# 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)**

## PROPOSED GRANT OF SHARE AWARDS

**Financial Adviser to the Company**

建泉融資有限公司
VBG Capital Limited

Reference is made to the announcement of Cornerstone Technologies Holdings Limited (the "**Company**") dated 28 June 2024 (the "**Announcement**") in relation to the board of directors of the Company awarding an aggregate performance bonus of 117,749,000 shares of the Company ("**Shares**") and an aggregate of 19,3840,000 Shares to Mr. Yip Shiu Hong, Mr. Lau Wai Yan Lawson, Mr. Karl Ho and Mr. Ng Sze Chun, respectively. Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

## PROPOSED GRANT OF SHARE AWARDS

Pursuant to the Announcement, the Board proposes to adopt the Share Award Scheme, whereby the Share Award Scheme constitutes a share scheme under Chapter 23 of the GEM Listing Rules. Pursuant to the GEM Listing Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting and are subject to the requirements of Chapter 23 of the GEM Listing Rules. Accordingly, adoption of the Share Award Scheme is conditional upon (i) the approval of the Share Award Scheme by the Independent Shareholders at the EGM; and (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which may be issued in respect of the Awards granted under the Share Award Scheme.

On 20 November 2024, the Board proposes to grant Awards under the Share Award Scheme. Such grants are conditional on the Shareholders approving the adoption of the Share Award Scheme at the EGM.

Details of all such grants are set out below:

**Date of grant:** As soon as possibly upon the Shareholder's approval on the 2024 Share Award Scheme and the grand of the Awards at the EGM

**Number of Selected Participants:** 4

**Number of Awarded Shares granted:** A total of 137,133,000 Shares granted to the following participants in the following manner:

| Name | Title/Position | Number of Awarded Shares |
|---|---|---|
| **Batch 1 Awarded Shares** | | |
| Mr. Yip | Chief Executive Officer and Director | 45,288,000 |
| Mr. Lau | Director of subsidiary of the Company | 27,173,000 |
| Mr. Ho | Chief Financial Officer | 22,644,000 |
| Mr. Ng | Chief Operating Officer | 22,644,000 |
| | Total: | 117,749,000 (the "**Batch 1 Awarded Shares**") |
| **Batch 2 Awarded Shares** | | |
| Mr. Yip | Chief Executive Officer and Director | 9,058,000 (subject to a 36 month lock-up period from the date of issue) |
| Mr. Ho | Chief Financial Officer | 5,797,000 (subject to a 12 month lock-up period from the date of issue) |
| Mr. Ng | Chief Operating Officer | 4,529,000 (subject to a 36 month lock-up period from the date of issue) |
| | Total: | 19,384,000 (the "**Batch 2 Awarded Shares**") |

The Batch 1 Awarded Shares are subject to the Performance Targets while the Batch 2 Awarded Shares are subject to each Selected Participant's lock up period.

All of the above Selected Participants have made significant contribution to or performed well in the Group.

**Purchase price of the Awarded Shares granted:** Nil

**Closing price of the Shares on the date of grant:** The Company will announce the market price of the Shares on the date of the grant of Awards as soon as possible upon approval of the grant of Awards at the EGM

**Vesting period and minimum holding period:**

The Awarded Shares shall have a vesting period of 12 months.

**Vesting conditions/clawback mechanism:**

Vesting of all the Awarded Shares is subject to the following conditions:

1. The Selected Participant remains eligible under the Share Award Scheme and as deemed by the Board.

2. The Selected Participant complies with all of his/her contractual obligations with the Company (including employment contract), as well as all of the Company's internal policies, and the Selected Participant has not breached any laws or regulations.

3. The Selected Participant has not resigned or otherwise terminated his/her employment with the Company.

4. The Selected Participant meets his/her performance targets.

5. The Selected Participant has not engaged in any other actions that violate the Company's regulations or damage the Company's interests as determined by the Board.

The Awards shall also be subject to the clawback mechanism of the Share Award Scheme.

**Performance targets:**

The Batch 1 Awarded Shares are subject to the following Performance Targets:

(a) Cornerstone Home signed monthly subscribers reaching 2,200 on a cumulative basis;

(b) Cornerstone GO members reaching 50,000;

(c) EHSS accumulated awarded contracts reaching HK$150 million;

(d) Proportion of revenue coming from recurring income hitting 15%;

(e) Total annual revenue reaching HK$200 million;

(f) Gross profit margin maintained at minimum 15% at the HK$200 million revenue mark;

(g) Net Cashflow positive position (EBITDA excluding share-based payment becomes positive);

(h) Average Market capitalization for 10 trading days reaching HK$1 billion;

(i) Completion of 250 stations in Thailand; and

(j) EBITDA excluding share-based payment of THB100 million in Thailand

The performance targets of the Awarded Shares are individualised based on the job nature and job positions of each Selected Participant and the projected market and business conditions.

