period		(12,336)	(8,650)
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(12,336)	(8,733)
Non-controlling interests		—	83
		(12,336)	(8,650)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company:			
Basic and diluted	8	(2.26)	(1.98)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Retained profits/losses (accumulated) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2020 (Unaudited)	4,400	52,821	17,802	—	8,874	83,897	353	84,250
Change in equity for the three months ended 31 March 2020:								
Adjustments	—	—	—	—	(79)	(79)	—	(79)
(Loss) profit and total comprehensive (expense) income for the period	—	—	—	—	(8,733)	(8,733)	83	(8,650)
Acquisition of additional interest in a subsidiary	—	—	—	—	(9)	(9)	(436)	(445)
Balance at 31 March 2020 (Audited)	4,400	52,821	17,802	—	53	75,076	—	75,076
At 1 January 2021 (Audited)	4,805	71,267	17,802	—	(30,418)	63,456	—	63,456
Change in equity for the three months ended 31 March 2021:								
Issue of shares pursuant to the Share Placing (Note c)	497	18,856	—	—	—	19,353	—	19,353
Issue of shares pursuant to the Share Subscription (Note d)	696	27,154	—	—	—	27,850	—	27,850
Recognition of equity-settled share based payment (Note 9)	—	—	—	2,534	—	2,534	—	2,534
Loss and total comprehensive expense for the period	—	—	—	—	(12,336)	(12,336)	—	(12,336)
Balance at 31 March 2021 (Unaudited)	5,998	117,277	17,802	2,534	(42,754)	100,857	—	100,857

Note a: Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company remains able to pay our debts as and when they fall due in the ordinary course of business.

Note b: Capital reserve represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

Note c: On 4 January 2021, an aggregate of 49,625,000 placing shares have been successfully placed at the placing price of HK\$0.40 per placing share pursuant to the terms and conditions of the placing agreement.

Note d: On 10 March 2021, an aggregate of 69,625,000 subscription shares have been issued and allotted to the subscribers on at the subscription price of HK\$0.40 per subscription share pursuant to the terms and conditions of the subscription agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 24 January 2017. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing and public offer on 11 May 2018. The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated results for the three months ended 31 March 2021 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual financial statements for the nine months ended 31 December 2020, except for a number of new standards and amendments to HKFRSs issued by the HKICPA that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 have not been audited by the Company’s auditors but have been reviewed by the audit committee of the Company (the “Audit Committee”).

3. REVENUE AND SEGMENT INFORMATION

Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focus on the types of services provided.

The Group's reportable and operating segments under HKFRS 8 Operating Segments are as follow:

- 1) The provision of printing, typesetting and translation services; and
- 2) The provision of electric vehicle charging solution services and sales of electric vehicle charging systems.

(i) *Disaggregation of revenue from contracts with customers*

	For the three months ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<u>Printing business</u>		
— Commercial printing services	9,651	6,018
— Financial printing services	3,198	3,437
— Other services (Note)	914	1,444
	13,763	10,899
<u>Electric vehicle charging business</u>		
— Sales of electric vehicle charging systems	578	—
— Subscription fee income	48	—
	626	—
	14,389	10,899

Note: Other services included ad hoc design and artworks, and/other printing services, etc..

(ii) **Segments information**

Three months ended 31 March 2021 (unaudited)

	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Segment revenue	13,854	626	14,480
Inter-segment revenue	(91)	—	(91)
Revenue from external customers	13,763	626	14,389
Segment results	(2,223)	(7,040)	(9,263)
Unallocated expenses	—	—	(3,107)
Income tax credit	—	—	34
Loss for the period			(12,336)
Other segment information:			
Cost of services	11,100	499	11,599
Depreciation of property, plant and equipment	1,305	324	1,629
Depreciation of right-of-use assets	2,561	370	2,931
Amortisation of other intangible assets	—	269	269

