



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)



**THIRD
QUARTERLY
REPORT**

2021



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This report, for which the directors (the “Directors”) 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.

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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 nine months ended 30 September 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	12,090	12,533	45,807	40,282
Cost of services		(11,786)	(9,288)	(37,956)	(33,937)
Gross profit		304	3,245	7,851	6,345
Other income	4	1,875	661	2,405	1,911
Selling expenses		(471)	(1,100)	(1,625)	(2,243)
Administrative and other operating expenses		(16,035)	(9,681)	(48,945)	(26,915)
Research and development expenses		(61)	(237)	(302)	(237)
Finance costs	5	(239)	(381)	(858)	(1,136)
Loss before tax	6	(14,627)	(7,493)	(41,474)	(22,275)
Income tax credit	7	184	492	527	1,294
Loss and total comprehensive expense for the period		(14,443)	(7,001)	(40,947)	(20,981)

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)

**Loss and total
comprehensive expense
for the period
attributable to:**

Owners of the Company	(14,184)	(7,001)	(40,545)	(21,064)
Non-controlling interests	(259)	—	(402)	83
	(14,443)	(7,001)	(40,947)	(20,981)
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>

**Loss per share
attributable to owners
of the Company**

Basic and diluted	8	(2.36)	(1.50)	(6.97)	(4.70)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Share option reserve	Retained Profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 nine months ended 30 September 2020:								
Adjustments	—	—	—	—	(79)	(79)	—	(79)
Issue of shares pursuant to acquisition of a subsidiary	405	18,446	—	—	—	18,851	—	18,851
(Loss) profit and total comprehensive (expense) income for the period	—	—	—	—	(21,064)	(21,064)	83	(20,981)
Acquisition of additional interest in a subsidiary	—	—	—	—	(9)	(9)	(436)	(445)
Balance at 30 September 2020 (Unaudited)	4,805	71,267	17,802	—	(12,278)	81,596	—	81,596
At 1 January 2021 (Audited)	4,805	71,267	17,802	—	(30,418)	63,456	—	63,456
Change in equity for the nine months ended 30 September 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)	—	—	—	7,546	—	7,546	—	7,546
Loss and total comprehensive expense for the period	—	—	—	—	(40,545)	(40,545)	(402)	(40,947)
Balance at 30 September 2021 (Unaudited)	5,998	117,277	17,802	7,546	(70,963)	77,660	(402)	77,258

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 STATEMENT

For the nine months ended 30 September 2021

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 nine months ended 30 September 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 nine months ended 30 September 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 increased 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.

Revenue

(i) Disaggregation of revenue from contracts with customers

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<u>Printing business</u>				
— Commercial printing services	7,426	7,321	26,613	20,724
— Financial printing services	3,515	4,803	13,933	17,532
— Other services (Note)	156	338	1,272	1,955
	11,097	12,462	41,818	40,211
<u>Electric vehicle charging business</u>				
— Sales of electric vehicle charging systems	895	54	3,740	54
— Subscription fee income	98	17	249	17
	993	71	3,989	71
	12,090	12,533	45,807	40,282

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

(ii) **Segment information**

Nine months ended 30 September 2021 (unaudited)

	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Segment revenue	42,001	3,989	45,990
Inter-segment revenue	(183)	—	(183)
Revenue from external customers	41,818	3,989	45,807
Segment results	(8,082)	(24,278)	(32,360)
Unallocated expenses			(9,114)
Income tax credit			527
Loss for the period			(40,947)
Other segment information:			
Cost of sales	34,295	3,661	37,956
Depreciation of property, plant and equipment	3,837	1,056	4,893
Depreciation of right-of-use assets	7,647	1,109	8,756
Impairment of property, plant and equipment	401	—	401
Amortisation of other intangible assets	—	847	847

Nine months ended 30 September 2020 (unaudited)

	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Segment revenue	40,211	71	40,282
Inter-segment revenue	—	—	—
<hr/>			
Revenue from external customers	40,211	71	40,282
Segment results	(13,782)	(5,321)	(19,103)
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Unallocated expenses			(3,172)
Income tax credit			1,294
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Loss for the period			(20,981)
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Other segment information:			
Cost of sales	33,878	59	33,937
Depreciation of property, plant and equipment	3,878	170	4,048
Depreciation of right-of-use assets	8,330	739	9,069
Amortisation of other intangible assets	—	120	120
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Three months ended 30 September 2021 (unaudited)