The performance targets of the Awarded Shares include (among others) revenue, gross profit, net profit, gross floor area under management or other internal performance metrics.

Failure to meet his/her performance target shall result in such Selected Participant forfeiting any Awarded Shares that have not yet vested.

**Financial assistance arrangements:** Nil

## SHARES TO BE ISSUED AND NUMBER OF SHARES AVAILABLE FOR FUTURE GRANT

The new Shares that may be allotted and issued by the Company to satisfy the Awards represent approximately 14.4% of the total issued Shares of the Company as at the date of this announcement. The Awarded Shares granted under the Awards, when issued and allotted, shall rank *pari passu* among themselves and with the Shares in issue. The number of Shares available for future grant after the grant of the Awards under the Share Award Scheme will be nil.

## REASONS FOR THE GRANT OF AWARDS

The reasons for the grant of Awards is generally to: (a) recognise and reward the contribution of the Awardees to the growth and development of the Group; (b) give incentives to attract and retain the Awardees for the continual operation and development of the Group; and (c) attract suitable personnel for further development of the Group.

The Board believes that all Awardees (being various Directors, senior management and core employees of the Group) have made significant contributions to the Group, especially to the Group's ability to withstand recent challenges brought by the macroeconomic slowdown. Such grants of the Awards serve both as a recognition of their past contribution to the Group, and incentivise them to continue to contribute to the operation, development and long-term growth of the Group.

The Company has resolved to grant the Awarded Shares to the Awardees, with a view to further motivate the management of the Company to maximize the Company's long-term interests and highlight the principle of performance-based awards so as to create more value for the Group. The Board (excluding Mr. Yip) is of the view that each of the Vesting Conditions as specified above brings significant value to the Company and each represents a milestone of the Company in the business aspect and financial aspect. While determining the grant of the Awarded Shares, the Board (excluding Mr. Yip) has taken into account, (i) each of the Awardees duties and responsibilities and their professional abilities in building the Company's business and the value they bring in; (ii) the benefits that the Company enjoys from the fulfillment of each Performance Target as expressed above; and (iii) each Awardees existing remuneration package, and believes that the benefits of the Company outweighs the dilution impacts to the existing issued shares.

The Board (excluding Mr. Yip) has considered other alternative methods to reward the management of Company including cash reward and share options, in terms of cash reward, given that the Company operates in a capital intensive industry and the fact that the Company is currently undergoing expansion, the Board (excluding Mr. Yip) is of the view that applying cash reward is not suitable, in terms of share options, share options provides the right to buy shares and requires exercising to realise value and to be shareholder, while share awards provide actual shares which create concrete value and therefore is more suitable for the Company's intention to award Shares to the management while restricting them with the Performance Target which shall maximise the Company's long term interests while the Performance Target will create more value for the Group hence the Board (excluding Mr. Yip) is of the view that applying share options is unsuitable. Meanwhile, the Board (excluding Mr. Yip) is of the view that share awards are a more effective and straightforward motivation and incentive to the Awardees. Given that the Company currently does not have a share award scheme in place, the Board (excluding Mr. Yip) is of the view that the Awarded Shares with the Performance Target act as incentives and rewards for their future contributions to the Group and enhance the development of the Group and to align the interest of the Awardees generally with those of the Shareholders for the benefit of the long term development of the Group. As Mr. Yip is one of the Awardees, Mr. Yip did not participate in the discussions and the assessment of the Board in determining the details of the Awarded Shares.

In light of the above, the Board considers that the number of Awarded Shares, the terms and conditions of the Awards as well as the issue and allotment of new Shares are fair and reasonable, and are aligned with the purpose of the Share Award Scheme and the long term interests of the Company and the Shareholders as a whole.

## TERMINATION OF THE PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE TO MANAGEMENT

The Board announces that on 20 November 2024, the Company and the Awardees have mutually agreed to terminate the proposed issuance of the Award Shares and the Emolument Shares and all rights, interests, obligations and liabilities whatsoever of the parties thereto arising thereunder or in relation to the proposed issuance of the Award Shares and the Emolument Shares shall cease and determine and no party shall have any claim against the other party in respect of any matter arising out of or in connection with the proposed issuance of the Award Shares and the Emolument Shares.