During the three months ended 31 March 2020, the directors of the Company had determined that the Group had only one operating and reportable segment throughout the reporting periods, as the Group managed its business as a whole as the provision of integrated printing services in Hong Kong and the executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during the reporting periods is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

4. OTHER INCOME

	Three months ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	1	163
Interest income	31	182
Sundry income	186	547
	<hr/>	<hr/>
	218	892
	<hr/>	<hr/>

5. FINANCE COSTS

	Three months ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	8	5
Interest on promissory note	55	—
Interest on lease liabilities	288	408
	<hr/>	<hr/>
	351	413
	<hr/>	<hr/>

6. LOSS BEFORE TAXATION

Loss for the period has been arrived at after charging (crediting):

	Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
— Salaries and other benefits	11,665	7,510
— Contributions to defined contribution plans	454	409
Total staff costs	12,119	7,919
Amorisation of other intangible assets	269	—
Auditor's remuneration	205	120
Cost of inventories (Note)	11,599	11,882
Depreciation of property, plant and equipment	1,629	1,209
Depreciation of right-of-use assets	2,931	3,724
Exchange loss, net	3	5
(Reversal of) Impairment loss recognised on trade receivables	(605)	394
Gain on disposal off of property, plant and equipment, net	(1)	(163)
Loss on disposal of investment in a subsidiary	—	503
Equity-settled share-based payment expense	2,534	—

Note: During the three months ended 31 March 2021, cost of inventories included approximately HK\$7.1 million (three months ended 31 March 2020: approximately HK\$5.5 million) relating to the aggregate amount of certain staff costs, depreciation of property, plant and equipment and right-of-use asset and operating lease charges, which were included in the respective amounts as disclosed above.

7. INCOME TAX CREDIT

	Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax:		
Provision for the period	33	(135)
Deferred taxation	(67)	22
	<hr/>	<hr/>
Income tax credit	(34)	(113)

The Group's entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax.

Hong Kong Profits Tax has been provided at the rate of 8.25% on the first HK\$2,000,000 of the estimated assessable profits and 16.5% on the remaining amount of the estimated assessable profits for the three months ended 31 March 2021. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (three months ended 31 March 2020: 16.5%).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributed to the owners of the Company is based on the following data:

	Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	(12,336)	(8,733)
	<hr/>	<hr/>
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	545,531	440,000

The computation of diluted loss per share for the three months ended 31 March 2021 does not assume the exercise of outstanding share options of the Company since the outstanding options have not been vested as of 31 March 2021.

Diluted loss per share are same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months ended 31 March 2020.

9. SHARE-BASED PAYMENT TRANSACTION

Pursuant to share option scheme adopted by the Company on 19 April 2018 (the "Share Option Scheme"), during the three months ended 31 March 2021, 28,428,000 share options (31 March 2020: Nil) were granted to eligible participants of the Group.

The table below discloses movement of share options granted under the Share Option Scheme:

	Number of share options
Outstanding as at 1 January 2021	—
Granted during the period	28,428,000
<hr/>	
Outstanding as at 31 March 2021	28,428,000

The closing price of the Company's shares immediately before 28 January 2021, the date of grant, was HK\$0.54.

The fair values of the options determined at the date of grant using the binomial option pricing model were HK\$8,811,000.

The following assumptions were used to calculate the fair values of share options:

Grant date share price	HK\$0.54
Exercise price	HK\$0.54
Expected life	10 years
Expected volatility	67.85%
Dividend yield	0.00%
Risk-free interest rate	0.63%

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

- Vesting schedule:
- (i) Category I — 100% of the Options will be vested on, and exercisable from, the sixth month of the Date of Grant;
 - (ii) Category II — 100% of the Options will be vested on, and exercisable from, the third month of the meeting their respective performance target

The equity-settled share-based payments, amounted to approximately HK\$2,534,000, was charged to administrative expenses in profit or loss during the three months ended 31 March 2021.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2021 (2020: Nil).



