

11 July 2025

*To the Independent Board Committee and the Independent Shareholders of
Cornerstone Technologies Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of of the Continuing Connected Transactions under the Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 11 July 2025 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 December 2024, the Company entered into the Sale and Purchase Agreement with Spark EV in relation to the sale of EV chargers by the Company to Spark EV at the Consideration of US\$1,266,222.14 (approximately HK\$9.8 million). On 26 February 2025, the Company further entered into the Master Agreement with Spark EV (as supplemented by the Supplemental Agreement dated 30 June 2025 to amend (i) the expiry date of the Master Agreement to 26 December 2027; and (ii) each of the periods under the Proposed Annual Caps) in relation to the purchases of EV Charging Solutions by Spark EV from the Company for a term commencing from 26 February 2025 and ending on 31 December 2027.

GEM LISTING RULES IMPLICATIONS

As Spark EV is a company indirectly and non-wholly owned as to approximately 59.3% by Gaw Capital as at the Latest Practicable Date, which is a Substantial Shareholder of the Company upon exercising conversion of the Convertible Notes. Accordingly, Spark EV is a connected person of the Company, and the transactions contemplated under the Agreements constitute continuing connected transactions and connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rules 20.79 and 20.80 of the GEM Listing Rules, as the transactions contemplated under the Master Agreement and the Sale and Purchase Agreement were entered into or completed within a 12-month period with Spark EV, a connected person of the Company, the transactions contemplated under the Master Agreement and the Sale and Purchase Agreement are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Agreements. In addition, following such aggregation, the Continuing Connected Transactions will be deemed to start on 27 December 2024, which is the date of the Sale and Purchase Agreement. Pursuant to the Supplemental Agreement, the expiry date of the Master Agreement was revised from 31 December 2027 to 26 December 2027 and as a result the term of the Master Agreement does not exceed three years and can comply with the requirements under Rule 20.50 of the GEM Listing Rules.

The Connected Transaction refers to a transaction completed within 12-month period prior to the date of this circular between the Company and Spark EV in relation to the provision of EV charger by the Company to Spark EV, which consist of the Sale and Purchase Agreement entered into with Spark EV as disclosed in the announcements of the Company dated 27 December 2024 and 11 February 2025. The key terms of the Connected Transaction, including nature of the transaction, the assets to be acquired and basis of the Consideration, largely resemble those of the Master Agreement.

As the highest of the applicable percentage ratios (as defined under Chapter 20 of the GEM Listing Rules) in respect of the Proposed Annual Caps exceeds 25% and the Proposed Annual Caps exceeds HK\$10 million, the transactions contemplated under the Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As such, the Company will seek the Independent Shareholders' approval for the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).

Mr. Yip Shiu Hong and Mr. Koh Herbin Puay Teck, each an executive Director and non-executive Director respectively, are directors of Spark EV. Accordingly, they are considered as having a material interest in the Agreements and the transaction contemplated thereunder (including the Proposed Annual Caps). Therefore, each of Mr. Yip Shiu Hong and Mr. Koh Herbin Puay Teck has abstained from voting on the Board resolutions for approving the same.

In accordance with the GEM Listing Rules, Gaw Capital, Mr. Yip Shiu Hong, Mr. Koh Herbin Puay Teck and their respective associates will be required to abstain from voting on the resolution(s) to approve the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Agreements and will be required to abstain from voting on the resolution(s) to approve the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which currently comprises all the independent non-executive Directors, namely Ms. Ip Ka Lai, Ms. So Sze Wan Lisa, Mr. Li Michael Hankin and Mr. Tam Ka Hei Raymond, has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Continuing Connected Transactions contemplated under the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable and (ii) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican Financial and the Company nor any other parties, or any circumstance as set out in Rule 17.96 of the GEM Listing Rules, that could reasonably be regarded as a hindrance to Pelican’s independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions under the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).

In the last two years, other than our engagement by the Company to act as its independent financial advisor in respect of its connected transaction in relation to the subscription of new shares by connected person under specific mandate as disclosed in its circular dated 26 February 2024, there was no other engagement between the Company and us.

Apart from normal professional fees payable to us in connection with our current appointment, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Continuing Connected Transactions under the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable; (ii) are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) regarding the Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Agreements, the annual report of the Group for the financial year ended 31 December 2023, the annual report of the Group for the financial year ended 31 December 2024 (the “**2024 Annual Report**”) and the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

The Circular, for which the Directors collectively and individually accept full responsibility, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regards to the Group. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of Continuing Connected Transactions under the Agreements and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Information on the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the electric vehicle (the “EV”) charging business in Hong Kong.

Financial performance of the Group

	For the year ended	
	31 December	
	2024	2023
	(Audited)	(Audited)
	HK\$'000	HK\$'000
<i>Revenue</i>		
Sales of EV charging systems	64,765	31,402
EV charging income	23,881	5,602
Provision of installation service income	60,276	39,145
Maintenance, rental and EV charging consultancy income	4,204	1,983
Total Revenue	153,126	78,132
Gross profit	27,280	14,224
Loss for the year	(144,229)	(124,420)

According to the 2024 Annual Report, the total revenue of the Group recorded a significant increase of approximately HK\$75.0 million or 96.0%, to approximately HK\$153.1 million for the year ended 31 December 2024 from approximately HK\$78.1 million in 2023.

