



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)

Executive Directors:

Mr. Liang Zihao (*Co-Chairman of the Board*)
Mr. Wu Jianwei (*Co-Chairman of the Board*)
Mr. Li Man Keung Edwin (*Vice-Chairman of the Board*)
Mr. Yip Shiu Hong (*Chief Executive Officer*)
Mr. Ho Karl (*Chief Financial Officer*)
Mr. Pan Wenyan
Ms. Wu Yanyan

Registered office:

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Cayman Islands

Non-executive Director:

Mr. Koh Herbin Puay Teck

*Head office and principal place of
business in Hong Kong:*

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Independent non-executive Directors:

Ms. Ip Ka Lai
Ms. So Sze Wan Lisa
Mr. Li Michael Hankin
Mr. Tam Ka Hei Raymond

26 August 2025

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO SETTLEMENT
OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the Announcements.

The purpose of this circular is to provide you with (i) information relating to the Deed; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Deed and the transaction contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Deed and the transaction contemplated thereunder; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the EGM.

CONNECTED TRANSACTION IN RELATION TO SETTLEMENT OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES

On 21 January 2025, the Company as debtor entered into the Deed with the Creditors, pursuant to which the Company has conditionally agreed to issue and allot to the Creditors an aggregate of 32,046,008 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by the Creditors under the Deed shall be satisfied by capitalising the entire amount of the Shareholders' Loan due to the Creditors from the Company. Subsequently, the Creditors and the Company entered into the Supplemental Deed to extend the Long Stop Date to 30 September 2025. Details of the terms of the Deed (as amended and supplemented by the Supplemental Deed) are summarized below:

DEED OF SETTLEMENT OF DEBT

Date : 21 January 2025 (after trading hours)

Parties : (1) Issuer/debtor: the Company; and

(2) Creditors: Mr. Liang Zihao ("**Mr. Liang**") as Creditor (A)
Ms. Wu Yanyan ("**Ms. Wu**") as Creditor (B)

Subscription Shares

Pursuant to the Deed:

- (1) the Company has conditionally agreed to issue and allot to Creditor (A) 2,055,562 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by Creditor (A) shall be satisfied by capitalising the amount of Debt (A) due to Creditor (A) from the Company; and
- (2) the Company has conditionally agreed to issue and allot to Creditor (B) 29,990,446 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by Creditor (B) shall be satisfied by capitalising the amount of Debt (B) due to Creditor (B) from the Company.

Number of Subscription Shares

The 32,046,008 Subscription Shares represent (i) approximately 3.36% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 3.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Completion. The aggregate nominal value of the Subscription Shares is approximately HK\$320,460. The Subscription Shares will rank pari passu in all respects with the Shares in issue on the date of Completion.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

Subscription Price

The Subscription Price of HK\$0.50 per Subscription Share represents:

- (i) an equal to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the date of the Deed;
- (ii) an equal to the average closing price of approximately HK\$0.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Deed; and
- (iii) a discount of approximately 1.96% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined, among others, with reference to (i) the prevailing market price of the Shares and the market conditions; and (ii) the funding needs and financial position of the Group and was negotiated on an arm's length basis between the Company and the Creditors.

Conditions precedent

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

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion;
- (b) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Deed and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares;

- (c) the necessary consents and approvals in relation to the Deed and the transactions contemplated thereunder having been obtained; and
- (d) the representation and warranties given by the Company under the Deed remaining true and accurate in all material respects and are not misleading as at the date of the Deed and the date of Completion.

Save that the Creditors have the right to waive condition (d) in respect of representation and warranties given by the Company under the Deed, none of the above conditions can be waived by any party to the Deed. If the above conditions are not fulfilled or waived (as the case may be) by 5:00 p.m. on 30 September 2025 (or such other date as the parties to the Deed may agree in writing), the Deed will be automatically terminated and lapsed and none of the parties to the Deed shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

Completion

Completion shall take place within ten (10) Business Days after the date of fulfillment of the conditions precedent set out in the Deed. The subscription amount payable by the Creditors shall be satisfied by capitalising the entire amount of the Shareholders' Loan due to the Creditors from the Company.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

INFORMATION ON THE PARTIES

The Group

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

The Creditors

Creditor (A) is an executive Director and a substantial shareholder of the Company, and is therefore a connected person of the Company.

