



# 基石金融控股有限公司

## CORNERSTONE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8112

# 2018

## 第一季業績報告

## 1st QUARTERLY REPORT



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*This report, for which the directors (the “Directors”) of Cornerstone Financial Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.*



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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

During the period ended 31 March 2018 (the "Reporting Period"), Cornerstone Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were principally engaged in (i) financial services including securities brokerage services and margin financing services; (ii) provision of out-of-home ("OOH") advertising services; and (iii) film development, production and distribution. The Group was also engaged in the retail of skin care products and the provision of early childhood education. For the Reporting Period, the advertising and media business remained the main contributor to the Group's revenue, accounted for approximately 72% of the Group's consolidated revenue. Meanwhile, the financial services business has experienced a significant growth in turnover which reached approximately HK\$3.7 million during the Reporting Period (2017: HK\$2.1 million). The details of the Group's principal businesses are as follows:

## FINANCIAL SERVICES

On 26 November 2016, the Group acquired Glory Creator Limited ("GCL") and its non-wholly owned subsidiary, Cornerstone Securities Limited ("CSL" and together with GCL, the "GCL Group") (the "Acquisition"). CSL is a corporation licensed by the Securities and Futures Commission (the "SFC") to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). During the Reporting Period, CSL was principally engaged in the provision of securities brokerage and margin financing services, with a focus on securities trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

After completion of the Acquisition in November 2016, the Company began to develop the financial services business operated by CSL. Following the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it was expected that the securities market in Hong Kong would benefit from such mutual market access schemes which would facilitate inflow of capital into the securities market in Hong Kong and have a positive impact to the stock market turnover in the long run. The Group was aware of the opportunities offered by such schemes, and invested substantial capital and resources on developing CSL's securities brokerage business so it would be in a position to benefit from increased turnover in the stock market.

CSL was granted authorisation from the SFC to provide margin financing services in March 2017, and thereafter began to roll out its margin financing business with the Group's internal resources.

In order to strengthen the financial resources of the Group and to raise the capital required to develop the securities and margin financing business, the Company conducted the Rights Issue (the "Rights Issue") to raise net proceeds of approximately HK\$204 million, out of which approximately HK\$138 million was applied towards further capital injection into CSL to accelerate the business growth of CSL and expansion of the securities brokerage business. The Rights Issue was completed in September 2017 and thereafter, the Company injected HK\$138 million to CSL to develop its margin financing business.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the Reporting Period, the total revenue from the securities brokerage business amounted to approximately HK\$3.7 million including the interest income from margin financing totalling approximately HK\$3.1 million. As at 31 March 2018, the total net assets of CSL's client accounts amounted to approximately HK\$2,600 million and the net assets for margin account clients and cash account clients were approximately HK\$1,000 million and HK\$1,600 million respectively. Margin loan financing totalling approximately HK\$152 million was granted to margin account clients with aggregate net assets of approximately HK\$650 million in their respective securities accounts, representing the margin loan to net assets ratio of about 23%.

The management of the Group (the "Management") believes that CSL has an excellent client base with sound financial knowledge and experience in financial investments, as well as appetite for investment products with steady capital appreciation and medium to high risks financial products. This would allow CSL to not only further develop its margin financing business, but potentially introduce financial products other than listed securities such as funds. CSL has also assembled a strong team of seasoned financial professionals with solid experience in securities trading and advising. The proceeds from the Rights Issue provided CSL with the capital resources needed to develop the margin financing business further. In addition, CSL was granted Type 4 (advising on securities) license by SFC in February 2018.

With the above in mind, the Management's plan for the year 2018 is to realise CSL's full potential, in the manner elaborated under the heading "Future prospects" below.

Backed by the experienced management team and its sound reputation in the industry, the Directors are optimistic that securities brokerage and margin financing businesses will continue to widen its customer base through the extensive business platform and will enlarge its presence in the industry with advantage synergies aiming to optimize returns to the Company and its shareholders (the "Shareholders").

### ADVERTISING AND MEDIA BUSINESS

The Group is a well-established digital OOH media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisement. In terms of the number of venues in which the Group deploys its digital flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore. As of 31 March 2018, the Group has deployed its flat-panel displays at 1,641 venues in Hong Kong and Singapore.