11. EVENT AFTER THE REPORTING PERIOD

On 4 May 2021, Elegance Finance Printing Services Limited ("Elegance Finance"), an indirectly wholly-owned subsidiary of the Company, as tenant entered into a preliminary tenancy agreement with an independent third party for the purpose of the tenancy of premises. The terms of the preliminary tenancy agreement is four years commencing from 15 December 2021 to 14 December 2025 (both days inclusive) and Elegance Finance may exercise its option to renew at the expiration of the terms for a further term of two years. Pursuant to HKFRS 16, as a result of the entering into of the preliminary tenancy agreement, the unaudited value of the right-of-use asset to be recognised by the Group under the terms of the preliminary tenancy agreement amounted to approximately HK\$25,361,000, which is calculated with reference to the aggregate lease payments and discounted by a discount rate. For more details, please refer to the announcement dated 5 May 2021.


MANAGEMENT DISCUSSION AND ANALYSIS


BUSINESS REVIEW


Electric vehicle charging business

We commenced our electric vehicle (“EV”) charging business by acquisition of the entire interest of Cornerstone EV Charging Service Limited (“Cornerstone Charging” or “Cornerstone Charging  CHARGING”) in August 2020. Cornerstone Charging  CHARGING principally engaged in supplying EV integrated charging solutions, including supply and installation of EV chargers, developing EV charging-enabling infrastructure, central management system, hub for e-payment, load management system (“LMS”) and license plate recognition system (“LPRS”) to electric vehicles and smart parking.

Our EV charging business is supported by our research and development division located at our research and development centre at Unit K, 26th Floor, Maxgrand Plaza, 3 Tai Yau Street, San Po Kong, Hong Kong, which are experienced and reputable in the field of mechanical and electrical engineering. Our strong research and development division with execution capabilities and a proven track record is our main engine to keep innovating so as to gain and maintain our competitive edge and adapt the constant fast-changing technology market. Cornerstone Charging  CHARGING has a competitive market position as it is one of the major EV charging service providers in Hong Kong. Cornerstone Charging  CHARGING has been approved as an authorised EV charger supplier by a reputable Japanese automobile manufacturer. This approval is considered a recognition of the quality of our EV charger.

As per Hong Kong Roadmap on Popularisation of Electric Vehicles issued by the Environmental Protection Department in mid-March 2021, the government is determined to drive Hong Kong towards the vision of “Zero Carbon Emissions • Clean Air • Smart City”. To achieve carbon neutrality before 2050, the government identified key measures including, i) E-private cars, ii) E-commercial vehicles, iii) government fleet, iv) charging network, v) maintenance services, and vi) battery recycling. Among these key measures, Cornerstone Charging  CHARGING has focused on providing services and solutions in the area of charging network, maintenance services and battery recycling.

For charging network, Cornerstone Charging  is one of the major service providers in supplying EV integrated charging solutions in Hong Kong.

For the three months ended 31 March 2021, Cornerstone Charging  has undertaken various major projects at public area, such as:

A total of 153 chargers have been installed at Kwai Fong and Kennedy Town government car parks. This is part of the HK\$120 million allocated by the 2019-2020 budget to extend the public charging network of electric vehicles at government car parks.

The 94 chargers at Kwai Fong Car Park are equipped with a LMS, which is the first car park under the Environmental Protection Department equipped with LMS with even distribution and dynamic change. LMS is an effective way to maximize the available electric supply to enable more chargers to be installed and used at the same time without increasing the electricity load.



A total of 90 charging points at 19 Leisure and Cultural Services Department (“LCSD”) venues likes, sports grounds, parks, swimming pools, etc.





We have covered 20 car parks within The Housing Society management, some of the chargers installed at the Housing Society are equipped with LPRS and it has proven to be a very effective way to manage the car parks. LPRS enables automatic sensor to

detect any non-EV car is parked. Automatic billing of EV charging upon exiting the car park will be applied. This solution help the government offices to overcome the problem that the car parking spaces with EV chargers are often occupied by non-EV cars.