Gross profit amounted to HK\$27.3 million for the year ended 31 December 2024, representing an increase of HK\$13.1 million or 91.8% from a gross profit of HK\$14.2 million in 2023.

Due to (i) other losses related to convertible notes of approximately HK\$73.1 million (attributable to the valuation of the convertible options embedded in the convertible notes issued in December 2024); (ii) the increase in finance costs of approximately HK\$11.7 million for the year ended 31 December 2024; and (iii) the absence of one-time gain on disposal of subsidiaries of approximately HK\$28.6 million in 2023 (2024: nil), which was partially offset by the absence of share-based payment expenses (approximately HK\$77.6 million in 2023), the loss for the year increased by approximately HK\$19.8 million or 15.9% to HK\$144.2 million for the year ended 31 December 2024.

Prospects of the Group and Thai Expansion

According to the 2024 Annual Report, the Group achieved a significant strategic milestone in December 2024 by becoming a substantial shareholder of Spark EV in Thailand. This expansion into Thailand marks a pivotal moment in the Company's Southeast Asian expansion strategy, capitalizing on Thailand's emergence as the fastest-growing EV market in Southeast Asia. Thailand's rapid EV adoption is fueled by several key factors: it is a major manufacturing hub for numerous Chinese EV brands, which have established factories there to take advantage of favorable government incentives and the region's growing demand for electric vehicles; the total number of EVs on Thai roads has increased dramatically; and commercial EVs, including ride-hailing vehicles, delivery trucks, and buses, are experiencing particularly strong growth. This presents a significant market opportunity for a well-established and reliable EV charging network.

Spark EV, recognized as Thailand's fastest and most reliable EV charging service provider, operates state-of-the-art charging stations and distinguishes itself through its commitment to exceptional user experience, offering 24/7 customer support via its dedicated mobile application. Importantly, Spark EV is not operating in isolation; it has forged strong strategic partnerships with key industry players, including major Thai car brands, ride-hailing businesses such as Grab, and prominent logistics companies. These partnerships are crucial in driving up utilization rates of its charging network and ensuring its long-term success. Spark EV's mission closely mirrors that of Cornerstone GO, the Company's technology platform for public charging in Hong Kong; it aims to become one of Thailand's largest public EV charging networks, offering a comprehensive and readily accessible charging solution to meet the growing needs of the Thai EV market. This strategic acquisition not only provides the Company with immediate access to a leading EV charging network in Thailand but also significantly enhances the Company's competitive position within this rapidly expanding Southeast Asian EV market and positions the Company for further expansion throughout the region.

The Group appears well-positioned to benefit from the anticipated growth in the global EV market, with the Thai expansion providing additional geographic diversification and potential revenue streams as the Company continues to develop its charging network across the Asia-Pacific region.

2. Information of Spark EV

Spark EV is a company incorporated under the laws of Thailand and principally engaged in EV charging operations in Thailand. As at the Latest Practicable Date, Spark EV is indirectly owned as to 35.6% by the Company, indirectly owned as to 59.3% by Gaw Capital and as to 5.1% by other investors.

3. Reasons for and Benefits of the Continuing Connected Transactions

As stated in the Board Letter, on 26 January 2023, an addendum to the memorandum of understanding on cooperation in the development of EV Charging Stations and EV pavilions in gas stations of Bangchak was entered into between EV Verse, Spark EV and the Company, under which Spark EV would be able to build and operate EV charging sites at the gas stations of Bangchak in Thailand. Spark EV shall plan, install, buildout and operate over 600 EV Charging Stations in Thailand across the target sites assessed by Spark EV.

On 28 December 2023, the Excise Department of Thailand unveiled rules, conditions and procedures outlined in the Thai government's "BEV 3.5 policy", under which the Thai government encourages EVs to be imported to Thailand and manufactured locally to increase the use of EV in Thailand.

Taking into account of Spark EV being an associate of the Company and with high demand of EV Charging Solutions, the Directors hold a positive prospect for the future of Spark EV and the EV charging market in Thailand. The Directors are of the view that entering into the Master Agreement will ensure high quality development of EV Charging Solutions for Spark EV, expand the Company's footprint into Thailand and thereby promote the Company's capabilities outside of Hong Kong and maintain a good relationship with Spark EV for future collaboration.

In order to understand the reasonableness and the benefits of entering into the Agreements, we have conducted independent research on the EV industry in Thailand and assessed the strategic rationale for the Company.