Creditor (B) is an executive Director and the elder sister of Mr. Wu Jianwei, an executive Director, and is therefore a connected person of the Company.

THE DEBTS

| | Debt (A) | Debt (B) |
|------------------|--|--|
| Creditor | Mr. Liang Zihao | Ms. Wu Yanyan |
| Principal amount | HK\$1,000,000 | HK\$14,664,960 |
| Interest rate | 6.0% per annum | 6.0% per annum |
| Repayment | Repayable on demand with 14-day notice from Creditor (A) | Repayable on demand with 14-day notice from Creditor (B) |

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

On 16 July 2024 and 19 August 2024, each of the Creditors separately entered into a loan agreement with the Company, pursuant to which the Creditors each granted a loan with an aggregate principal amount of HK\$15,664,960 to the Company. The parties agreed that the amount of HK\$16,023,004 of the Shareholders' Loan shall be capitalized as the consideration for the Subscription upon Completion.

The Shareholders' Loan was structured with a long-term tenure to facilitate the ongoing expansion of the Company both in Hong Kong and internationally. The Company's plan involved repaying the Shareholders' Loan gradually using operating cash flow as it became available over time. Considering that the Shareholders' Loan is a loan with no repayment date, the inclusion of a 14-day notice repayment clause ensures that the Creditors retains control over the recovery of the Shareholders' Loan. The fact that the Creditors have agreed not to impose a fixed repayment date signifies the Creditors' initial intent to provide long-term financial support to the Company, allowing the Company to manage its cash flows for on-going operations and expansion with flexibility. This arrangement indicates a willingness of the Creditors to prioritize the Company's sustainable growth over immediate repayment demands. In addition, by converting debt into equity, the Creditors demonstrate continuous support to the Company and release it from pressure to satisfy the Shareholders' Loan and future interest payments, thus aligning the Creditors' interests with the long-term success of the Company.

The effective interest rate of Debt (A) and Debt (B) is 7.67% and 7.42% respectively, which were determined by the Valuer through the built-up method. The Valuer has conducted credit rating analysis of the Company and review of the market yields and the market borrowing rates for similar entities as the Company. The factors that have been considered by the Valuer during determination of the effective interest rates include the yield-to-maturity of Hong Kong government bonds, credit rating of the Company inferred from Moody's rating for non-financial industry, and credit spread of the Company estimated by the option-adjusted spreads of comparable corporate bonds issued by companies with credit ratings similar to that of the Company.

Since (i) each of Debt (A) and Debt (B) bears interest rate at 6% per annum, which is lower than the effective interest rates determined by the Valuer; and (ii) the terms of the Debts represent standard commercial terms, the Board considers that the Debts were entered into on normal commercial terms and the terms therein are fair and reasonable. In addition, as the Debts are not secured by any of the Group's assets, the Debts were exempted under Rule 20.88 of the GEM Listing Rules.

Both Mr. Liang and Ms. Wu were informed of the funding requirements and the repayment plan prior to their agreement to support the Company through the Shareholders' Loan. In addition, both Mr. Liang and Ms. Wu reached a mutual agreement with the Company regarding the terms and nature of the Shareholders' Loan.

The decision of settling the Shareholders' Loan through the Subscription was made to maintain cash flow liquidity for ongoing projects, ensuring funds for daily operations, and providing a buffer against market fluctuation for the Company. The Board assessed that the terms and conditions of the Deed are fair and reasonable, and also reflects the ongoing support to the Company by the Shareholders.