For maintenance services and battery recycling, Cornerstone Charging **CHARGING** has focused on research and development so as to strengthen its competitiveness and take part in the provision of sufficient training, re-training and education opportunities to groom professionals and mechanics to support the development of EV technology and maintenance in Hong Kong.

Printing business

Our printing business Elegance 精雅  is supported by our financial press centre located at Shun Tak Centre on top of Sheung Wan MTR station and our in-house printing production factory located at 7th Floor, Oceanic Industrial Centre, 2 Lee Lok Street, Hong Kong, with a usable area of approximately 32,000 sq. feet, as well as our in-house translation team in Hong Kong, which enables us to maintain timely and responsive printing and translation services to our commercial and financial printing customers.



For commercial printing services, the revenue increased by 60.4%, from approximately HK\$6.0 million for the three months ended 31 March 2020 to approximately HK\$9.7 million for the three months ended 31 March 2021. For financial printing services, the revenue decreased by 7.0%, from approximately HK\$3.4 million for the three months ended 31 March 2020 to approximately HK\$3.2 million for the three months ended 31 March 2021. For the electric vehicle charging business, the revenue of approximately HK\$578,000 from sales of electric vehicle charging systems and approximately HK\$48,000 from subscription fee income for rental of electric vehicle charger for the three months ended 31 March 2021.

OUTLOOK

For EV charging business, the Group plans to grasp the opportunity in this global trend and become one of the major market participants in Hong Kong to achieve the vision of “Zero Carbon Emissions • Clean Air • Smart City”, in the next few years.



In April 2021, our new EV charger, Chargic, has won the Green Product/Graphic Design 2021 from Green Good Design award. This award is considered as another recognition of the quality of our EV charger.

The situation of pandemic in Hong Kong has slightly stabilised, but remain very volatile. Nevertheless, the Group expected the EV charging business would be recovered in second half of 2021, provided that the precautionary measures have gradually relaxed. From 1 April 2021 and up to early May 2021, Cornerstone Charging  CHARGING has entered into three service agreements under private subscription model with a property management company and a property owner for undertaking EV charging services at sizeable residential car parks with approximately 300, 250, and 290 parking spaces, respectively. In addition, Cornerstone Charging  CHARGING has also entered into two service agreements under public subscription model at two smaller scale residential car parks in April 2021.

For printing business, the Group strives to sustain by exploring the possibilities of providing focused and tailored-made corporate communication services with the help of data management and support of experienced information technologies team.

In view of the expiration of the existing tenancy agreement of our principal place of business in Hong Kong, the Group has to enter into a new tenancy agreement to continue our operations. On 4 May 2021, the Group as tenant entered into a preliminary tenancy agreement for the purpose of the tenancy of the premises at Office Unit 02, 03, 05 and 06 on 21st Floor of Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong commencing from 15 December 2021.

FINANCIAL REVIEW

Revenue

We generate revenue from the provision of printing services in Hong Kong which are classified into (i) commercial printing services; (ii) financial printing services; and (iii) others services. Commercial printing services refers to printing services for our customers' needs of commercial paper printing products and the book publisher's needs of textbooks and leisure reading materials (such as novels, essays and articles). Financial printing services range from designing the cover, layout and artwork of the document, typesetting, translation, uploading, printing, and/or distribution services for listing applicants in respect of listing on the Stock Exchange and listed companies on the Stock Exchange pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") or the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules"). Others services primarily comprise standalone ad hoc design and/or translation work ordered by corporate customers (which is not related to listing matters) on a case-by-case basis. Revenue is also generated from electric vehicle charging business, which can be classified into (i) sales of electric vehicle charging system to customers directly; and (ii) subscription fee income for rental of electric vehicle charger at public and private car parks.

The following table sets forth a breakdown of our revenue by service categories for the periods indicated.

