



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



2020
Interim Report
中期報告

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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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the period ended 30 June 2020 (the "Reporting Period"), Cornerstone Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were principally engaged in the financial services and the advertising and media services. The advertising and media business remained the main contributor to the Group's revenue while the financial services continued to generate stable revenue for the Group. The overall performance and financial results of the Group for the Reporting Period was adversely affected by the outbreak of COVID-19 pandemic. The Group recorded an overall revenue of approximately HK\$26 million and net loss attributable to owners of the Company of approximately HK\$15 million during the Reporting Period. The management is cautiously optimistic that the economy would recover after the COVID-19 pandemic outbreak and the business prospects of the Group would remain stable in the future. The Group's business review and prospects are as follows:

Financial Services

The Group's financial services business are mainly conducted under the brand name of "Cornerstone" and consisted of Type 1 (dealing in securities), Type 4 (advising on securities), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and a wholly owned subsidiary of the Group also obtained the license to conduct money lending business. During the Reporting Period, the total revenue of the financial services business amounted to approximately HK\$6.7 million while the operating profit before tax reached approximately HK\$0.16 million and the decrease in profit was mainly due to the change in fair value of listed equity investments held by the Group's securities business. Margin financing business was the key income stream for the Group's financial services business and approximately HK\$165 million margin loan financing was granted to margin account clients as at 30 June 2020.

On 19 July 2019, the Group entered into a conditional sale and purchase agreement ("SPA") with an independent third party to dispose 80% equity interests in Cornerstone Strategic Holding Limited ("CSHL") (the "Disposal"). CSHL was incorporated for applying the license to carry out Type 9 (asset management) regulated activity under the SFO, and such license was granted to Cornerstone Asset Management Limited ("CAML", a wholly-owned subsidiary of CSHL) in August 2018. All the conditions of the SPA have to be fulfilled on or before 30 June 2020 in order to proceed to completion of the Disposal. As the conditions precedent of the SPA were not fulfilled at 30 June 2020, the Disposal has lapsed automatically. The Company has not commenced any asset management business after obtaining the approval from the Securities and Futures Commission to conduct Type 9 (asset management) regulated activity. New asset management business is generally associated with higher risks management technique like the discretionary portfolio management and fund management businesses. The Management has taken a cautious approach before actively pursuing its asset management business, especially in the light of the changing uncertainty in the global economy and the recent outbreak of COVID-19 pandemic. The Management will closely monitor the market conditions and may make considered adjustments to its strategy for development of its asset management business with balances and considerations given to risk management and commercial returns to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Services (Continued)

During the Reporting Period, the performance of the Group's financial services was affected by the COVID-19 pandemic outbreak. The management believed that the global business environment would eventually recover. Backed by the experienced management team and its sound reputation in the industry, the Directors are confident that the financial services segment will continue to contribute stable revenue to the Group. In order to enhance the business development of the financial services business, the Group will from time to time explore financing opportunities to strengthen the capital base of the securities brokerage and margin financing business.

Advertising and Media Business

The Group is a well-established digital out-of-home ("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 as well as the residential 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, reaching business executives and affluent consumers.

The number of venues in which the Group deployed its flat-panel displays over the corresponding period of the previous year is shown as follows:

Region	Network	Six months ended 30 June 2020	Six months ended 30 June 2019
Hong Kong	Office, Commercial and Residential Network	1,048	940
Singapore	Office and Commercial Network	517	513
Total number of venues		1,565	1,453

As of 30 June 2020, the Group has deployed its branded flat-panel displays at 1,565 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

Under its OOH large format media network in Hong Kong, the Group continues to hold the advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at Tsim Sha Tsui ("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.

To capitalize on the Group's success in operating digital media panels, the Group launched two more large LED panels making it a total six strategically located OOH sites. In May 2020, the Group was awarded the exclusive advertising sales rights of the 8 Lyndhurst Terrace LED in Central and the Hung To Centre LED in Kwun Tong. 8 Lyndhurst Terrace is strategically located in prime Central CBD district whereas Hung To Centre is located in Kowloon East CBD district.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Advertising and Media Business (Continued)

The Group continues to hold the exclusive advertising sales rights of four LED panels at three strategic locations, namely “V” and 3 Matheson Street in Causeway Bay, 53 Carnarvon Road in Tsim Sha Tsui and Le Diamant in Mongkok. Causeway Bay, Tsim Sha Tsui and Mongkok are amongst the busiest shopping and dining districts in Hong Kong.