As at 31 December 2024, the Group's gearing ratio significantly increased to approximately 156.4 times from approximately 0.8 times as at 30 June 2024. The Group's debt-to-equity ratio surged to approximately 114.4 times as at 31 December 2024 from approximately 0.8 times as at 30 June 2024. In addition, the Group's net assets reduced to approximately HK\$1.2 million as at 31 December 2024 from approximately HK\$81.5 million as at 30 June 2024. All the above indicate that the financial condition of the Group up to 31 December 2024 has been worsened since 30 June 2024, not long before the entering into of the Loan Agreements by the Company. Given the Group's financial position as at 31 December 2024, the Group is not in a position to repay the amount due to the Creditors without tightening the existing financial resources. The Loan Capitalisation enables the Group to settle its existing liabilities without utilising the existing financial resources and can avoid cash outflows. Furthermore, the Loan Capitalisation reduces the indebtedness level of the Company and broadens its capital base. In view of the above, the Board considers that the settlement of the Shareholders' Loan through the issue of new Shares are in the interests of the Company and the Shareholders as a whole.

The Company has fully utilised the Debts of approximately HK\$15.7 million by September 2024, in which the Debts were primarily used for operational expenses including subcontracting EV chargers, purchasing for EV chargers, cables and materials, with a modest amount allocated for staff affairs and corporate overhead expenses.

As at 30 June 2024, the Group recorded bank balances and cash of approximately HK\$3.1 million, accounts receivable of approximately HK\$31.2 million and accounts payable of approximately HK\$47.4 million. Based on ageing analysis of the accounts receivable and historical settlement patterns of the customers, the Company expected that there would be a significant shortfall in available fund after taking into account the settlement of accounts receivable and accounts payable of the Group in August 2024. In view of this, to fulfill the trade orders, which are crucial for the Company's revenue stream, immediate capital is needed to fund the operational expenses. Failure to secure trade orders could result in financial losses and reduced competitiveness of the Group in the EV industry, which could have an adverse impact on the future development of the Group. Furthermore, there are long-standing corporate overhead expenses, including staff costs, which may disrupt operations and expose the Company to legal or reputational risks if they are not settled on time. Given these circumstances, the Board is of the view that entering into the Loan Agreements can serve the imminent needs of the Company and is in the interests of the Company and the Shareholders as a whole.

The detailed breakdown with timeline for the use of proceeds of HK\$15.7 million is as below:

| Date | Natures | HK\$'000 |
|----------------|--|----------|
| July 2024 | Proceeds of Debt (A) | 1,000 |
| July 2024 | Corporate overhead expenses | (700) |
| August 2024 | Corporate overhead expenses | (300) |
| | | <u>—</u> |
| August 2024 | Proceeds of Debt (B) | 14,665 |
| August 2024 | Operational expenses | |
| | – Capital expenditure relating to EV charging stations | (6,397) |
| | – Electricity costs relating to EV charging assets | (289) |
| | – Monthly licence fees paid to the Environmental Protection Department (the “EPD”) | (360) |
| | Staff costs, directors' fees and consultancy fees | (3,592) |
| | Corporate overhead expenses | (844) |
| September 2024 | Operational expenses | |
| | – Capital expenditure relating to EV charging stations | (3,015) |
| | – Electricity costs relating to EV charging assets | (129) |
| | – Monthly licence fees paid to the EPD | (39) |
| | | <u>—</u> |

In 2024, the Company had high volume of trade orders for EV charging solutions, the Company had encountered greater expenditure than anticipated related to subcontractors and suppliers for the procurement of EV charging hardware. The nature of the trade orders and EHSS projects necessitates substantial prepayments for contractor services and hardware procurement. However, many of the payments from the projects have been delayed on the customer side, increased in accounts receivable and increased pressures in the Company's cash flow. The Board then arranged the Shareholders' Loan of approximately HK\$15.7 million.