During the three months ended 31 March 2018, the number of venues in which the Group deployed its flat-panel over the corresponding period of the previous year is shown as follows:

Region	Network	Three months ended 31 March 2018	Three months ended 31 March 2017
Hong Kong	Office and Commercial Network	601	601
Hong Kong	In-store Network (Mannings)	234	240
Hong Kong	Residential Network	292	229
Singapore	Office and Commercial Network	514	515
Total number of venues		1,641	1,585

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of 31 March 2018, the Group has deployed its branded flat-panel displays at 1,115 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, and at 234 Mannings retail chain-stores in Hong Kong under its In-store digital OOH media network.

Further leveraging on the existing infrastructure and its relationships with Hong Kong's leading real-estate developers, the Group expanded its digital OOH media network at major private residential complexes (Residential digital OOH media network) in Hong Kong. As of 31 March 2018, the Group has deployed its branded flat-panel displays at 292 major private residential complexes in Hong Kong under its Residential digital OOH media network.

Under its OOH Billboard media network in Hong Kong, the Group continues to hold the exclusive advertising sales rights to both the Tsim Sha Tsui ("TST") Interchange Subways and the Middle Road Subway (total three subways); this underground transport hub beneath one of the busiest tourists and business districts in Hong Kong connects the TST MTR station and the East TST MTR station. In addition, the Group continues to hold the exclusive advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at TST. Knutsford Terrace has been dubbed the "Lan Kwai Fong" of Kowloon, a popular dining/nightlife place and an entertainment hub in the heart of TST, with a strip of international/local restaurants and bars catering to both locals and tourists.

The Group also holds the exclusive advertising sales rights to a billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This billboard is located right next to the iconic Mandarin Oriental Hotel at the heart of the Central District, the financial hub of Hong Kong; it faces all vehicle traffic passing through Central towards the east and west side of Hong Kong island.

Under its OOH Billboard media network in Singapore, the Group has recently secured an exclusive advertising partnership for a large format illuminated billboard at Clifford Centre. This site faces the busy Raffles Green, just above Raffles MRT station, located right in the heart of Singapore's financial district. It is located just beside the Group's existing large format LED illuminated billboard at The Arcade and opposite the Group's mega-size LED screen at One Raffles Place.

The Group continues to hold the exclusive advertising sales rights for all media and event spaces at Galaxis situated at One-North Buona Vista. Galaxis is a state-of-the-art business space that offers the very best in contemporary urban living and retail activities within a central plaza. Sitting above One-North MRT Station, Galaxis is the gateway to all other commercial buildings within the One-North business hub, which is a 200 hectares development strategically positioned in the heart of Singapore, designed to host a cluster of world-class research facilities and business park space.

In addition, the Group continues to hold the exclusive advertising sales rights to a billboard at AZ @ Paya Lebar building; centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore. It faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500 meters away. This billboard also targets foot-traffic flowing in and out of Mcpherson MRT station, which is directly opposite of AZ @ Paya Lebar building.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As well, the Group continues to hold the exclusive operating and advertising sales rights to the mega-size LED screen at One Raffles Place (“ORP”), fronting Raffles Green; ORP is one of the three tallest buildings in Singapore and is a beacon in the heart of Singapore’s financial district. Moreover, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the walkway at Orchard Gateway. It forms part of the underpass that links directly to the Somerset MRT station and also to both sides of Orchard Road. Orchard Gateway is the one-and-only shopping mall that straddles both sides of Orchard Road and is linked by a glass tubular bridge and an underpass — forming a “gateway” to the bustling shopping belt in Singapore.

The Group also holds the exclusive advertising sales rights to a billboard at Fortune Center in Singapore; it is located in the middle of the bustling Bugis District and faces all vehicle traffic at the cross junction of Middle Road and Waterloo Street. The Group also holds the exclusive advertising sales rights to a large format LED illuminated billboard at The Arcade in Singapore as well as the exclusive sales rights to the venue for event marketing. The Arcade faces the busy Raffles Green, just above the Raffles MRT station, located right in the heart of Singapore’s financial district.