	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	<i>HK\$'000</i>
Commercial printing services	9,651	6,018
Financial printing services	3,198	3,437
Other services	914	1,444
	<hr/>	
Printing business	13,763	10,899
	<hr/>	
Sales of electric vehicle charging systems	578	—
Subscription fee income	48	—
	<hr/>	
Electric vehicle charging business	626	—
	<hr/>	
Total	14,389	10,899

For the printing business, the revenue increased in approximately 26.3% from approximately HK\$10.9 million for the three months ended 31 March 2020 to approximately HK\$13.8 million for the three months ended 31 March 2021. As illustrated above, the increasing of revenue was mainly due to the increase in revenue from commercial printing services by approximately HK\$3.6 million, benefited from the recovery of macroeconomic from the novel coronavirus disease 2019 (the “COVID-19”) pandemic.

For the electric vehicle charging business, the revenue of approximately HK\$578,000 from sales of electric vehicle charging systems and approximately HK\$48,000 from subscription fee income for rental of electric vehicle charger for the three months ended 31 March 2021.

Cost of services

Our cost of services mainly comprises of direct labour cost, cost of raw materials, depreciation, electricity and water and production overheads.

Our cost of services incurred in printing services was approximately HK\$11.1 million for the three months ended 31 March 2021 and approximately HK\$11.9 million for the three months ended 31 March 2020. It was mainly attributable to the decrease in labour cost and printing materials.

The cost of services incurred in electric vehicle charging business was approximately HK\$0.5 million.

Gross profit (loss) and gross profit (loss) margin

The following table sets forth a breakdown of gross profit (loss) and gross profit (loss) margin for the periods indicated:

	For the three months ended 31 March 2021		
	Printing business	Electric vehicle charging business	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue	13,763	626	14,389
Cost of services	(11,100)	(499)	(11,599)
Gross profit	2,663	127	2,790
Gross profit margin	19.3%	20.3%	19.4%

	For the three months ended		
	31 March 2020		
	Printing	Electric	
	business	vehicle	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	10,899	—	10,899
Cost of services	(11,882)	—	(11,882)
Gross loss	(983)	—	(983)
Gross loss margin	(9.0%)	—	(9.0%)

For the three months ended 31 March 2021, our gross profit was approximately HK\$2.8 million and gross loss was approximately HK\$1.0 million for the three months ended 31 March 2020. Our profit margin improved and turned around from the gross loss margin approximately 9.0% for the three month ended 31 March 2020 to the gross profit margin approximately 19.4% for the three months ended 31 March 2021. The gross loss margin during the three months ended 31 March 2020 was mainly due to the decrease in revenue as a result of the unfavorable economic environment and the extreme market and operating conditions caused by the outbreak of novel coronavirus pandemic. The revenue was unable to cover the fixed costs including depreciation and staff costs. As a result, a gross loss margin was recorded. During the three months ended 31 March 2021, the impact on the revenue by the outbreak of novel coronavirus pandemic is recovered and a positive gross profit margin is recorded accordingly.

Other income

Our other income decreased from approximately HK\$892,000 for the three months ended 31 March 2020 to approximately HK\$218,000 for the three months ended 31 March 2021, mainly resulting from the decrease by sundry income.

Selling expenses

Our selling expenses refer to expenses incurred on a regular basis for the selling activities of our Group.

Our selling expenses decreased from approximately HK\$689,000 for the three months ended 31 March 2020 to approximately HK\$574,000 for the three months ended 31 March 2021. It was mainly attributable to decrease in salaries.

Administrative and other operating expenses

Our administrative and operating expenses primarily comprise staff costs and benefits for our administrative staff, rental and rates for our office for financial printing services, depreciation, office expenses, directors' remuneration, repair and maintenance of our office premises, IT maintenance for our office premises, equity-settled share based payment expense and others.

Administrative expenses and other operating expenses increased by approximately 90.8%, from approximately HK\$7.6 million for the three months ended 31 March 2020 to approximately HK\$14.5 million for the three months ended 31 March 2021, mainly because of the recognition of equity-settled share-based payment expense during the three months ended 31 March 2021 and additional costs incurred in electric vehicle charging business (31 March 2020: nil).