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

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately before this announcement:

| Date of announcement | Fund raising activity | Net proceeds raised | Intended use of net proceeds | Actual use of net proceeds |
|---|---|---|---|---|
| 22 December 2023 and 26 February 2024 | Issue of 19,516,000 new Shares under specific mandate | HK$16.0 million | (i) production and deployment of EV business; (ii) the general working capital | Fully utilised in accordance with the intended use |
| 22 May 2024 | Issue of 25,008,000 new Shares under specific mandate | Not applicable | working capital of the Group and for general corporate purposes | Not applicable |
| 2 August 2024 | Issue of 47,820,000 new shares under general mandate | HK$24.0 million | general working capital | Partially utilized in accordance with the intended use |

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 953,575,399 Shares in issue. Set out below are the shareholding structures of the Company (i) as at the date of this announcement and (ii) under the three scenarios arising from the issue of the Batch 1 Awarded Shares and Batch 2 Awarded Shares (for illustrative purposes only):

| | **As at the date of this announcement** | | **Immediately after the issue of Batch 1 Awarded Shares assuming there will be no change in the total number of Shares in issue (other than the issue of the Batch 1 Awarded Shares)** | | **Immediately after the issue of Batch 2 Awarded Shares assuming there will be no change in the total number of Shares in issue (other than the issue of the Batch 2 Awarded Shares)** | | **Assuming all events are effective** | |
|---|---|---|---|---|---|---|---|---|
| | *Number of Shares* | *Approx.% of shareholding* | *Number of Shares* | *Approx.% of shareholding* | *Number of Shares* | *Approx.% of shareholding* | *Number of Shares* | *Approx.% of shareholding* |
| Global Fortune Global Limited *(Note 1)* | 235,603,225 | 24.71% | 235,603,225 | 21.99% | 235,603,225 | 24.22% | 235,603,225 | 21.61% |
| Glorytwin Limited *(Note 2)* | 72,000,000 | 7.55% | 72,000,000 | 6.72% | 72,000,000 | 7.40% | 72,000,000 | 6.60% |
| Gaw Capital | 58,704,000 | 6.16% | 58,704,000 | 5.48% | 58,704,000 | 6.03% | 58,704,000 | 5.38% |
| Mr. Wu Jianwei *(Note 1)* | 52,508,000 | 5.51% | 52,508,000 | 4.90% | 52,508,000 | 5.40% | 52,508,000 | 4.81% |
| Ms. Wu Yanyan | 47,550,000 | 4.99% | 47,550,000 | 4.44% | 47,550,000 | 4.89% | 47,550,000 | 4.36% |
| Mr. Pan Wenyuan | 27,096,000 | 2.84% | 27,096,000 | 2.53% | 27,096,000 | 2.78% | 27,096,000 | 4.36% |
| Tanner Enterprises Group Limited *(Note 2)* | 17,392,000 | 1.82% | 17,392,000 | 1.62% | 17,392,000 | 1.79% | 17,392,000 | 1.59% |
| Mr. Li Man Keung Edwin | 14,712,613 | 1.54% | 14,712,613 | 1.37% | 14,712,613 | 1.51% | 14,712,613 | 1.35% |
| Mr. Liang Zihao | 8,800,000 | 0.92% | 8,800,000 | 0.82% | 8,800,000 | 0.90% | 8,800,000 | 0.81% |
| Mr. Ko Shu Ki Kenneth | 3,712,000 | 0.39% | 3,712,000 | 0.35% | 3,712,000 | 0.38% | 3,712,000 | 0.34% |
| Mr. Yip | 5,997,905 | 0.63% | 51,285,905 | 4.79% | 15,055,905 | 1.55% | 60,343,905 | 5.53% |
| Mr. Ho | – | 0.00% | 22,644,000 | 2.11% | 5,797,000 | 0.60% | 28,441,000 | 2.61% |
| Mr. Ng | 2,998,953 | 0.31% | 25,642,953 | 2.39% | 7,527,953 | 0.77% | 30,171,953 | 2.77% |
| Mr. Lau *(Note 3)* | 22,802,703 | 2.39% | 49,975,703 | 4.66% | 22,802,703 | 2.34% | 49,975,703 | 4.58% |
| Public | 383,698,000 | 40.24% | 383,698,000 | 35.82% | 383,698,000 | 39.44% | 383,698,000 | 35.18% |
| Total | 953,575,399 | 100.00% | 1,071,324,399 | 100.00% | 972,959,399 | 100.00% | 1,090,708,399 | 100.00% |

*Notes:*

(1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, a non-executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, an executive Director and Co-Chairman of the Board.

(2) 72,000,000 Shares are held by Glorytwin Limited which is wholly owned by Mr. Li Man Keung Edwin, an 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 11.49% of total issued Shares.

(3) 22,802,703 shares are held by Cornerstone Wealth Holdings Limited which is wholly owned by Mr. Lau Wai Yan Lawson.