The Company intended to repay the Shareholders' Loan with the accounts receivable associated with these trade orders. By the end of 2024, the Company had received payments for these accounts receivables. However, the Board after considering the pace of new orders continuing to increase, then decided that the majority of these payments would continue to be utilised to support the completion of these new and upcoming trade orders.

In considering alternative financing methods to support the trade orders and EHSS projects, the Board undertook a thorough assessment of various options available to the Company. Although the interest rates on the Debts are higher than the common market lending rate, they are still lower than the effective interest rates estimated by the Valuer and hence considered fair and reasonable. In addition, the Board determined that the immediacy and flexibility provided by these loans were paramount. Given the prevailing market conditions and the Company's financial position at that time, other sources of debt financing and bank borrowing would require pledge of assets of the Company; other equity financing such as placing of new shares and rights issues usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming.

The Company has completed the placing of new shares under general mandate on 29 August 2024 (the “**August Placing**”) with the net proceeds of HK\$24 million.

The proceeds of Debt (A) were nearly utilised in July 2024. To fulfill the critical trade orders, the Company entered into Debt (B) in August 2024 to cover operational expenses, such as subcontracting for EV chargers and purchasing EV chargers. However, there were long-standing corporate overhead expenses, such as staff costs, that also needed to be settled. Given the Company's financial position as discussed above in relation to the timeline for upcoming trade orders, the Board has determined that conducting the August Placing is needed to address the corporate overhead expenses. Furthermore, the Company has assessed that the proceeds of Debt (B) alone is insufficient to fully cover the costs associated with the trade orders and the ongoing EHSS projects. In addition to support the corporate overhead expenses, the proceeds of the August Placing also enable the Company to meet its payment obligations arising from trade orders and secure its revenue stream, and therefore, their usage in this manner is in the interests of the Company and the Shareholders as a whole.

The detailed breakdown with timeline for the use of proceeds of HK\$24 million is as below:

| Date | Natures | HK\$'000 |
|----------------|--|-----------------|
| August 2024 | Proceeds of the August Placing | 24,000 |
| August 2024 | Corporate overhead expenses | (3,457) |
| September 2024 | Operational expenses | |
| | – Capital expenditure relating to EV charging stations | (9,512) |
| | – Electricity costs relating to EV charging assets | (991) |
| | – Monthly licence fees paid to the EPD | (360) |
| | Corporate overhead expenses | (3,764) |
| October 2024 | Operational expenses | |
| | – Capital expenditure relating to EV charging stations | (553) |
| | Corporate overhead expenses | (363) |
| January 2025 | Corporate overhead expenses | (5,000) |
| | | <u>–</u> |
| | | <u><u>–</u></u> |

The Board has carefully reviewed settling the Shareholders' Loan with the unutilised proceeds of the August Placing. After thorough deliberation, the Board has decided against utilising the unutilised proceeds of the August Placing to settle the Shareholders' Loan for several key reasons.

Firstly, cash flow liquidity for ongoing projects, the Company is actively engaged in several projects locally and overseas that require sustainable cash flow liquidity. It is imperative to ensure that the Company has adequate funds available to support these initiatives and meet project milestones efficiently.

Secondly, operational cash flow requirements, maintaining a robust cash flow is essential for the Company's daily operations. The decision not to settle the Shareholders' Loan with the proceeds of the August Placing allows the Company to preserve liquidity, ensuring that the Company can manage operational expenses and any unforeseen financial commitments that may arise.

Lastly, strategic financial management, the Board believes in a prudent approach to financial management. Retaining a portion of the proceeds of the August Placing will provide the Company with a buffer against potential market fluctuations and enhance our financial flexibility in the coming months.