3.1 The growing of EV industry in Thailand with favourable government policies

Macro level

According to the research report issued by Krungsri (a member of MUFG, a global financial group)¹, the outlook for the domestic EV industry in Thailand from 2024 to 2026 remains positive thanks to the strength on both the demand and supply sides of the market. The growth is driven by: (i) the continuation of government subsidies for buyers of battery electric vehicles (BEVs), which is expected to push annual new registrations of passenger BEVs to around 190,000 vehicles; (ii) the enforcement of provisions in the BEV 3.0 and BEV 3.5 policies requiring manufacturers to compensate for imports of EVs with domestically produced vehicles in Thailand as mentioned above; and (iii) the growing popularity of EVs resulting from greater awareness of environmental issues, and the better understanding of EV technology. These factors will lift industry-wide production capacity to at least 400,000 – 500,000 EVs annually. Moreover, the market for electric buses and electric commercial vehicles will continue to expand over the three years from 2024 to 2026, with the strongest growth expected in passenger BEVs and long-range e-buses capable of serving inter-provincial routes. Table 1 below shows the Thai government's stated targets for EV production and adoption.

Table 1: Thailand's Goal for Production and Use of EV 2025-2035

EV Production & Use	Type	Goal (units per year)		
		2025	2030	2035
Production (% of total automobile production)	Passenger car/Pickup	225,000 (10%)	725,000 (30%)	1,350,000 (50%)
	Motorcycle	360,000 (20%)	675,000 (30%)	1,850,000 (50%)
	Bus/Truck	18,000 (33%)	34,000 (47%)	84,000 (87%)
	Passenger car/Pickup	225,000 (10%)	440,000 (50%)	1,154,000 (100%)
	Motorcycle	360,000 (20%)	650,000 (40%)	1,800,000 (100%)
	Bus/Truck	18,000 (23%)	33,000 (40%)	83,000 (100%)

Source: The National Electric Vehicle Policy Committee, Krungsri Research

¹ Please refer to the research report issued by Krungsri (a member of MUFG, a global financial group) at <https://www.krungsri.com/en/research/industry/industry-outlook/hi-tech-industries/electric-vehicle/io/electric-vehicle-2024>

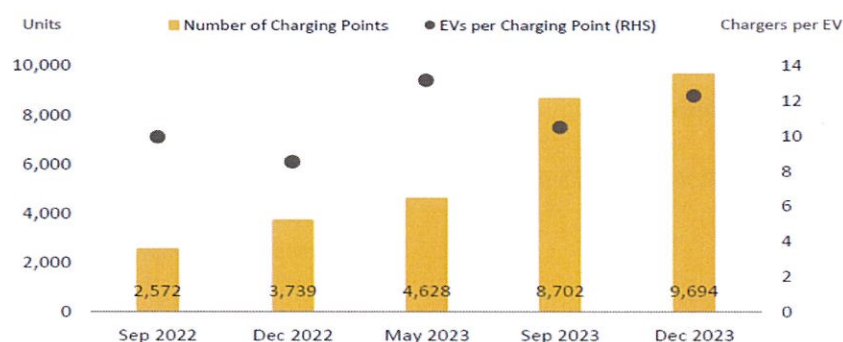
Lack of EV Charging Stations in Thailand

Industry level

Public-and private enterprises are being encouraged to increase the provision of EV Charging Stations. The Electric Vehicle Association of Thailand reported that nationally, there were 2,658 public charging stations providing a total of 9,694 charging points as of December 2023.

As shown in Table 2 below, Thailand's charging points surged by 159.3% from 3,739 in December 2022 to 9,694 in December 2023. This growth aligns with supportive government policies, such as the BEV 3.0 and BEV 3.5 initiatives, which promote EV adoption. Despite this progress, Thailand's charging infrastructure, with a ratio of 12.3 EVs per charging point, lags behind leading markets like China, which maintains a ratio of 6.5 EVs per charging point. This gap highlights the challenge of scaling the charging network to match rapid EV growth, potentially causing delays and reduced convenience for users. As outlined in Table 1, Thailand aims to have 603,000 total new registered EVs in use by 2025, increasing to 3,037,000 by 2035, highlighting the urgent need for expanded charging infrastructure. In addition, according to the 2024 research in electric vehicle charging by the International Energy Agency (IEA), the average power output of Thailand's small charging stations on average is only 0.4 kW per vehicle, significantly below the 3.4 kW in China and 4.8 kW in South Korea. This low output leads to longer charging times, further straining the network. These challenges present a compelling opportunity to expand Thailand's charging infrastructure to support its growing EV fleet and enhance user experience.

Table 2: Number of Charging Points and the EV per Charging Point



Source: EVAT, DLT, Krungsri Research at <https://www.krungsri.com/en/research/industry/industry-outlook/hi-tech-industries/electric-vehicle/io/electric-vehicle-2024>

Based on the above and taking into account that (i) the Thailand's EV market is experiencing significant growth supported by favorable government policies; (ii) the collaboration enables the Company to expand its geographical footprint beyond Hong Kong into the growing Southeast Asian market and generate synergy effect and more revenue for the Group; (iii) there exists a substantial infrastructure gap in Thailand's EV charging network that presents a clear market opportunity; and (iv) the Group is principally engaged in the EV charging business, and hence the entering into of the Agreements are in the ordinary and usual course of business of the Group, we are of the view that the entering into of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreements

To assess the fairness and reasonableness of the terms of the Agreements (the Sale and Purchase Agreement and the Master Agreement), we have considered the following:

4.1 Principal terms of the Sale and Purchase Agreement

Below summarises the principal terms of the Sale and Purchase Agreement:

Date	:	27 December 2024 (after trading hours)
Parties	:	(1) the Company; and (2) Spark EV
Subject assets	:	74 EV chargers, the ownership of which will be passed to Spark EV upon delivery of the EV chargers.
Consideration	:	US\$1,266,222.14 (approximately HK\$9.8 million)
Basis of consideration	:	The Consideration was determined after arm's length negotiation between the Company and Spark EV with reference to the market price and bulk purchase discount. When determining the Consideration, the Company made reference of 3 EV charging companies (" Comparable Companies "), who are Independent Third Parties. These Comparable Companies offer EV charger at prices ranging from HK\$111,000 to HK\$130,000.