Furthermore, the Group continues to hold the exclusive advertising sales rights to a billboard on the facade of Furama City Centre Hotel in Singapore. This site is located in the heart of vibrant Chinatown, with a rich culture and long-standing history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static OOH sites under its Static OOH billboard media network.

### **FILM DEVELOPMENT, PRODUCTION AND DISTRIBUTION BUSINESS**

Since the founding of the Group in April 2004, the Group has been in the business of media, advertising and content production. In February 2012, the Group began its involvement in the production of micro-movies for leading gaming, integrated resorts, and tourism brands around the regions, for media placements on Youku Tudou Inc., the largest online television company in the People’s Republic of China (“PRC” or “China”), and other leading online video portals and social media platforms in China. The Group has since been exploring possible strategies to further expand the Group’s media business, as well as identifying and acquiring suitable investment or business projects related to the field of mass media, film production and distribution, new media content production and entertainment related projects. In view of the increasing needs for media contents in China due to the increasing popularity of social media networks, increasing number of IMAX cinemas and improved accessibility to media contents and also the outstanding box office records in relation to “superhero” genre of motion pictures worldwide, the Company has attempted to make a big step forward to expand its business scope and transform itself into a media content provider.

In August 2015, the Group successfully completed its first-ever acquisition in the film development, production and distribution sector, namely the acquisition of Ricco Media Investments Limited (“RMI”) which indirectly held a 75% equity interest in Stan Lee Global Entertainment, LLC (“SLGE”). SLGE was engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and/or film script.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the Reporting Period, the Group owned intellectual property rights in three films in the script development phase, namely Realm, The Annihilator, and Replicator & Antilight. Since completion of acquisition of the rights in these films, the Group has been actively seeking collaborating partners, which are the studios in Hollywood and/or China to co-finance the funding necessary for the production of the films. The Management will continue the negotiation with potential investors to participate in the production of these films and will review the business strategy of this segment to optimize the financial resource of the Group.

### FUTURE PROSPECTS

The Management believes the financial services segment of the Group has tremendous potential to develop into a sizeable financial corporation providing a wider range of financial products and services. While the Management will continue to operate and develop the advertising and media business, and closely monitor the film development, production and distribution business in the near future, the Group will also focus on expanding CSL's financial services business and fully realising its potentials in 2018.

The Management considers it is crucial for CSL to improve its profitability by focusing on financial products and services which provide a higher profit margin than traditional securities brokerage services. The Management plans to implement a range of measures to improve client services and building customer loyalty to the "Cornerstone" brand, expand the client base further, aggressively promote CSL's margin financing services, and to start a new line of asset management services.

The proceeds raised by the Rights Issue has provided CSL with the capital resources required to expand its margin financing services. The Company completed the change of name to Cornerstone Financial Holdings Limited on 25 January 2018 in order to increase exposure of the "Cornerstone" brand name to the financial markets and potential clients in Hong Kong and China.

The Management is of the view that solely relying on securities trading and related services (including advisory and margin financing) for the financial services segment of the Group would expose the segment to fluctuations in the Hong Kong stock market and yet the business scale and potentials are limited to the capital and financial resources of the Group. To manage such risks, the Management has been working to start a new line of asset management business, which is expected to bring relatively stable management fee and performance fee income to the Group upon its launch.

The Group has employed qualified staff and submitted its application to SFC for a licence to conduct Type 9 (asset management) regulated activities through a subsidiary. As the application process is expected to take a few months, in the meantime the Group is committed to formulating the business strategies, developing detailed business plan and setting up organizational structure and policies related to the asset management business. The Management aims at having a solid platform established to enable the Group to rapidly expand into the asset management business upon the grant of the Type 9 license. In the meantime, the Management would also further develop the new "Cornerstone" brand name and strengthen its position as a premier financial service provider. The Management is confident that the Company would offer positive return to its Shareholders in the long run.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL REVIEW