Sogo Department Store (“Sogo”), Times Square and Lee Theatre are all renowned landmark shopping sites in Causeway Bay. “V” is just one block away from Sogo capturing both local and foreign shoppers. The large LED panels at 3 Matheson Street is a combo of G-Glass LED building wrap at the top with multi-layers LED panels at the bottom, where advertisers can deliver their messages creatively. It is strategically located between Times Square and Lee Theatre.

53 Carnarvon Road is in the center of busy Tsim Sha Tsui, known as the one-stop shoppers’ paradise brimming with both high-end malls and bustling shopping streets. 53 Carnarvon Road’s LEDs are in triple horizon L-shape LED format where advertisers can broadcast their messages in a unique and dynamic way. It is diagonally opposite to the shopping arcade “The One”, corner site at the junction of Granville Road and Carnarvon Road. Granville Road is a road with fashion shops piled with a variety of brands and boutiques.

Le Diamant’s LEDs are a combination of giant LED screen and LED billboard which are made up of a total of 212 sqm located in the buzzing Mongkok occupied by both locals and tourists. Le Diamant’s LEDs are located on Nathan Road in the liveliest district which includes popular shopping malls, stalls and shopping streets. It is a spot that will not be missed out by locals and tourists.

Under its OOH large format media network in Singapore, the Group continues to hold their OOH sites, making it a total eight strategically located OOH sites. Within the Raffles Green area which are just above the Raffles Place MRT station, located right in the heart of Singapore’s financial district, the Group dominates the vicinity with three prominent sites, two illuminated large static billboard sites namely Clifford Centre and The Arcade and one LED screen at Change Alley Mall (previously known as Chevron House).

The Group’s other OOH large static format which targets SMEs includes exclusive partnerships with AZ @ Paya Lebar and Ark @ KB. AZ @ Paya Lebar building is 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 MacPherson MRT station, which is directly opposite of AZ @ Paya Lebar building. Another site reaching out to SMEs is ARK @ KB where the crowd are similar as of AZ building, where the site is visible across the flyover leading to the Kaki Bukit industrial area.

The Group’s exclusive partnership with Furama City Centre Hotel ended in May 2020 and we are currently representing them on non-exclusive ad-hoc basis. The site is located in the heart of vibrant Chinatown, with a rich culture and longstanding 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Advertising and Media Business (Continued)

The Group also continues to hold 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.

Targeting shoppers around the Orchard shopping belt, 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 foresees the demand in reaching new suburban town thus went into partnership with Waterway Point for their façade LED screen as well as Marina Country Club. Both these property developments have retail and F&B that serves Punggol dwellers which has the highest concentration of young couples and highest proportion of children under 5 in Singapore.

The Group’s partnership with the leading OOH media owners from Thailand, BL Falcon ended in April 2020. The Group decided not to renew the partnership to better deploy its resources to other new OOH large format sites with higher profit margin.

In addition, the performance of the Group’s advertising and media business was severely affected by the COVID-19 pandemic, in particularly due to the “lockdown” imposed in Singapore during the months of April, May and June. As Singapore had since began to open up in phases from June, the Group’s operations in Singapore is expected to pick up slowly and gradually in the second half of the year provided that there will be no sudden outbreak as seen recently in Hong Kong, which has also drastically affected the recovery of the Group’s operations in Hong Kong.

Lastly, 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/LED OOH sites under its OOH large format media network.

Film Development, Production and Distribution

As disclosed in previous corporate publications, full impairment loss had been made for the intellectual property rights in this segment. The Group will review its business strategy in this business having regard to the unprecedented material downturn of the film industry, the reduction in internal resources on this business and the need for the Group to focus its resources on its principal businesses. Meanwhile, the Company will continue to strive to look out for available opportunities to exploit the potential value from these film rights.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW AND HIGHLIGHTS

	Six months ended 30 June		% Change
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	
Revenue	26,238,516	48,583,518	(46%)
– continuing operations	26,238,516	48,295,967	(46%)
– discontinued operation	–	287,551	(100%)
Gross profit	17,588,806	27,710,860	(37%)
– continuing operations	17,588,806	27,431,047	(36%)
– discontinued operation	–	279,813	(100%)
EBITDA ^(Note)	370,835	(2,150,425)	N/A
Net loss	(14,829,295)	(153,343)	N/A