The Consideration aligns with market standards, taking into account various factors such as product quality, cable management, and the support services offered. The Consideration of approximately HK\$9.8 million for the sale of 74 EV chargers was aligned with the Company's normal selling price to customers. The price range of selling EV charger to independent customers is between HK\$127,000 to HK\$162,000 and the Company's pricing policy remains competitive and consistent with market standards.

The Company has also considered bulk purchase discount while determining the Consideration. The bulk purchase discount offered to Spark EV is derived from the supplier of EV chargers, who provides a discount for the equipment in view of the large purchase volume. A portion of the discount is then passed on to Spark EV.

Payment terms	The Consideration shall be payable to the Company within 10 Business Days upon signing of the Sale and Purchase Agreement.
Completion	Completion shall take place upon the full settlement of the Consideration in respect of EV chargers to the Company.

As Spark EV is a company indirect non-wholly owned as to approximately 59.3% by Gaw Capital, which is a substantial shareholder of the Company upon exercising conversion of the Convertible Notes, the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As all of the applicable percentage ratios are less than 25% and the total consideration is less than HK\$10,000,000, the Sale and Purchase Agreement is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 20.74(2)(b) of the GEM Listing Rules at the time the Sale and Purchase Agreement being executed.

4.2 Principal terms of the Master Agreement and our annual cap assessment thereof

Below summarises the principal terms of the Master Agreement (as supplemented by the Supplemental Agreement):

Date	26 February 2025 (after trading hours)
Parties	(1) the Company; and (2) Spark EV
Duration	From 26 February 2025 to 26 December 2027
Service provided	Subject to the terms and conditions of the Master Agreement, the Company shall provide: (1) the EV chargers and their installation; and (2) maintenance and operation software of the EV chargers. Ownership of the EV chargers will be passed to Spark EV upon completion of the installation of the EV chargers.
Fees and pricing basis	Service fees payable by Spark EV to the Company and the commercial terms in the Specific Contracts shall be determined: (i) based on market-oriented, fair and reasonable principles; (ii) based on normal commercial terms or better; and (iii) in accordance with the Company's prevailing pricing policy.

The services fees for the Company's EV Charging Solutions are determined after the parties have negotiated the terms and conditions of the Specific Contract, making reference to the market price and the service fees of the same or similar services provided to Independent Third Parties to ensure that the services fees offered to Spark EV is no less favourable to the Company than those available to Independent Third Parties for the same or similar services.

The Company's prevailing pricing policy will be reviewed and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of the EV Charging Solutions by the Group to Spark EV shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms must be in accordance with normal commercial terms or better and are no less favourable to the Company than those available to Independent Third Parties.

Pricing basis for EV chargers

The Company has conducted market analysis while determining the price for EV chargers. The Company reviewed 3 independent third party providers offering EV charger at the price between HK\$111,000 to HK\$130,000, and the Company's pricing aligns with market standards for the equipment.

The Company also considers bulk purchase discount while determining the price for EV chargers. The bulk purchase discount offered to Spark EV is derived from the supplier of EV chargers, who provides a discount for the equipment in view of the large purchase volume. A portion of the discount is then passed on to Spark EV.

Pricing basis for EV Charging Solutions (including EV chargers, installation, operation software and maintenance)

The basis for formulating the pricing policy of the Company derives from considering market trends and the current average prices of the EV Charging Solutions gathered from different market channels including local reports and related local service providers as well as the sales department of the Company.

The reports of reference were published by International Journal of Energy Economics and Policy, an international academic journal platform providing worldwide articles in the areas of energy economics, energy policy and related disciplines (the "Reports"). According to the Reports, the cost of constructing an EV Charging Station ranges from THB3 million to THB3.8 million (equivalent to approximately HK\$666,000 to HK\$844,000), depending on the infrastructure and services offered. In addition, the Company also consulted with local service providers in Thailand, who reported construction costs between THB2.7 million and THB2.8 million (equivalent to approximately HK\$600,000 to HK\$622,000) in relation to an EV Charging Station.