	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Segment revenue	11,098	993	12,091
Inter-segment revenue	(1)	—	(1)
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Revenue from external customers	11,097	993	12,090
Segment results	(4,149)	(8,694)	(12,843)
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Unallocated expenses			(1,784)
Income tax credit			184
<hr/>			
Loss for the period			(14,443)
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Other segment information:			
Cost of sales	10,795	991	11,786
Depreciation of property, plant and equipment	1,248	375	1,623
Depreciation of right-of-use assets	2,525	370	2,895
Amortisation of other intangible assets	—	298	298
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Three months ended 30 September 2020 (unaudited)

	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Segment revenue	12,462	71	12,533
Inter-segment revenue	—	—	—
<hr/>			
Revenue from external customers	12,462	71	12,533
Segment results	(1,080)	(5,321)	(6,401)
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Unallocated expenses			(1,092)
Income tax credit			492
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Loss for the period			(7,001)
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Other segment information:			
Cost of sales	9,229	59	9,288
Depreciation of property, plant and equipment	1,287	170	1,457
Depreciation of right-of-use assets	2,044	739	2,783
Amortisation of other intangible assets	—	120	120
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4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment, net	10	—	11	163
Interest income	31	29	92	239
Sundry income	1,834	632	2,302	1,509
	1,875	661	2,405	1,911

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on bank borrowings	9	5	25	10
Interest on lease liabilities	230	334	778	1,084
Interest on promissory note	—	42	55	42
	239	381	858	1,136

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Staff costs (including directors' emoluments)				
— Salaries and other benefits	13,104	8,003	37,827	22,178
— Contributions to defined contribution plans	462	431	1,319	1,103
	13,566	8,434	39,146	23,281
Other items				
Auditor's remuneration	205	220	614	572
Cost of inventories (Note)	11,786	9,288	37,956	33,937
Depreciation of property, plant and equipment	1,623	1,457	4,893	4,048
Depreciation of right-of-use assets	2,895	2,783	8,756	9,069
Amortisation of other intangible assets	298	120	847	120
Exchange loss (gain), net	6	(5)	11	(3)
(Reversal of) Impairment loss recognised on trade receivables	—	—	(605)	394
Impairment loss recognised on property, plant and equipment	—	—	401	—
Loss (gain) on disposal of property, plant and equipment, net	(10)	3	(11)	1,163
Loss on disposal of investment in a subsidiary	—	—	—	503
Factory relocation expenses	—	—	—	2,828
Equity-settled share-based payment expense	1,352	—	7,546	—

Note: During the nine months ended 30 September 2021, cost of inventories included approximately HK\$21.8 million (nine months ended 30 September 2020: approximately HK\$18.7 million) relating to the aggregate amount of certain staff costs, depreciation and operating lease charges, which were included in the respective amounts as disclosed above.

7. INCOME TAX CREDIT

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current tax — Hong Kong				
Profits Tax:				
Provision (over provision) for the period	—	80	(32)	51
Deferred taxation	(184)	(572)	(495)	(1,345)
	(184)	(492)	(527)	(1,294)

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 nine months ended 30 September 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% (nine months ended 30 September 2020: 16.5%).

8. LOSS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<i>Loss:</i>				
Loss for the purpose of calculation basic and diluted loss per share (loss for the period attributable to owners of the Company)	(14,184)	(7,001)	(40,545)	(21,064)
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share (‘000)	599,791	467,027	581,903	448,582

Diluted loss per share are the same amount as the basic loss per share for the nine months ended 30 September 2021 and 2020 because the exercise of the outstanding share options would be anti-dilutive.

9. SHARE-BASED PAYMENT TRANSACTION

Pursuant to share option scheme adopted by the Company on 19 April 2018 (the “Share Option Scheme”), during the nine months ended 30 September 2021, 28,428,000 share options (30 September 2020: Nil) were granted to eligible participants of the Group.

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

	Number of share options
Outstanding as at 1 January 2021	—
Granted during the period	28,428,000
Lapsed during the period	(916,000)
	<hr/>
Outstanding as at 30 September 2021	27,512,000

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\$8,545,000.

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\$7,546,000, was charged to administrative expenses in profit or loss during the nine months ended 30 September 2021.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend of the Company for the nine months ended 30 September 2021 (2020: Nil).