## LISTING RULES IMPLICATIONS

Pursuant to Rule 23.03B(1) of the GEM Listing Rules, the scheme mandate limit of the proposed Share Award Scheme must not exceed 10% of the relevant class of shares of the listed issuer in issue as at the date of approval of the relevant scheme. As at the date of this announcement, there were 953,575,399 Shares in issue. Assuming that no further Shares will be allotted, issued, repurchased or cancelled prior to the EGM and after the resolutions regarding the proposed adoption of the Share Award Scheme are passed at the EGM, the total number of Shares which may be issued in respect of the Share Award Scheme would be no more than 95,357,539 Shares, representing no more than 10% of the total number of Shares in issue as at the date of the adoption of the Share Award Scheme. As at the date of this announcement, the Awarded Shares to be allotted and issued by the Company represent approximately 14.4% of the total issued Shares of the Company. Therefore, number of Shares available for future grant after the grant of the Awarded Shares under the Share Award Scheme will be nil.

Pursuant to Rule 23.04(1) of the GEM Listing Rules, any grant of awards to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Share Award Scheme must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of any Awarded Shares (if any)). On 20 November 2024, the grant of the Awarded Shares to their respective grantees were approved by all the independent non-executive Directors.

Pursuant to Rules 23.04(2) and 23.04(4) of the GEM Listing Rules, where any grant of the awards (excluding grant of options) to a Director (other than an independent non-executive director) or chief executive of the Company, or any of their associates would result in the Shares issued and to be issued in respect of all awarded shares granted (excluding any awards lapsed in accordance with the terms of the Share Award Scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of Shares in issue, such further grant of awards must be approved by Independent Shareholders in general meeting whereby such grantee and his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

Pursuant to Rule 23.03D(1) of the GEM Listing Rules, where any grant of options or awards to a participant would result in the shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares of the listed issuer in issue (excluding treasury shares), such grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting.

The Board has proposed to grant a total of 137,133,000 Awarded Shares to the Awardees. As the total number of Shares to be issued conditionally granted to Mr. Yip, representing approximately 5.70% of the total issued Shares) would, in a 12-month period up to and including the date of such grant represent over 0.1% of the Shares in issue, the grant of the Awarded Shares to Mr. Yip are subject to the approval by the Independent Shareholders, where Mr. Yip, his associates and all core connected persons (as defined in GEM Listing Rules) of the Company shall abstain from voting in favour of the relevant resolutions at the EGM pursuant to the GEM Listing Rules. As the total number of Shares to be issued in respect of the Awarded Shares conditionally granted to Mr. Lau, Mr. Ho and Mr. Ng (representing approximately 2.8%, 3.0% and 2.8% of the total issued Shares) would, in a 12-month period up to and including such grant represent over 1% of the Shares in issue, the grant of the Awarded Shares to Mr. Lau, Mr. Ho and Mr. Ng are subject to the approval by the Shareholders where Mr. Lau, Mr. Ho and Mr. Ng and their associates shall abstain from voting in favour of the relevant resolutions at the EGM pursuant to the GEM Listing Rules.

The EGM will be convened and held to consider, and if thought fit, approve: (1) the proposed adoption of the Share Award Scheme; and (2) the Conditional Grant.

A circular containing (among others): (i) details of the proposed adoption of the Share Award Scheme; (ii) details of the Conditional Grant and (iii) the notice convening the EGM will also be despatched to the Shareholders in due course.

**As at the date of this announcement, the Share Award Scheme and the proposed grants thereunder remain subject to the approval of the Shareholders (in the case of the Conditional Grant, the approval of the Independent Shareholders (as the case may be)). Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|---|---|
| **"Awarded Shares"** | The Shares to be awarded to the Selected Participants under the Share Award Scheme; |
| **"Awards"** | an award granted by the Board or its delegate(s) to a Selected Participant, which may vest in the form of Awarded Shares or the actual selling price of the Awarded Shares in cash, as the Board or its delegate(s) may determine in accordance with the terms of the Share Award Scheme; |
| **"Conditional Grant"** | the conditional grant of 137,133,000 Awarded Shares to the Awardees, pursuant to the Share Award Scheme; |
| **"Eligible Participant(s)"** | any Eligible Participant who is resident in a place where the grant of an Award and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board, compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Eligible Participant; |
| **"Selected Participant(s)"** | any Eligible Participant who is notified by the Board that he/she is eligible to participate in a grant of Awards under the Share Award Scheme |

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

Hong Kong, 20 November 2024

*As at the date of this announcement, the executive Directors are Mr. LIANG Zihao, Mr. LI Man Keung Edwin, Mr. SAM Weng Wa Michael, Mr. PAN Wenyuan, Ms. WU Yanyan and Mr. YIP Shiu Hong, the non-executive Director is Mr. WU Jianwei and the independent non-executive Directors are Mr. TAM Ka Hei Raymond, Mr. YUEN Chun Fai, Ms. ZHU Xiaohui and Mr. KO Shu Ki Kenneth.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days after the date of publication and on the Company's website at www.cstl.com.hk.*