The pricing basis is also determined by the cost of installing each EV Charging Station: (i) the EV charger, (ii) the operation software to be installed in the EV charger; and (iii) the installation difficulty like the length of the electric cable, which is the variable of installing each EV Charging Station. The Company has conducted market analysis while determining the price for EV charger. The Company reviewed 3 independent third-party providers offering EV charger at the price between HK\$111,000 to HK\$130,000, and the Company's pricing aligns with market standards for the equipment, additionally the fee includes installation, providing maintenance and operation service, taking into account factors such as location of and complexity of work required for the EV Charging Station, cost of materials such as power cables, transformers and other electrical components, quotations of subcontractor, prices of equipment provided by hardware suppliers, shipping and logistics fees, and tax and duties. For the factors considered by the Company in determining the service fee, which is also applicable to the 74 EV chargers sold to Spark EV under the Connected Transaction requiring the same type of services, the Company will refer to the available data for the past 3 years. In this regard, the Company will primarily consider the relevant data for the most recent year and also take into account the trend over the past 3 years. The number of price quotations for similar services provided to Independent Third Parties at the price between HK\$650,000 to HK\$750,000 which the Company takes into account in determining the price charged to Spark EV vary from time to time and depend on the number of comparable contracts the Company has on hand in relation to the similar service provided to Independent Third Parties, in the case of there no available data for the same or similar services, the Company will make reference to available data from the EV charger market and the cost of the EV chargers and the maintenance and operation. All of the historical prices of similar services provided by the Company within the reference period will be taken into account for deriving the service fee.

The Company has also considered bulk purchase discount while determining the service fee. The bulk purchase discount offered to Spark EV is derived from the supplier of EV chargers, who provides a discount for the equipment in view of the large purchase volume. A portion of the discount is then passed on to Spark EV.

The fee paid by Spark EV to the Company vary depending on the each Specific Contract of the EV chargers sold by the Company which the Company takes into account of the market reference, the historical data, the cost of the EV chargers, the maintenance fee and the operation cost.

In addition, the Company believes the pricing basis for the EV charger under the Continuing Connected Transactions aligns with the Connected Transaction, as both involve making reference to independent third-party providers of EV charger. The Company's pricing basis and the profit margin align with the market standard.

For our workdone, we have reviewed the quotations and purchase orders (suppliers side) and the invoices (customers side) of the EV chargers, and confirmed that the Company pricing basis for the EV chargers under the Continuing Connected Transactions aligns with the Connected Transactions and are based on cost-plus method.

We understand that the Company pricing policy is formulated by considering market trends and current average prices for EV charging solutions gathered from local market reports and service providers. In a nutshell, after the mark-up margin, the price that Company charged is within the market range as stated in the abovementioned EV international journal with cost of constructing an EV Charging Station ranges from HK\$666,000 to HK\$844,000. In light, we are of the view that the pricing basis and the profit margin align with the market standard and are on normal commercial terms.

The Company will have meeting in each year to analyse and discuss the proposed pricing policy, based on certain evaluation criteria including the market conditions, the business trend and the development strategy plan of the Company. After the service fee is approved by the Company, the new pricing policy with new service fee will be released and applied within the Company. The staff in charge from the business support department is responsible for checking whether the service fee has been properly adhered to for each contract the Company intends to sign.

Where the Company determines that the proposed amendments to the pricing policy may be material, it will seek independent advice from a qualified professional adviser to determine whether the amendments constitute a material change to the terms of the Continuing Connected Transactions under the GEM Listing Rules. If the Company is advised that the amendments are material, the Company will make a full and transparent disclosure of the proposed amendments to the Shareholders. This disclosure will include a detailed explanation of the rationale for the amendments, the expected impact on the Company's financial performance, and any other relevant information. The Company will then seek Shareholders' approval for the amended terms of the Continuing Connected Transactions in compliance with Chapter 20 of the GEM Listing Rules. The Company will ensure full compliance with all applicable requirements of Chapter 20 of the GEM Listing Rules, including but not limited to obtaining independent board committee approval and making timely and accurate announcements.

Payment term	The payment for the purchases of products will be made in cash by Spark EV to the Company within a maximum of 30 days after the issue of an invoice by the Company.
Conditions precedent	The Master Agreement is conditional on and subject to (i) the approval by the Independent Shareholders at the EGM; and (ii) the compliance by the Company with the relevant requirements under Chapter 20 of the GEM Listing Rules.
Termination	Each of the Company or Spark EV may terminate the Master Agreement upon 30 days' written notice to the other party if the other party is in material breach of any obligation under this Agreement and fails to remedy such breach within 30 days following receipt of written notice specifying the breach and requiring it to be remedied.

4.2.1 Pricing and terms of the transactions

According to the terms of the Agreements, service fees payable by Spark EV to the Company and the commercial terms in the Specific Contracts shall be determined based on (i) market-oriented, fair and reasonable principles; (ii) normal commercial terms or better; and (iii) the Company's prevailing pricing policy. The services fees for the Company's EV Charging Solutions are determined after the parties have negotiated the terms and conditions of the Specific Contract, with reference to the market price and the service fees of the same or similar services provided to Independent Third Parties to ensure that the services fees offered to Spark EV are no less favourable to the Company than those available to Independent Third Parties for the same or similar services.

The service fee offered to Spark EV represents a comprehensive package including (i) EV charging equipment; (ii) installation services (including software installation and electrical work); (iii) ongoing maintenance services; and (iv) operational support.