	Three months ended 31 March		
	2018	2017	% Change
	HK\$ (Unaudited)	HK\$ (Unaudited)	
Revenue	<b>20,999,980</b>	19,512,743	8%
Gross profit	<b>12,114,346</b>	11,443,417	6%
EBITDA <sup>(Note)</sup>	<b>(13,655,755)</b>	(4,042,839)	N/A
Net loss	<b>(15,023,417)</b>	(5,585,021)	N/A

Note: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profit/(loss) of an associate, impairment of interest in an associate, impairment of property, plant and equipment, provision for impairment of film deposits and rights, fair value gain/(loss) on financial asset at fair value through profit or loss, amortisation of intangible assets and net of the total comprehensive loss for the period attributable to non-controlling interests. While EBITDA is commonly used in the advertising and media industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's revenue for the three months ended 31 March 2018 was approximately HK\$21.0 million, representing an increase of approximately 8% over the corresponding period of the previous year.

The Group's gross profit for the three months ended 31 March 2018 was approximately HK\$12.1 million, representing an increase of approximately 6% over the corresponding period of the previous year. The Group's gross profit margin slightly decreased from approximately 59% to 58% due to the higher cost of sales in the advertising and media business.

The Group's administrative expenses for the three months ended 31 March 2018 was approximately HK\$27.4 million, representing an increase of approximately 60% over the corresponding period of the previous year. The increase in administrative expenses significantly was mainly due to the office rental and remuneration of employees as well as the other operating expenses to cope with the business development of the Group.

The Group's negative EBITDA amounted to approximately HK\$13.7 million for the three months ended 31 March 2018 as compared to the Group's negative EBITDA amounted to approximately HK\$4.0 million for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$15.1 million for the three months ended 31 March 2018 as compared to a loss attributable to owners of the Company of approximately HK\$5.5 million for the corresponding period of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its daily operations with both internally generated resources and net proceeds from the Rights Issue completed in 2017. As at 31 March 2018, the Group had net current assets of approximately HK\$280 million (31 December 2017: net current assets of HK\$294 million) and cash and cash equivalents amounted to approximately HK\$101 million (31 December 2017: HK\$135 million). The Group had no borrowings outstanding as at 31 March 2018.

### DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of any dividend for the three months ended 31 March 2018 (three month ended 31 March 2017: Nil).

### INFORMATION ON EMPLOYEES

As at 31 March 2018, the Group had 121 employees (31 December 2017: 112 employees), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the three months ended 31 March 2018 were approximately HK\$15 million (three months ended 31 March 2017: HK\$9.8 million). Remuneration is determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. For the three months ended 31 March 2018, bonuses were paid to any directors or employees. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

### SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, joint ventures and an associate, the Group did not hold any significant investment in equity interest in any company during the three months ended 31 March 2018.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed herein, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets during the period under review.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **CHARGES OF ASSETS**

As at 31 March 2018, the Group did not have any charges on its assets (31 December 2017: Nil).

### **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2018 (31 December 2017: Nil).



## HIGHLIGHTS

- The Group's revenue for the three months ended 31 March 2018 was approximately HK\$21.0 million, representing an increase of approximately 8% over the corresponding period of the previous year.
- The Group's gross profit for the three months ended 31 March 2018 was approximately HK\$12.1 million, representing an increase of approximately 6% over the corresponding period of the previous year. The Group's gross profit margin slightly decreased from approximately 59% to 58% due to the higher cost of sales in the advertising and media business.
- The Group's administrative expenses for the three months ended 31 March 2018 was approximately HK\$27.4 million, representing an increase of approximately 60% over the corresponding period of the previous year. The increase in administrative expenses significantly was mainly due to the office rental and remuneration of employees as well as the other operating expenses to cope with the business development of the Group.
- The Group's negative EBITDA amounted to approximately HK\$13.7 million for the three months ended 31 March 2018 as compared to the Group's negative EBITDA amounted to approximately HK\$4.0 million for the corresponding period of the previous year.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$15.1 million for the three months ended 31 March 2018 as compared to a loss attributable to owners of the Company of approximately HK\$5.5 million for the corresponding period of the previous year.
- Loss per share for the three months ended 31 March 2018 was HK cents 1.3 as compared to loss per share of HK cents 2.3 (as restated) for the corresponding period of the previous year.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (three month ended 31 March 2017: Nil).