11. EVENTS AFTER THE REPORTING PERIOD



On 30 September 2021 (after trading hours), the Placing Agent and the Company entered into a Placing Agreement, pursuant to which the Placing Agent has agreed, as agent of the Company, on a best effort basis, to procure not less than six (6) Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 72,000,000 Placing Shares at the Placing Price of HK\$0.7 per Placing Share in up to two or more tranches within the Placing Period subject to the terms and conditions set out in the Placing Agreement. On 9 November 2021, the Placing Agent and the Company further entered into a supplemental agreement to the Placing Agreement (the "Supplemental Placing Agreement"), pursuant to which the Placing Agent and the Company agree that the maximum aggregate Shares for the Placing to be issue and allot to be increased to 87,000,000 Shares, representing 14.5% of the entire issued shares of the Company as at the date of the Supplemental Placing Agreement (the "Revised Placing Shares"). Save for the Revised Placing Shares, all other terms and conditions of the Placing Agreement shall remain unchanged and continue in full force and effect. Unless otherwise defined, capitalized terms used herein shall denote the same meanings as those defined in the announcements dated 30 September 2021, 4 October 2021 and 9 November 2021.

On 8 November 2021, Cornerstone EV Charging Service Limited, 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 the premises. The terms of the preliminary tenancy agreement is five years commencing from 1 December 2021 to 30 November 2026 (both days inclusive). 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\$10,927,000, 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 8 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Electric vehicle charging business



We commenced our electric vehicle (“EV”) charging business by the acquisition of the entire interest of Cornerstone EV Charging Service Limited (“Cornerstone EV” 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 (“EVCEI”), central management system, hub for e-payment, load management system (“LMS”) and license plate recognition system (“LPRS”) to EVs industry.

Our EV charging business is supported by our research and development division located at Maxgrand Plaza, 3 Tai Yau Street, San Po Kong, Hong Kong. The team is 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 chargers.

As per Hong Kong Roadmap on Popularisation of Electric Vehicles issued by the Environmental Protection Department in 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.

For private charging facilities, the government targeted to have at least 150,000 parking spaces in private and commercial buildings equipped with EV charging infrastructure before 2025, to support mainly EV and certain e-light goods vehicles. In particular, the HK\$2 billion EV-charging at Home Subsidy Scheme (“EHSS”) aimed at assisting car park of private residential buildings to install EVCEI covering 60,000 parking spaces opened for application in October 2020. The responses to the EHSS are overwhelming. Up to May 2021, the total amount of subsidies reserved for applications received has reached the ceiling of the total funding of EHSS. The received applications cover not less than 74,000 parking spaces. As of October 2021, the government has approved 186 applications under the EHSS.

During the nine months ended 30 September 2021, Cornerstone Charging  CHARGING has secured EV charging projects for a number of residential and its associated properties in Hong Kong with affordable monthly subscription fees plan and energy-based charging scheme. In particular, we have entered into multiple exclusive licence agreements to undertake EV charging projects in seven residential estates managed by 民坊 People’s Place in Hong Kong, which cover approximately 3,500 parking spaces.

In May 2021, Cornerstone Charging  CHARGING has entered into a collaboration agreement with Hyundai Hong Kong Company Limited to cross-promote the Cornerstone Charging  CHARGING’s EV chargers and Hyundai’s EV model — Kona EV.



Cornerstone Charging **CHARGING** is always strives to innovate total solutions that are environmental friendly. In April 2021, our new EV charger, Chargic, which is made using 30 — 50% recyclable polycarbonate, has won the Green Product/Graphic Design 2021 from Green Good Design award.

While Cornerstone Charging **CHARGING** has been focusing on “Destination Charging”, allowing users to charge their EVs at home, we have now made “Opportunity Charging” available for those who need to charge up while they are on the go. Our 30kW direct current (“DC”) chargers have been installed at Shek Yam Shopping Centre at Lei Muk Road. We are going to further provide two more DC chargers to a major car park operator at Admiralty. By charging for 30 minutes, the EV private car drivers will be able to drive for another 100km. We have our customers in mind, more convenient plans and locations will continue to be rolled out to meet the needs of the public.