The Board has thoroughly assessed the Company's financial position, including the bank balances of approximately HK\$52.3 million as at 31 December 2024, alongside the cash flows generated from the issue of convertible notes in December 2024. As at 31 December 2024, total payables amount to approximately HK\$75.1 million, of which approximately HK\$25.1 million of the project-related payables were due within 30 days and approximately HK\$8.6 million due within 60 days. The Board understands the urgency of meeting these obligations. As at 31 December 2024, the balance of accounts receivable amounts to approximately HK\$45.8 million, of which approximately HK\$9 million is expected to be received by the Group by the end of January 2025 according to the Company's estimate based on ageing analysis of the accounts receivable and historical settlement patterns of the customers. Despite the bank balances appearing sufficient, HK\$19.5 million of them is related to the convertible notes and has been allocated for working capital purposes. Given the continuous increase in trade orders which amount to approximately HK\$22 million, the cash of HK\$9 million received from settlement of accounts receivable as stated above was allocated to support upcoming trade activities and could not be used to settle the Shareholders' Loan. In light of the above, the Board has concluded that settling the Shareholders' Loan through the Subscription is essential in supporting the fulfilment of these new and upcoming orders while ensuring operational stability of the Group.

On the other hand, the Creditors are committed to supporting the on-going development of the Company, as evidenced by their willingness to settle the Debts through the issuance of new shares, which strengthens the Company's financial position and allows it to preserve cash for operational needs and future growth initiatives. Furthermore, the Creditors have indicated that they have no plan or intention to dispose of the Company's shares, which further fortifies their commitments.

After careful consideration of the above, the Board concluded that the Loan Capitalisation, and hence the Subscription, are in the best interests of the Company and the Shareholders due to:

- (i) Reduction in indebtedness – The Loan Capitalisation alleviates financial pressure by reducing outstanding liabilities, thereby improving the Group's financial position.
- (ii) Avoidance of high gearing ratio – Unlike additional debt financing, which would increase financial leverage, the Loan Capitalisation strengthens the balance sheet without increasing debt obligations.
- (iii) Confidence and support from Shareholders – The Loan Capitalisation demonstrates the strong commitment and confidence of the Creditors in the Group's long-term development, signaling positive sentiment to the market.
- (iv) Minimization of funding costs and dilution impact – Compared to alternative equity financing options that typically require a significant discount to attract investors, the Loan Capitalisation is a cost-effective method that minimizes potential dilution impact while securing necessary funding.

The Directors have considered other alternative means for raising funds to settle the Shareholders' Loan, such as bank borrowings, share placement or rights issue. However, having taken into account that:

- (i) debt financing and bank borrowing will inevitably increase the gearing ratio of the Group and lenders generally require pledge of assets from the borrower;
- (ii) the Loan Capitalisation will reduce the indebtedness of the Group;
- (iii) other equity financing such as placing of new shares and rights issue usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation; and
- (iv) the Loan Capitalisation demonstrates the support and solid confidence given by the Creditors to the Group,

the Directors consider that the Loan Capitalisation is a more desirable solution for the Group to settle the Shareholders' Loan.

The Board has also considered the allotment and issue of Shares under the Specific Mandate to be a viable and prudent settlement method for the Shareholders' Loan. This decision is rooted in the recognition of the Company's potential growth and the immediate cash flow requirements to honor client obligations. The Board believes that this approach is in the best interest of the Company and the Shareholders, as it does not compromise existing operational cash flow while enabling the settlement of the Shareholders' Loan.

While the Board acknowledges the theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the Subscription of approximately 0.02% and the associated compliance costs under the GEM Listing Rules, including the preparation of circular and convening of a general meeting, it has determined that the anticipated benefits, such as strengthened capital for operational continuity and enhanced market confidence, outweigh these factors. Having considered the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group, the Directors are of the view that the dilution effect arising from the Subscription is justifiable in this regard. The issuance of Shares, especially with the chairman's backing, is expected to instill greater confidence in the market regarding the Company's direction and future prospects.

The Board assesses that the term and condition of the Debts are fair and reasonable, as the Debts were crucial for resolving immediate cash flow challenges stemming from delayed customer payments. The Debts were necessary to bridge the gap between project expenditures and incoming payments, ensuring operational continuity without resorting to more costly alternatives. Additionally, the liquidity provided by the Debts allowed the Company to fulfill contracts and maintain customer relationships, which supports long-term growth and benefits all shareholders. Ultimately, the Shareholders acted in the best interests of the Company by providing essential funding to navigate its financial pressures effectively.