In avoidance of doubt, the price of the EV Charger itself is from HK\$111,000 to HK\$130,000 and the building of a EV Charging Station (which is the whole EV charging infrastructure comprising the EV charger and other components, representing the final outcome under an EV Charging Solution) is HK\$650,000 and HK\$750,000. As the Company's pricing policy is on a cost-plus basis (marked-up with a profit margin), we are of the view that this pricing basis are on normal commercial terms.

It is understood that the Company's pricing policy is formulated by considering market trends and current average prices for EV charging solutions gathered from local market reports and service providers. The pricing methodology takes into account: (i) the prevailing market prices for EV charger; (ii) the historical prices charged to Independent Third Parties for similar services; (iii) the installation complexity factors including cable length and site-specific requirements; and (iv) the service costs including maintenance and operational support. The Company utilizes three years of historical data when determining service fees, with primary emphasis on the most recent year while considering longer-term trends. Service fees for comprehensive packages typically range from HK\$650,000 to HK\$750,000, based on comparable contracts with Independent Third Parties. When insufficient comparable data is available, the Company references general EV charger market data and associated costs. The Company will make reference to available data from the EV charger market and the cost of the EV chargers and the maintenance and operation. All historical prices of similar services provided by the Company within the reference period will be taken into account for deriving the service fee.

In addition, the Company has also considered bulk purchase discount when determining the service fee. The bulk purchase discount offered to Spark EV is derived from the supplier of EV chargers, who provides a discount on the equipment in view of the large purchase volume. A portion of the discount is then passed on to Spark EV.

The fee paid by Spark EV to the Company vary depending on the each Specific Contract of the EV chargers sold by the Company which the Company takes into account of the market references, the historical data, the cost of the EV chargers, the maintenance fees and the operation costs.

In addition, the Company believes the price of the EV charger for the Continuing Connected Transactions aligns with the Connected Transaction. The pricing basis for the Continuing Connected Transactions includes the EV charger, installation, maintenance and operation. The pricing basis and the profit margin align with the market standards.

The Company will conduct annual reviews of its pricing policy, based on certain evaluation criteria including the market conditions, the business trend and the development strategy plan of the Company. After the service fee is approved by the Company, the new pricing policy with new service fee will be released and applied within the Company. The staff in charge from the business support department is responsible for checking whether the service fee has been properly adhered to for each contract the Company intends to sign.

It is also noted that Company has undertaken that where proposed amendments to the pricing policy may be material, it will seek independent advice to assess whether such amendments constitute a material change under the GEM Listing Rules. If advised that amendments are material, the Company will make full disclosure to shareholders and seek Shareholders' approval in compliance with Chapter 20 of the GEM Listing Rules. We consider this undertaking reasonable as it provides Shareholders with adequate protection against material changes without proper disclosure and approval.

In assessing the fairness and reasonableness of the terms of the Agreements, we:

- (i) enquired the Company and understood its revenue model which operates on cost-plus method. To verify, we obtained the business transactions list in financial year 2024 which contained over 180 projects and 980 transactions. We performed 30 sample tests on a randomly selection basis and verified that each transaction we selected had a profit margin. It was observed that typically, smaller transactions yield a higher margin. We are of the view that the Company's commercial rational is justifiable, as a profit is generated for every transaction. It looks logical to us that larger transactions have a lower profit margin due to bulk purchases discount. Furthermore, since the samples were selected on a random basis, we consider that the samples reviewed are fair, representative and sufficient in supporting our analysis;

- (ii) enquired the Company the linkage between the Connected Transaction and Continuing Connected Transactions with Spark EV. It is given to understand that initially (Dec 2024), Spark EV solely acquired the EV chargers from the Company (Connected Transaction) without including the establishment of a comprehensive EV charging solutions (EV Charging Station). Instead, Spark EV contracted other service providers to set up the EV charging station and more than 20 EV charging station have been set up as at the date of this letter. Considering the business expansion of Spark EV, it appears more effectient to them to seek a reliable main contractor partner for future EV Charging Stations sets, allowing Spark EV to focus more on operations. We are of the view that this arrangement process is commercially rational, it resembles a designer being engaged to supervise and manage the entire renovation project;
- (iii) we understood that all sales transactions of the Company are conducted on an arm's length basis. However, to determine whether the price charged to Spark EV shall be no more favorable than those offered to the independent third parties and on normal commercial terms, we look into the pricing basis on EV charger aspects and EV Charging Station aspects of Spark EV which is are the main service of the Master Agreement.