## UNAUDITED FIRST QUARTERLY RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2018 together with comparative unaudited figures for the corresponding period ended 31 March 2017, as follows:

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Notes	Three months ended 31 March	
		2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
<b>Revenue</b>	3	<b>20,999,980</b>	19,512,743
Cost of sales		<b>(8,885,634)</b>	(8,069,326)
<b>Gross profit</b>		<b>12,114,346</b>	11,443,417
Other income		<b>274,503</b>	109,234
Administrative expenses		<b>(27,412,266)</b>	(17,137,672)
<b>Operating loss</b>		<b>(15,023,417)</b>	(5,585,021)
Finance costs		–	–
<b>Loss before income tax</b>		<b>(15,023,417)</b>	(5,585,021)
Income tax expenses	4	–	–
<b>Loss for the period</b>		<b>(15,023,417)</b>	(5,585,021)
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<b>480,186</b>	681,786
<b>Total comprehensive loss for the period</b>		<b>(14,543,231)</b>	(4,903,235)
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company		<b>(15,121,386)</b>	(5,517,320)
Non-controlling interests		<b>97,969</b>	(67,701)
		<b>(15,023,417)</b>	(5,585,021)
<b>Total comprehensive (loss)/profit for the period attributable to:</b>			
Owners of the Company		<b>(14,640,894)</b>	(4,835,591)
Non-controlling interests		<b>97,663</b>	(67,644)
		<b>(14,543,231)</b>	(4,903,235)
<b>Loss per share attributable to owners of the Company</b>			(As restated)
Basic and diluted	6	<b>(HK cents 1.3)</b>	(HK cents 2.3)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Attributable to owners of the Company						Total HK\$	Non- controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$			
Balance at 31 December 2016 and 1 January 2017 (audited)	22,941,845	440,528,546	(176,467,450)	(3,192,246)	2,020,536	(81,788,809)	204,042,422	35,470,661	239,513,083
Changes in equity for the three months ended 31 March 2017									
Comprehensive loss									
Loss for the period	-	-	-	-	-	(5,517,320)	(5,517,320)	(67,701)	(5,585,021)
Other comprehensive income									
Currency translation differences	-	-	-	681,729	-	-	681,729	57	681,786
<b>Total comprehensive (loss)/income</b>	-	-	-	681,729	-	(5,517,320)	(4,835,591)	(67,644)	(4,903,235)
Transactions with owners									
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	300,000	300,000
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	300,000	300,000
Balance at 31 March 2017 (unaudited)	22,941,845	440,528,546	(176,467,450)	(2,510,517)	2,020,536	(87,306,129)	199,206,831	35,703,017	234,909,848
<b>Balance at 31 December 2017 and 1 January 2018 (audited)</b>	<b>114,709,224</b>	<b>552,932,232</b>	<b>(176,467,450)</b>	<b>(1,326,251)</b>	<b>2,020,536</b>	<b>(135,074,908)</b>	<b>356,793,383</b>	<b>60,928,813</b>	<b>417,722,196</b>
Changes in equity for the three months ended 31 March 2018									
Comprehensive (loss)/income									
Loss for the period	-	-	-	-	-	(15,121,386)	(15,121,386)	97,969	(15,023,417)
Other comprehensive income/(loss)									
Currency translation differences	-	-	-	480,492	-	-	480,492	(306)	480,186
<b>Total comprehensive (loss)/income</b>	-	-	-	480,492	-	(15,121,386)	(14,640,894)	97,663	(14,543,231)
Transactions with owners									
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	64,277	64,277
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	64,277	64,277
Balance at 31 March 2018 (unaudited)	114,709,224	552,932,232	(176,467,450)	(845,759)	2,020,536	(150,196,294)	342,152,489	61,090,753	403,243,242

# NOTES TO THE FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2018

## 1 GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) financial service including securities brokerage services and margin financing services, (ii) provision of out-of home advertising services, (iii) retail of skin care products, (iv) provision of early childhood education, (v) film development, production and distribution.