The Directors have fulfilled their fiduciary duties and exercised due skill, care, and diligence regarding the Debts by ensuring informed decision-making through comprehensive information on funding requirements, prioritizing the interests of the Company and Shareholders in securing loans for substantial orders from reputable clients, conducting thorough risk assessments to weigh benefits against potential risks, and positioning the Debts as the most effective solution, and maintaining open communication with Shareholders about the rationale for the Debts.

In view of the above, the Directors consider that the terms of the Deed are fair and reasonable based on the current market conditions and are on normal commercial terms, accordingly, the Loan Capitalisation is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

As the Subscription will be satisfied by way of offsetting the entire amount of the Shareholders' Loan, no proceeds will be available to the Company from the allotment and issue of the Subscription Shares.

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

The following are the equity fund raising activities conducted by the Company in the past 12 months immediately before the Latest Practicable Date:

| Date of announcement | Fund raising activity | Net proceeds raised | Intended use of net proceeds | Actual use of net proceeds |
|----------------------|--|---|--|--|
| 2 August 2024 | Issue of 47,820,000 new shares under general mandate | HK\$24.0 million | General working capital | Fully utilised in accordance with the intended use |
| 20 September 2024 | Issue of convertible notes in the principal amount of HK\$200 million under specific mandate | HK\$95.6 million out of estimated net proceeds of approximately HK\$199.5 million | (i) HK\$180 million to be used for the Common Shares Subscription (as defined in the announcement of the Company dated 20 September 2024); and (ii) HK\$19.5 million to be used as general working capital | Fully utilised in accordance with the intended use |

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 953,575,399 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion:

| | As at the Latest Practicable Date | | Immediately after Completion | |
|---|--------------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | Number of Shares | Approx.% of shareholding | Number of Shares | Approx.% of shareholding |
| Substantial Shareholders and Directors | | | | |
| Global Fortune Global Limited (Note 1) | 235,603,225 | 24.71% | 235,603,225 | 23.90% |
| Glorytwin Limited (Note 2) | 72,000,000 | 7.55% | 72,000,000 | 7.31% |
| Gaw Capital | 58,704,000 | 6.16% | 58,704,000 | 5.96% |
| Mr. Wu Jianwei (Note 1) | 52,508,000 | 5.51% | 52,508,000 | 5.33% |
| Mr. Pan Wen Yuan (Note 3) | 27,096,000 | 2.84% | 27,096,000 | 2.75% |
| Tanner Enterprises Group Limited (Note 2) | 17,392,000 | 1.82% | 17,392,000 | 1.76% |
| Mr. Li Man Keung Edwin (Note 2) | 14,712,613 | 1.54% | 14,712,613 | 1.49% |
| Mr. Yip Shiu Hong | 5,997,905 | 0.63% | 5,997,905 | 0.61% |
| Creditor (A) (Note 1) | 8,800,000 | 0.92% | 10,855,562 | 1.10% |
| Creditor (B) | 47,550,000 | 4.99% | 77,540,446 | 7.87% |
| Public Shareholders | <u>413,211,656</u> | <u>43.33%</u> | <u>413,211,656</u> | <u>41.92%</u> |
| Total | <u><u>953,575,399</u></u> | <u><u>100.00%</u></u> | <u><u>985,621,407</u></u> | <u><u>100.00%</u></u> |