Finance costs

Our finance costs mainly represent interest on bank borrowings, promissory note and finance charges on lease liabilities. Finance costs decreased by approximately 15.0%, from approximately HK\$413,000 for the three months ended 31 March 2020 to approximately HK\$351,000 for the three months ended 31 March 2021, mainly because of decrease by interest on lease liabilities.

Income tax credit

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

No provision has been made for income tax in the BVI as our Group had no income subject to tax in the BVI for the three months ended 31 March 2020 and 2021.

Hong Kong profits tax has been provided at the rate of 8.25% on first HK\$2,000,000 of the estimated assessable profits and 16.5% on the remaining amount of the estimated assessable profits for the three months ended 31 March 2021. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. (three months ended 31 March 2020: 16.5%).

For the three months ended 31 March 2020 and 2021, we recorded an income tax credit of approximately HK\$113,000 and HK\$34,000 respectively, the increase was mainly due to the increase to assessable profits as a result of the increase of revenue from commercial printing service during the three months ended 31 March 2021.

Loss and total comprehensive expense for the period

As a result of foregoing, the Group recorded a loss and total comprehensive expense of approximately HK\$12.3 million for the three months ended 31 March 2021 (31 March 2020: approximately HK\$8.7 million).

EVENTS AFTER REPORTING PERIOD

On 4 May 2021, Elegance Finance Printing Services Limited (“Elegance Finance”), an indirectly wholly-owned subsidiary of the Company, as tenant entered into a preliminary tenancy agreement with an independent third party for the purpose of the tenancy of premises. The terms of the preliminary tenancy agreement is four years commencing from 15 December 2021 to 14 December 2025 (both days inclusive) and Elegance Finance may exercise its option to renew at the expiration of the terms for a further term of two years. Pursuant to HKFRS 16, as a result

of the entering into of the preliminary tenancy agreement, the unaudited value of the right-of-use asset to be recognised by the Group under the terms of the preliminary tenancy agreement amounted to approximately HK\$25,361,000, which is calculated with reference to the aggregate lease payments and discounted by a discount rate. For more details, please refer to the announcement dated 5 May 2021.

USE OF PROCEEDS

The net proceeds from the initial public offering of the Company in May 2018 amounted to approximately HK\$41.0 million (after deducting underwriting commissions and related expenses).

As set out in the announcement of the Group dated 31 July 2020, the Board resolved to reallocate (the "Reallocation") the amount of Net Proceeds which were unutilised (the "Unutilised Net Proceeds"). The intended allocation of the Net Proceeds in accordance with the Prospectus (the "Intended Use of Net Proceeds"), the reallocated use of the Net Proceeds and the actual usage of the Net Proceeds up to 31 March 2021 and the Unutilised Net Proceeds as at 31 March 2021 are set out below:

	Intended Use of Net Proceeds — original allocation <i>HK\$'000</i>	Revised Use of Net Proceeds — after Reallocation <i>HK\$'000</i>	Utilisation up to 31 March 2021 <i>HK\$'000</i>	Amount of unutilised Net Proceeds as at 31 March 2021 <i>HK\$'000</i>	Expected time of full utilisation of the remaining balance
Continue organic growth by solidifying existing customer relationship and developing new relationship; and continue to attract and retain top talent in the industry	1,500	3,180	3,146	34	End of 2022 (Note 1)
Acquire a permanent office space	37,000	—	n/a	n/a	(Note 2)
Upgrade and acquire new equipment, hardware and software	2,500	2,500	1,848	652	End of 2022 (Note 3)
Explore new sustainable business opportunities	—	20,000	20,000	—	End of 2021 (Note 4)
Working capital and general corporate purposes	—	15,320	15,320	—	End of 2022
Total	41,000	41,000	40,314	686	

Notes:

1. The original allocation of approximately HK\$1.5 million has been fully utilised on or before 31 December 2020, i.e. the scheduled timeline disclosed in the section headed “Future Plans and Use of Proceeds — Implementation Plans” in the Prospectus.