For public charging facilities, the government has allocated HK\$120 million for a three-year programme to gradually increase the number of chargers in government car parks from 1,100 at end-2020 to 1,800 by 2022. The government further targets to have at least 5,000 chargers provided by the government by 2025, and plans to double the number in the future. With the growing EV uptake, it is essential to marketise the EV charging services so as to promote their sustainable development in the long run, and avoid abuse of the chargers. Cornerstone Charging **CHARGING** is supporting the government on the preparation work, hardware and software upgrade, etc. for fee charging, with a view to imposing EV charging fees in the government car parks from around 2025. The marketisation

of charging services is also expected to give impetus to the provision of additional public charging facilities by the private sector. For existing public charging facilities, we are ready to support the maintenance services required by the government.

During the nine months ended 30 September 2021, Cornerstone Charging **CHARGING** has continued to support the system development of a government project which is a back-end system of a smart parking system to monitor the operation of 1,800 EV chargers in a number of government carparks. The smart parking system will provide real-time information on parking vacancy, EV charging status, etc. The project also includes the development of major mobile applications which is a platform for EV drivers to locate nearby vacant public chargers and the type of chargers as they are on the road. The target to complete the overall system development of the project is the first quarter of 2022.



To promote trials for electric public transport and commercial vehicles, the government earmarked HK\$180 million trial for single-deck e-buses to put into service progressively to test the operational performance. The government has work closely with franchised bus companies to install new charging facilities and explore arrangements for electrifying the bus fleet. During the nine months ended 30 September 2021, Cornerstone Charging **CHARGING** has installed two set of DC charging facilities at two designated bus depots for The Kowloon Motor Bus Company (1933) Limited in Hong Kong. Cornerstone Charging **CHARGING** offers dual-standards DC charging facilities with power up to 200kw which are capable to re-charge the batteries of the battery-electric buses (“eBuses”) in a short period of time. The DC charging facilities are supported by a central management system to monitor usage and charging. The system allows multiple operating fleet staff to log in to monitor at more than one depot that are located at separate locations, gaining data on users behavior. The third set of DC charging facilities together with the EV portal has been installed in October 2021. We keep looking for more opportunities to support franchised bus companies in the development of electrified bus depots.



Printing business

Our printing business enters its fourth decade, we must evolve to meet the financial sector's new paradigms and to offer our valuable clients an even broader spectrum of services. To underpin our rapidly growing business, our printing business therefore be repositioned and rebranded, starting the new journey by naming as Elegance Financial Communications Limited. The office remains the location 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 sqf., 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.

OUTLOOK

Cornerstone Charging  CHARGING has taken a pro-active move since EHSS roll-out. Our business development team has conducted series of seminar for private estates management covering all 18 districts in Hong Kong. Our team studied the plan thoroughly and was able to help disseminate the know-how in submitting the applications and all other technical details. As a result, the sales team has received quite a few inquiries. With very positive responses to the EHSS, and the applications has been progressively approved, Cornerstone Charging  CHARGING will strive harder to build up the customer relationship with the enquirers and the successful applicants by providing solutions for installation works of EVCEI throughout the application process.

The government unveiled the Clean Air Plan for Hong Kong 2035, setting out the vision of "Healthy Living • Low-carbon Transformation • World Class", and the challenges, goals and strategies to enhance the air quality of Hong Kong to 2035. The 2050 roadmap for EV is one of the six major areas of action formulated by the 2035 plan. The plan also stated that, in the first 5 months of 2021, the proportion of electric private cars in newly registered private cars has further increased from 12.4% in 2020 to 18.4%, representing that more than 1 out of every 6 new private cars is electric. The Group will keep innovating and making progress to support the expanding EV charging market resulting from the acceleratingly growing EV automobile market.

On 8 November 2021, in view of the expiration of the tenancy agreements of various offices of EV charging business, the Group has entered in a preliminary tenancy agreement for a premises at Office Unit 07-11, 11th Floor, New East Ocean Centre, No. 9 Science Museum Road, Kowloon, Hong Kong. Please refer to the announcement dated 8 November 2021 for more details.

For printing business, the Group strives on developing the financial printing sector. By recruiting talents in the industry, it will adopt an advanced project management system to make improvements, and balance the disadvantages of paperless in printing industry.

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 systems to customers directly; and (ii) subscription fee income for rental of electric vehicle charger at public and private carparks.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Commercial printing services	7,426	7,321	26,613	20,724
Financial printing services	3,515	4,803	13,933	17,532
Other services	156	338	1,272	1,955
Printing business	11,097	12,462	41,818	40,211
Sales of electric vehicle charging systems	895	54	3,740	54
Subscription fee income	98	17	249	17
Electric vehicle charging business	993	71	3,989	71
Total	12,090	12,533	45,807	40,282

Printing business

Our revenue increased by approximately 4.0% from approximately HK\$40.2 million for the nine months ended 30 September 2020 to approximately HK\$41.8 million for the nine months ended 30 September 2021. As illustrated above, there was mainly due to the increase in revenue from commercial printing services of approximately HK\$5.9 million, resulting from the increase in sales orders.