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, the executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, the executive Director and Co-Chairman of the Board. Mr. Liang Zihao directly holds 8,800,000 Shares. The aggregate Shares beneficially owned by Mr. Liang Zihao is 244,403,225 Shares, or 25.63% of total issued Shares. Mr. Wu Jianwei directly holds 52,508,000 Shares. The aggregate Shares beneficially owned by Mr. Wu Jianwei is 288,111,225 Shares, or 30.21% of total issued Shares.
- (2) 72,000,000 Shares are held by Glorytwin Limited which is wholly owned by Mr. Li Man Keung Edwin, Executive Director and Vice Chairman of the Board. 17,392,000 are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin. Mr. Li Man Keung Edwin also directly holds 14,712,613 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 104,104,613 Shares, or 10.92% of total issued Shares.
- (3) 27,096,000 Shares are held by Silver Rocket Limited ("Silver Rocket") which is wholly owned by Mr. Pan Wen Yuan. Mr. Pan Wen Yuan is deemed to be interested in the Shares in which Silver Rocket is interested under the SFO.

GEM LISTING RULES IMPLICATIONS

The Creditors are either Directors and/or substantial shareholder of the Company, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In accordance with the GEM Listing Rules, the Creditors and their associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder 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 Subscription and the Deed and will be required to abstain from voting on the resolution(s) to approve the Subscription and the Deed and the transactions contemplated thereunder at the EGM.

Mr. Liang and Ms. Wu (being the Creditors), and Mr. Wu Jianwei ("**Mr. Wu**", being an executive Director and the younger brother of Ms. Wu, is considered to be an associate of Ms. Wu), have abstained from voting on the relevant Board resolutions to approve (i) the Deed and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Subscription Shares. Save as mentioned above, none of the other Directors is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions.

EGM

A notice convening the EGM to be held at 21/F., Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Monday, 15 September 2025 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve (i) the Deed and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Subscription Shares. Under Chapter 20 of the GEM Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s).

As at the Latest Practicable Date, Mr. Liang and Mr. Wu were interested in an aggregate of 296,911,225 Shares (representing approximately 31.14% of the total issued Shares), which include (i) Mr. Liang's personal interest in 8,800,000 Shares; (ii) Mr. Wu's personal interest in 52,508,000 Shares; and (iii) 235,603,225 Shares held through Global Fortune Global Limited which is owned as to 49% by Mr. Liang and as to 51% by Mr. Wu. Ms. Wu was directly interested in 47,550,000 Shares, representing approximately 4.99% of the total issued Shares. As such, Mr. Liang, Ms. Wu, Mr. Wu and their respective associates shall be required to abstain from voting on the resolution(s) for approving the Deed and the grant of the Specific Mandate at the EGM.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, save for the foregoing, none of the other Shareholders will be required to abstain from voting on the resolution at the EGM.

If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the chairman of the EGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting in the proxy form, the duly completed and signed proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 3:00 p.m. on Saturday, 13 September 2025 (being not less than forty-eight (48) hours before the EGM), failing which the appointment will be treated as invalid. A form of proxy for use at the EGM is enclosed with this circular.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms. Ip Ka Lai, Mr. Li Michael Hankin, Ms. So Sze Wan Lisa and Mr. Tam Ka Hei Raymond, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Deed and as to how to vote at the EGM. Silverbricks Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Deed and the transaction contemplated thereunder (including the grant of the Specific Mandate). The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, consider that the terms of the Deed and the transaction contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. While the Deed and the grant of the Specific Mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) which will be proposed at the EGM for approving, inter alia, the Deed and the transaction contemplated thereunder (including the grant of the Specific Mandate). The text of the letter from the Independent Board Committee is set out on pages 21 to 22 of this circular while the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 23 to 46 of this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 September 2025 to Monday, 15 September 2025, both dates inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 9 September 2025.

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 23 to 46 of this circular, considers that the terms of the Subscription are on normal commercial terms, fair and reasonable and, although the Deed is not conducted in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the allotment and issue of the Subscription Shares pursuant to the Deed.

The Board (excluding Mr. Liang, Ms. Wu and Mr. Wu but including members of the Independent Board Committee) considers that the terms of the Deed and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES

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

Yours faithfully
On behalf of the Board
Cornerstone Technologies Holdings Limited



LI Man Keung Edwin
Vice Chairman and Executive Director