The Company’s share are listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These unaudited condensed consolidated first quarterly financial information have been reviewed by the audit committee of the Company.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial information for the three months ended 31 March 2018 (the “First Quarterly Financial Information”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The First Quarterly Financial Information should be read in conjunction with the annual report of the Group for the year ended 31 December 2017.

The First Quarterly Financial Information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

# NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2018

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Changes in accounting policy and disclosures

- (a) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2018. The adoption of these standards have no material effect on the Group's results and financial position:

HKAS 28 (Amendments)	Investments in associates and joint ventures
HKAS 40 (Amendments)	Transfers of investment property
HKFRS 1 (Amendments)	First time adoption of HKFRS
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration

- (b) The following new and amended standards and interpretations have been published but are not yet effective for the period ended 31 March 2018 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Annual Improvements to HKFRSs	Annual improvements 2015-2017 cycle	1 January 2019
HK (IFRIC) – Int 23	Uncertainty over income tax treatments	1 January 2019

The Group has not applied any new or revised HKFRSs that is not yet effective for the current accounting period.



# NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2018

## 3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a perspective of different activities. Management assesses the performance of the following operating segments:

- Advertising and media
- Retail of skin care products
- Provision of early childhood education
- Film development, production and distribution
- Financial services, mainly include securities brokerage business and margin financing business

Management assesses the performance of the operating segments based on a measure of gross profits.

The segment information provided to the CODM for the reportable segments for the three months ended 31 March 2018 and 2017 is as follows:

	Advertising and media (Unaudited) HK\$	Retail of skin care products (Unaudited) HK\$	Provision of early childhood education (Unaudited) HK\$	Film development, production and distribution (Unaudited) HK\$	Financial services (Unaudited) HK\$	Total (Unaudited) HK\$
<b>For the three months ended 31 March 2018</b>						
Segment revenue	15,036,025	1,660,407	573,865	-	3,729,683	20,999,980
Segment results	7,466,392	358,716	559,555	-	3,729,683	12,114,346
<b>For the three months ended 31 March 2017</b>						
Segment revenue	15,454,041	1,586,510	388,890	-	2,083,302	19,512,743
Segment results	8,391,564	596,345	372,206	-	2,083,302	11,443,417

# NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2018

## 4 INCOME TAX EXPENSES

No provision for Hong Kong and Singapore profits tax has been made in these unaudited consolidated first quarterly financial information as the tax losses brought forward from previous periods exceed the estimated assessable profits (2017: Same). The profits tax rates for Hong Kong and Singapore are 16.5% (2017: 16.5%) and 17% (2017: 17%) respectively.

## 5 DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

## 6 LOSS PER SHARE

### (a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company for the three months ended 31 March 2018 of HK\$15,121,386 (three months ended 31 March 2017: loss of HK\$5,517,320) and on the weighted average number of 1,147,092,240 (2017: 241,233,498) ordinary shares in issue during the period ended 31 March 2018.

The comparative figures for the basic loss per share for the three months ended 31 March 2017 are restated to take into account of the effect of the rights issue<sup>Note</sup> completed last year as if they had been taken place since the beginning of the comparative period. The weighted average number of ordinary shares outstanding was retrospectively increased to reflect the discount in the rights issue. For the three months ended 31 March 2017, the weighted average number of ordinary shares in issue was 229,418,448 before restatement.

	Three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited) (As restated)
Loss attributable to owners of the Company (HK\$)	<b>(15,121,386)</b>	(5,517,320)
Weighted average number of ordinary share in issue	<b>1,147,092,240</b>	241,233,498
Basic loss per share	<b>(HK cents 1.3)</b>	(HK cents 2.3)

Note:

On 22 September 2017, the Company completed a rights issue of four rights shares of every one existing share held by shareholders of the Company at the record date of 30 August 2017 at the subscription price of HK\$0.23 per rights share and a total of 917,673,792 rights shares of the Company were issued.

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2018

### **6 LOSS PER SHARE (Continued)**

#### **(b) Diluted**

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the three months ended 31 March 2018 have no dilutive effect (three months ended 31 March 2017: Same).