EV chargers aspect: we understood that the Company rarely sells high-power EV chargers, as the majority of its sales are for low-to-mid kilowatt chargers ranging from 7 kW to 60 kW. In Contrast, Spark requires high-capacity DC chargers with an output of 180 kW. Therefore, we have reviewed all relevant invoices and transactions (total 3 sample sets) involving the sale of 180 kW EV chargers. We note that the quotations price does not have a wide variance with the samples we reviewed and given the Company's pricing policy is a cost-plus basis, we are of the view that the selected quotations are sufficient and representative for the assessment. After the mark-up, the price that the Company charged Spark EV on the EV charger is within the market range (HK\$111,000 and HK\$130,000) as published by the abovementioned international journal. We are of the view that the pricing basis and the profit margin align with the market standard and are on normal commercial terms; and

EV Charging Station aspect: For setting up a comprehensive EV charging solutions (EV Charging Station), we understood that the Company has not previously provided solution services in Thailand and therefore no directly comparable transaction data is available. However, given Spark's large projected volume—targeting at least 600 stations, the most relevant reference is the EHSS projects previously undertaken by the Company, which typically involved a minimum of 150 parking spaces and represents the closest available benchmark. The profit margin for EHSS projects ranged between 5% and 10%, and this range was used as the basis for determining the pricing and margin for future Spark's projects. To date, the Company has undertaken 23 EHSS projects, of which 18 have been reviewed by us (78% coverage). The estimated selling price (included 5-10% profit margin) to Spark EV that the Company set for the comprehensive EV charging solutions – the whole EV Charging Station (including the EV Chargers), falls within the market range (HK\$650,000 and HK\$750,000) as indicated by the previously mentioned international journal. We are of the view that the pricing basis and the profit margin align with the market standard and are on normal commercial terms.

In addition to due diligence as performed above, we also compared the major terms including the pricing (costs-plus based) and credit terms, among the independent third party customers and the Spark EV (with reference to the framework agreement for providing exclusive EV Charging Solution in Thailand dated 26 February 2025), we noted that terms offered to Spark EV are no less favourable to the Company than those available to Independent Third Parties, especially the credit terms which to the Independent customers are 30% upon receipt of purchase order, 50% prior to product shipment and 20% upon receipt of goods whereas to Spark EV has to pay 100% upfront for EV Charger and 50% upfront and 50% upon completion of each EV Charging Station project, we are of the view that the Agreements are on normal commercial terms and are fair and reasonable.

4.2.2 Internal Control Measures regarding the Continuing Connected Transactions

The Company's prevailing pricing policy will be reviewed regularly and updated if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of the Company's EV Charging Solutions by the Group to Spark EV shall comply with the internal control procedures of the Company to ensure that the agreed prices and the terms must be in accordance with normal commercial terms or better and are no less favourable to the Company than those available to Independent Third Parties.

To ensure the Continuing Connected Transactions do not exceed the Proposed Annual Caps, the Company will monitor the utilisation of the Proposed Annual Caps to ensure that such caps would not be exceeded. In particular, designated personnel is responsible for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the Continuing Connected Transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the GEM Listing Rules in respect of Continuing Connected Transactions that are expected to exceed their annual caps.

Additionally, from the discussions with the management of the Company, we understood that

- (i) there will be procedures for comparison with three independent quotations prior to entering into Specific Contracts under the Agreements, we are of the view that the effective implementation of these procedures would help to ensure fair pricing of the transactions contemplated under the Agreements according to the pricing policies;
- (ii) the Group will conduct an assessment at least annually on the internal control measures for the Continuing Connected Transactions to ensure such internal control measures have been adhered to and are effective;
- (iii) the independent non-executive Directors will also conduct a review on the Continuing Connected Transactions each year and confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iv) the Company will also engage its independent auditors to report on transactions at the end of the financial year. The independent auditors will review and confirm in the annual report whether transactions under the Agreements have been approved by the Board, are in compliance with the pricing policies of the relevant agreement governing the transactions and have not exceeded the relevant Proposed Annual Caps.

In view of the above, we are of the view that the Group's internal control measure is adequate and effective.

5. Proposed Annual Caps

The Proposed Annual Caps under the Agreements for each of the years ending 26 December 2025, 2026 and 2027 are HK\$160 million, HK\$160 million and HK\$140 million, respectively. The Proposed Annual Cap for the year ending 26 December 2025 has included the transaction amount of approximately HK\$9.8 million contemplated under the Connected Transaction.

	For the year ending 26 December 2025	For the year ending 26 December 2026	For the year ending 26 December 2027
Proposed Annual Caps	HK\$160 million	HK\$160 million	HK\$140 million

The Proposed Annual Caps were derived from Spark EV's estimate of the demand for the EV Charging Solutions to be purchased with reference to the stages of building the EV Charging Stations across Thailand and have included a 10% buffer of the entire transaction amount to provide flexibility to the Company in case of any unforeseen increase in the market demand in the first two years ending 26 December 2026. The proposed stages of building the EV Charging Stations across Thailand for the years ending 26 December 2025, 2026 and 2027 are as follows:

	For the year ending 26 December 2025	For the year ending 26 December 2026	For the year ending 26 December 2027
Proposed EV Charging Stations to be built	220	220	200
EV chargers acquired	74	—	—

5.1 Basis for determining the selling price and Proposed Annual Caps

As mentioned in the Board Letter and above, in arriving at the Proposed Annual Caps, the Company has considered the following principal factors: (i) the proposed charging stations to be built in the relevant period; and (ii) the estimated growth of the EV charging market in Thailand. We have considered the growing EV industry and the potential market opportunities of EV Charging Stations in Thailand as discussed in the above section 3 under “Reasons for and Benefits of the Continuing Connected Transactions”.