(i) Commercial printing

For commercial printing services, the revenue increased by approximately 28.4%, from approximately HK\$20.7 million for the nine months ended 30 September 2020 to approximately HK\$26.6 million for the nine months ended 30 September 2021. The increase in revenue from commercial printing services was mainly due to the increase in sales orders from existing customers.

(ii) Financial printing

For financial printing services, the revenue decreased by approximately 20.5%, from approximately HK\$17.5 million for the nine months ended 30 September 2020 to approximately HK\$13.9 million for the nine months ended 30 September 2021.

(iii) Other services

Revenue from other services decreased by approximately 34.9%, from approximately HK\$2.0 million for the nine months ended 30 September 2020 to approximately HK\$1.3 million for the nine months ended 30 September 2021.

Electric vehicle charging business

(i) Sales of electric vehicle charging systems

The Group recorded revenue of approximately HK\$3.7 million (nine months ended 30 September 2020: HK\$54,000) from sales of electric vehicle charging systems.

(ii) Subscription fee income

The Group recorded revenue of approximately HK\$0.2 million (nine months ended 30 September 2020: HK\$17,000) from subscription fee income for rental of electric vehicle charger.

Cost of services

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

Our cost of services in printing services increased by approximately 1.2%, from approximately HK\$33.9 million for the nine months ended 30 September 2020 to approximately HK\$34.3 million for the nine months ended 30 September 2021. Such increase was mainly attributable to the increase in labour cost and printing materials.

The cost of services incurred in electric vehicle charging business were approximately HK\$3.7 million.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin for the period indicated:

	For the nine months ended 30 September 2021		
	Printing business HK\$'000 (Unaudited)	Electric vehicle charging business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	41,818	3,989	45,807
Cost of services	(34,295)	(3,661)	(37,956)
Gross profit	7,523	328	7,851
Gross profit margin	17.99%	8.22%	17.14%

	For the nine months ended 30 September 2020		
	Printing business HK\$'000 (Unaudited)	Electric vehicle charging business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	40,211	71	40,282
Cost of services	(33,878)	(59)	(33,937)
Gross profit	6,333	12	6,345
Gross profit margin	15.75%	16.90%	15.75%

**For the three months ended
30 September 2021**

	Printing business HK\$'000 (Unaudited)	Electric vehicle charging business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	11,097	993	12,090
Cost of services	(10,795)	(991)	(11,786)
Gross profit	302	2	304
Gross profit margin	2.72%	0.20%	2.51%

**For the three months ended
30 September 2020**

	Printing business HK\$'000 (Unaudited)	Electric vehicle charging business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	12,462	71	12,533
Cost of services	(9,229)	(59)	(9,288)
Gross profit	3,233	12	3,245
Gross profit margin	25.94%	16.90%	25.89%

For the nine months ended 30 September 2021 and 2020, our gross profit increased by approximately 23.7%, from approximately HK\$6.3 million for the nine months ended 30 September 2020 to approximately HK\$7.9 million for the nine months ended 30 September 2021. The overall gross profit increase was mainly attributable to the increase in revenue generated from printing business segment and improved gross profit margin for certain printing jobs.

Other income

Other income increased by approximately 57.6%, from approximately HK\$1.9 million for the nine months ended 30 September 2020 to approximately HK\$2.4 million for the nine months ended 30 September 2021, mainly resulting from increase in sundry income.

Selling expenses

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

Selling expenses decreased by approximately 27.6%, from approximately HK\$2.2 million for the nine months ended 30 September 2020 to approximately HK\$1.6 million for the nine months ended 30 September 2021.

Administrative and other operating expenses

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

Administrative expenses and other operating expenses increased by approximately 81.8%, from approximately HK\$26.9 million for the nine months ended 30 September 2020 to approximately HK\$48.9 million for the nine months ended 30 September 2021, mainly because of the recognition of equity-settled share-based payment expense and additional costs incurred in electric vehicle charging business.