2. As disclosed in the announcement of the Group dated 31 July 2020, the Board resolved to change the original use of Net Proceeds and reallocate approximately HK\$37.0 million out of the Net Proceeds original earmarked for the Group's acquisition of a permanent office space, as to HK\$1.7 million of it to finance the Group's continue organic growth by solidifying existing customer relationship and developing new relationship, HK\$20.0 million of it to finance the Group's exploring new sustainable business opportunities, and the remaining HK\$15.3 million of it as working capital and general corporate purposes for the Group.
3. The actual use of the original allocation of approximately HK\$2.5 million has not been fully utilised on or before 31 March 2021 because the workload did not increase as expected during the three months ended 31 March 2021 and 2020. Nevertheless, the management only decided to prolong the timeline of the same allocated amount up to the end of 2022 taking account of the importance of improving operation efficiency in the long run.
4. Part of the reallocated amount of HK\$15.0 million was utilised to settle the cash consideration of the acquisition of EV charging business in August 2020. The promissory note was fully redeemed on 24 March 2021.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the three months ended 31 March 2021, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries and affiliated companies.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2021.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The corporate governance practice of the Group are based on the principles and the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. During the three months ended 31 March 2021, the Company had complied with all the applicable code provisions of the Code.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Standard of Dealings”), as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the Standard of Dealings from 1 January 2021 or the date of appointment (whichever is later) and up to the date of this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”), the principal terms of which are summarised in the section headed “Appendix IV — Statutory and General Information — D. Share Option Scheme” in the Prospectus.

28,428,000 share options has been granted under the Scheme and no share options has been exercised during the three months ended 31 March 2021 (2020: nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interest and/or short position in shares, underlying shares and debentures of the Company or any associated corporation" below and "Share option scheme" above, at no time during the three months ended 31 March 2021 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2021.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Mr. Wu Jianwei ("Mr. Wu")	Beneficial owner/ Interest of controlled corporation	235,603,225	4,400,000	240,003,225	39.28%
Mr. Liang Zihao ("Mr. Liang")	Beneficial owner/ Interest of controlled corporation	235,603,225	4,400,000	240,003,225	39.28%
Mr. Lau Wai Yan Lawson ("Mr. Lau")	Beneficial owner/ Interest of controlled corporation	30,302,703	4,400,000	34,702,703	5.05%
Mr. Pan Wenyuan ("Mr. Pan")	Interest of controlled corporation	23,872,000	—	23,872,000	3.98%
Mr. Li Man Keung Edwin ("Mr. Li")	Beneficial owner/ Interest of controlled corporation	19,112,613	4,400,000	23,512,613	3.19%

Notes:

1. Mr. Wu owns 51% of the issued share capital of Global Fortune Global Limited ("Global Fortune"). Mr. Wu is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.
2. Mr. Liang owns 49% of the issued share capital of Global Fortune. Mr. Liang is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.

3. Mr. Lau owns 100% of the issued share capital of Cornerstone Wealth Holdings Limited (“Cornerstone Wealth”). Mr. Lau is deemed to be interested in the Shares in which Cornerstone Wealth is interested under the SFO.
4. Mr. Pan owns 100% of the issued share capital of Silver Rocket Limited (“Silver Rocket”). Mr. Pan is deemed to be interested in the Shares in which Silver Rocket is interested under SFO.
5. Mr. Li owns 100% of the issued share capital of Tanner Enterprises Group Limited (“Tanner Enterprises”). Mr. Li is deemed to be interested in the Shares in which Tanner Enterprises is interested under the SFO.