### **7 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL INFORMATION**

The unaudited condensed consolidated first quarterly financial information was approved by the Board on 10 May 2018.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

#### Long positions in the ordinary shares of HK\$0.10 each in the Company (the "Shares"), underlying Shares and debentures of the Company

Name of director	Nature of interests	Number of shares held	Number of underlying shares held (Note 1)	Total	Approximate % of shareholding in the Company (Note 4)
An Xilei	Interest of controlled corporation (Note 2)	340,000,000	–	340,000,000	29.64%
Wong Hong Gay Patrick Jonathan	Interest of controlled corporation (Note 3)	69,079,800	–	69,079,800	6.02%
	Beneficial owner	–	85,627	85,627	0.01%
Chan Chi Keung Alan	Beneficial owner	–	85,627	85,627	0.01%

Notes:

- Being personal interests attributable to interests in the share options granted by the Company pursuant to the Share Option Scheme adopted on 26 March 2011.
- These Shares are directly held by Profit Cosmo Group Limited, which is owned as to 40% by Mr. An Xilei ("Mr. An"). Mr. An is therefore deemed to be interested in these shares by virtue of the SFO.
- These Shares are directly held by iMediaHouse Asia Limited ("iMHA"), which is owned as to approximately 67.09% by iMediaHouse.com Limited which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in these shares by virtue of the SFO.
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,147,092,240 Shares in issue as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

## OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEME

As at 31 March 2018, the Company has neither adopted any share option scheme nor granted any options.

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

As at 31 March 2018, as far as the Directors or chief executives of the Company are aware, the following persons (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions, in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

#### Long positions in the Shares

Name of shareholders	Capacity	Number of shares held	Approximate % of shareholding in the Company
Profit Cosmo Group Limited (Note 1)	Beneficial owner	340,000,000	29.64%
Liu Yanhong (Note 1)	Interest of controlled corporation	340,000,000	29.64%
iMediaHouse Asia Limited (Note 2)	Beneficial owner	69,079,800	6.02%
iMediaHouse.com Limited (Note 2)	Interest of controlled	69,079,800	6.02%

Notes:

1. These shares are directly held by Profit Cosmo Group Limited ("PCG") which is owned as to 60% by Mr. Liu Yanhong ("Mr Liu"). Mr. Liu is therefore deemed to be interested in these shares by virtue of the SFO. The remaining 40% interest in PCG is held by Mr. An Xilei, whose interests are disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. These Shares are directly held by iMediaHouse Asia Limited ("iMHA") which is owned as to approximately 67.09% by iMediaHouse.com Limited ("iMH") which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong, iMH and Mr. Wong are therefore deemed to be interested in these shares by virtue of the SFO, Mr. Wong's interests are disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
3. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,147,092,240 shares in issue as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, no other person (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

During the three months ended 31 March 2018, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

## OTHER INFORMATION (CONTINUED)

### COMPETITION AND CONFLICT OF INTERESTS

During the three months ended 31 March 2018, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors, having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31 March 2018.

### CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2018, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules.

### AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements of the GEM Listing Rules from time to time. The Audit Committee was delegated the authority and responsibility to review the Company's risk management and internal control systems and to make recommendations to the Board in such regard, in addition to its primary duties to make recommendations to the Board on the appointment and removal of external auditors; to review the financial statements and to provide material advice in respect of financial reporting. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua (chairman of the Audit Committee), Mr. Chan Chi Keung Alan and Ms. Lau Mei Ying.

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2018 have not been audited by the Company's auditor, PricewaterhouseCoopers, but have been reviewed by the Audit Committee, which is of the opinion that the first quarterly financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Cornerstone Financial Holdings Limited**  
**Liu Xiaodong**  
*Chairman and Executive Director*

Hong Kong, 10 May 2018

*As at the date of this report, the Board comprises Mr. Liu Xiaodong (Chairman), Mr. An Xilei (Deputy Chairman), Mr. Wong Hong Gay Patrick Jonathan, Mr. Mock Wai Yin and Mr. Wang Jun as executive Directors; and Mr. Chan Chi Keung Alan, Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying as independent non-executive Directors.*



基石金融控股有限公司  
CORNERSTONE FINANCIAL HOLDINGS LIMITED