We have also engaged in discussions with the Company regarding the specifics of the charging stations to be constructed, including their locations, operating hours, compatibility with various vehicle types, and potential partnerships. Additionally, we have examined the feasibility report and gained insights into the roadmap, schedule, production capabilities, and workforce requirements associated with the establishment of the charging stations.

We are also given to understand that Spark EV is not functioning independently. It has established robust strategic alliances with significant players in the industry, including leading Thai automotive brands, ride-hailing services like Grab, and major logistics firms. These collaborations are essential for enhancing the utilization rates of its charging infrastructure and securing its long-term viability. Spark EV benefits from a strong shareholder foundation, with its largest stakeholder, Gaw Capital, being a reputable equity fund management firm that has raised US\$22.9 billion since 2005 and managed assets totaling US\$35.8 billion as of the third quarter of 2024, and Spark EV aspires to become one of the largest public EV charging networks in Thailand, providing a comprehensive and easily accessible charging solution to cater to the increasing demands of the Thai electric vehicle market.

We have reviewed the written confirmation from Bangchak Corporation Public Company Limited (“Bangchak”) one of the largest gas stations in Thailand, to allow Spark EV to conduct the build-out and operation of EV Charging Stations at the gas stations of Bangchak. In the written commitment, Spark EV has committed to build 150 EV Charging Stations, and upon completion of 150 EV Charging Stations, Spark EV has the right to build additional 1,000 EV Charging Stations at the gas stations of Bangchak. There are 74 EV charger sold under the Connected Transaction and 640 EV Charging Solutions to be built under the Continuing Connected Transactions.

Regarding the pricing policy and the basis of determining the selling price contributing to the Proposed Annual Caps, we are of the view that the Company was able to make reference to the market price and the service fees of the same or similar services provided to Independent Third Parties to ensure that the service fees offered to Spark EV are no less favourable to the Company than those available to Independent Third Parties for the same or similar services. For details, please refer to the above section “4.2.1 Pricing and terms of the transactions”.

We noted that from our review of quotations provided by the independent third-party providers that similar EV charger is priced between HK\$111,000 to HK\$130,000, and similar solutions are provided by Independent Third Parties at prices between HK\$650,000 to HK\$750,000. The Company's pricing falls within these market ranges, confirming the reasonableness of the pricing used to calculate the Proposed Annual Caps.

For the Proposed Annual Caps, the Group also included a 10% buffer of the entire transaction amount to provide flexibility to the Company in case of any unforeseen increase in the market demand in the first two years ending 26 December 2026. We believe that given there are many external uncontrollable variables in determining the Proposed Annual Caps, it is reasonable to build in a buffer as a precautionary measure at the early partnership stage. Such uncontrollable variables may be caused by pandemic or geopolitical events which affect the global supply chain and trigger rising costs of raw materials, production and logistics. As mentioned in the report titled "World Economic Outlook: Policy Pivot, Rising Threats" published by International Monetary Fund in October 2024³, we noted that annual inflation rose unexpectedly due to COVID and peaked at about 8% for advanced economies, whilst the inflation for emerging markets and low-income economies were even higher at about 11%. Since these uncontrollable factors caused by pandemic, geopolitical tensions, and global economic volatility can affect the costs of raw materials, production and logistics, we are of the view that the 10% buffer incorporated into the Proposed Annual Caps is fair and reasonable.

Based on our review of the above factors, we understand that the Proposed Annual Caps of HK\$160 million, HK\$160 million and HK\$140 million for the years ending 26 December 2025, 2026 and 2027 respectively are mainly based on Spark EV's estimated demand for 220, 220 and 200 EV Charging Stations to be built in each respective year. We consider these projections reasonable given that:

- (i) the agreement with Bangchak provides a solid foundation with committed locations for station deployment;
- (ii) our review confirmed the Company's pricing falls within market ranges of HK\$650,000 to HK\$750,000 for comprehensive EV charging solutions;
- (iii) the Company's profit margins of 10% to 15% are at the higher end of their historical range of 5% to 12%, while also benefiting from bulk purchase discounts of 5% to 6% from suppliers, resulting in favorable terms for the Company;
- (iv) the Company has incorporated a buffer of approximately 10% to account for potential fluctuations in market demand and cost variations, which we consider prudent given external uncertainties; and

³ Please refer to the report titled "World Economic Outlook: Policy Pivot, Rising Threats" published by International Monetary Fund in October 2024 at <https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024>

- (v) Spark EV's partnerships and strong financial backing support the projected transaction volumes.

Considering the aforementioned points, we believe that there is adequate market demand to justify the Group's projections for the Proposed Annual Caps for the products and services and consider the Proposed Annual Caps to be fair and reasonable for the period from 26 February 2025 to 26 December 2027. We believe the partnership between the Group and Spark EV is expected to be mutually beneficial and complementary.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms and conditions of the Continuing Connected Transactions contemplated under the Agreements and the Proposed Annual Caps are on normal commercial terms or better and are fair and reasonable and (ii) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Continuing Connected Transactions contemplated under the Agreements and the Proposed Annual Caps related thereto at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited



Charles Li*
Managing Director

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