(II) Long position in shares or underlying shares of associated corporations

Name of Directors	Name of associated corporation	Capacity	Number of share(s) held	Percentage of issued share capital
Mr. Wu Jianwei	Global Fortune	Beneficial owner	51	51%
Mr. Liang Zihao	Global Fortune	Beneficial owner	49	49%
Mr. Pan Wen Yuan	Silver Rocket	Beneficial owner	1	100%
Mr. Lau Wai Yan Lawson	Cornerstone Wealth	Beneficial owner	1	100%
Mr. Li Man Keung Edwin	Tanner Enterprises	Beneficial owner	1	100%

Notes:

1. Global Fortune is legally and beneficially owned as to 51% by Mr. Wu. Therefore by virtue of the SFO, Mr. Wu is deemed to have the interest owned by Global Fortune.
2. Global Fortune is legally and beneficially owned as to 49% by Mr. Liang. Therefore Mr Liang is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.

3. Cornerstone Wealth is legally and beneficially owned as to 100% by Mr. Lau. Therefore by virtue of the SFO, Mr. Lau is deemed to have the interest owned by Cornerstone Wealth.
4. Silver Rocket is legally and beneficially owned as to 100% by Mr. Pan. Therefore by virtue of the SFO, Mr. Pan is deemed to have the interest owned by Silver Rocket.
5. Tanner Enterprises is legally and beneficially owned as to 100% by Mr. Li. Therefore by virtue of the SFO, Mr. Li is deemed to have the interest owned by Tanner Enterprises.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had any interest or short position in Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of Substantial Shareholder	Long/ short position	Capacity	Number of Shares	Percentage of issued share capital
Global Fortune	Long position	Beneficial owner (Note 1)	235,603,225 Shares	39.28%
Glorytwin Limited ("Glorytwin")	Long position	Beneficial owner (Note 2)	81,000,000 Shares	13.50%
Colorful Bay Limited ("Colorful Bay")	Long position	Deemed interest, interest in controlled corporation (Note 2)	81,000,000 Shares	13.50%

Notes:

- (1) Global Fortune is legally and beneficially owned as to 51% and 49% by Mr. Wu and Mr. Liang respectively. Therefore by virtue of the SFO, Mr. Wu and Mr. Liang are deemed to have the interest owned by Global Fortune.
- (2) Glorytwin is legally and beneficially owned as to 90% by Colorful Bay. Therefore by virtue of the SFO, Colorful Bay is deemed to have the interest owned by Glorytwin. Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Colorful Bay.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2021, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such persons had or may have with the Group.

DEED OF NON-COMPETITION

Mr. So Wing Keung, Mr. Leung Shu Kin, Colorful Bay Limited, Deep Champion Limited and Glorytwin Limited (the “Covenantors”), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition in favour of the Company (the “Deed of Non-competition”). Each of the Covenantors has undertaken under the Deed of Non-competition that he or it shall not engage in competing business and shall provide to the Company all information necessary for the enforcement of the Deed of Non-competition. Details of the Deed of Non-competition have been disclosed in the section headed “Relationship with Controlling Shareholders – Deed of Non-competition” of the Prospectus.

Each of the Covenantors has confirmed his or its compliance with the terms of the Deed of Non-competition and the independent non-executive Directors were not aware of any non-compliance of the Deed of Non-competition given by the Covenantors up to 31 March 2021.

INTERESTS OF COMPLIANCE ADVISER

As confirmed by the compliance adviser of the Company, Dakin Capital Limited (“Dakin”), as at 31 March 2021, neither Dakin nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are, among others, (i) to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems; (ii) to oversee the audit process; (iii) to make recommendations to the Board on the appointment and removal of external auditors; (iv) to monitor any continuing connected transaction; (v) to ensure the compliance with relevant laws and regulations and performance of the corporate governance functions delegated by the Board; and (vi) to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Yuen Chun Fai (chairman of the Audit Committee), Mr. Tam Ka Hei Raymond and Ms. Zhu Xiaohui.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

By order of the Board

Cornerstone Technologies Holdings Limited

LIANG Zihao

Co-Chairman and Executive Director

Hong Kong, 12 May 2021

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