Finance costs

Our finance costs mainly represent interests on bank borrowings, promissory note and finance charges on lease liabilities. Our finance costs decreased by approximately 24.5% from approximately HK\$1.1 million for the nine months ended 30 September 2020 to approximately HK\$0.9 million for the nine months ended 30 September 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 British Virgin Islands (the "BVI") as our Group had no income subject to tax in the BVI for the nine months ended 30 September 2021 and 2020.

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 nine months ended 30 September 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%. (nine months ended 30 September 2020: 16.5%).

For the nine months ended 30 September 2021 and 2020, we recorded an income tax credit of approximately HK\$0.5 million and HK\$1.3 million respectively, the decrease of which was mainly due to the decrease in deferred tax credit.

Loss and total comprehensive expense for the period attributable to owners of the Company

We recorded a loss and total comprehensive expense of approximately HK\$40.9 million for the nine months ended 30 September 2021 (30 September 2020: approximately HK\$21.0 million). The loss-making position for the nine months ended 30 September 2021 was mainly attributable to the incurrence of additional administrative and other operating expenses due to the recognition of equity-settled share-based payment expense and the cost incurred in the newly acquired electric vehicle charging services business since August 2020.

USE OF PROCEEDS

Placing and subscription of shares

The gross proceeds from the placing and subscription of shares on 4 January 2021 and 10 March 2021, respectively, were aggregately approximate to HK\$47.7 million. The net proceeds from the placing and subscription shares, after deduction of the commission for the placing and other related expenses, amounted to approximately HK\$47.2 million. The net proceeds had been fully utilized during the nine months ended 30 September 2021 in accordance with the intended use of the net proceeds disclosed in the circular dated 22 January 2021 and announcement dated 15 December 2020.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the nine months ended 30 September 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 nine months ended 30 September 2021.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The corporate governance practices 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 nine months ended 30 September 2021, saved as otherwise disclosed, 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.

During the nine months ended 30 September 2021, 28,428,000 (2020: nil) share options has been granted under the Scheme. 916,000 share options were lapsed (2020: nil) and no share options has been exercised during the nine months ended 30 September 2021 (2020: nil). For details, please refer to note 10 to the condensed consolidated interim financial information.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interest and/or short positions in shares, underlying shares and debentures of the Company or any associated corporation" below and "Share option scheme" above, at no time during the nine months ended 30 September 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 nine months ended 30 September 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 30 September 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 Rule 5.46 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
Mr. Wu Jianwei ("Mr. Wu")	Interest of controlled corporation	235,603,225	39.28%
	Beneficial owner	4,400,000 (Note 6)	0.73%
Mr. Liang Zihao ("Mr. Liang")	Interest of controlled corporation	235,603,225	39.28%
	Beneficial owner	4,400,000 (Note 6)	0.73%
Mr. Lau Wai Yan Lawson ("Mr. Lau")	Beneficial owner/Interest of controlled corporation	30,302,703	5.05%
	Beneficial owner	4,400,000 (Note 6)	0.73%
Mr. Pan Wenyuan ("Mr. Pan")	Interest of controlled corporation	23,872,000	3.98%
Mr. Li Man Keung Edwin ("Mr. Li")	Beneficial owner/Interest of controlled corporation	19,112,613	3.19%
	Beneficial owner	4,400,000 (Note 6)	0.73%
Mr. Sam Weng Wa Michael	Beneficial owner	440,000 (Note 6)	0.07%
Mr. Tam Ka Hei Raymond	Beneficial owner	440,000 (Note 6)	0.07%
Mr. Yuen Chun Fai	Beneficial owner	440,000 (Note 6)	0.07%
Ms. Zhu Xiaohui	Beneficial owner	440,000 (Note 6)	0.07%

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.
6. These shares were the shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the share option scheme of the Company.

(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 Wenyuan	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 30 September 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 30 September 2021, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executives of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of substantial shareholder	Long/short position	Capacity	Number of shares held	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%

Note:

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 100% 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 Wing Keung ("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 30 September 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 nine months ended 30 September 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, Deep Champion Limited and Glorytwin (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 during the nine months ended 30 September 2021.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference renewed on 18 February 2019 in compliance with the GEM Listing Rules. The principal duties of the Audit Committee are to review and to supervise the financial reporting process and internal control systems of the Group. As at the date of this report, the Audit Committee comprises 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 nine months ended 30 September 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

Mr. Liang Zihao

Co-Chairman and Executive Director

Hong Kong, 12 November 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.