Note: EBITDA represents profit/(loss) before finance costs, income tax, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets, gain/(loss) on disposal of right-of-use asset, fair value gain/(loss) on financial asset at fair value through profit or loss, gain/(loss) on disposal of subsidiary and the total comprehensive loss for the period attributable to non-controlling interests. While EBITDA is commonly used 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 from continuing operations for the six months ended 30 June 2020 was approximately HK\$26.2 million, representing a decrease of approximately 46% over the corresponding period of the previous year. The decrease in revenue of the advertising and media business was mainly due to the "lockdown" in Singapore during the interim period when the Group had to temporarily halt its business operations to comply with the preventive measures introduced by the Government of Singapore in response to the COVID-19 pandemic.

The Group's gross profit from continuing operations for the six months ended 30 June 2020 was approximately HK\$17.6 million, representing a decrease of approximately 36% over the corresponding period of the previous year. The Group's gross profit margin increased approximately from 57% to 67% due to the lower cost of sales attributing from advertising and media business corresponding to the decrease in sales of this segment.

The Group's administrative expenses from continuing operations for the six months ended 30 June 2020 was approximately HK\$34.6 million, representing a decrease of approximately 8% over the corresponding period of the previous year. The decrease in administrative expenses was mainly due to the fair value loss on financial asset at fair value through profit or loss and the reduction in business activities, especially travelling cost and marketing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW AND HIGHLIGHTS (Continued)

The Group's EBITDA amounted to approximately HK\$0.37 million for the six months ended 30 June 2020 as compared to the Group's negative EBITDA amounted to approximately HK\$2.2 million for the corresponding period of the previous year. The turnaround of EBITDA was due to the drop in cost of sales and administrative expenses as mentioned above.

Loss per share for the six months ended 30 June 2020 was approximately HK\$0.26 as compared to a loss per share of HK\$0.02 (as restated by the adjustment of share consolidation during the interim period) for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$14.8 million for the six months ended 30 June 2020 as compared to a loss attributable to owners of the parent of approximately HK\$1.3 million for the corresponding period of the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its daily operations from internally generated resources. As at 30 June 2020, the Group had net current assets of approximately HK\$205 million (31 December 2019: HK\$219 million) and cash and cash equivalents of approximately HK\$56 million (31 December 2019: HK\$61 million).

GEARING RATIO

The gearing ratio of the Group, calculated as total borrowings over Shareholders' fund, was approximately 0.7% as at 30 June 2020 (31 December 2019: approximately 0.7%).

FOREIGN EXCHANGE

For the six months ended 30 June 2020, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. The Group will monitor its foreign currency exposure closely. During the period under review, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL STRUCTURE

The shares of the Company have been listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves.

On 7 April 2020, the Company announced its proposal to implement a capital reorganisation (the “Capital Reorganisation”) involving (i) the consolidation of every twenty ordinary shares of HK\$0.10 each into one ordinary share of HK\$2.00 each (the “Consolidated Shares”) in the issued and unissued share capital of the Company (the “Share Consolidation”); and (ii) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$1.99 on each of the then issued Consolidated Shares so that the par value of each share be reduced from HK\$2.00 to HK\$0.01 (the “Capital Reduction”); and immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value HK\$2.00 each be sub-divided into two hundred ordinary shares of par value of HK\$0.01 each (the “Share Sub-division”). An ordinary resolution regarding the Share Consolidation and a special resolution regarding the Capital Reduction and the Share Sub-division were passed by the shareholders of the Company on 3 June 2020 respectively. The Share Consolidation became effective on 5 June 2020. The petition hearing for confirmation of the Capital Reduction is expected to be held on 10 September 2020 in the Cayman Islands and the result of the Capital Reduction and the Share Sub-division is subject to the outcome of the court hearing. Immediately after the Share Consolidation, the total number of issued shares of the Company was adjusted from 1,147,092,240 shares of HK\$0.10 each to 57,354,612 shares of HK\$2.00 each, and remained the same as at 30 June 2020.

DIVIDEND

The board of directors of the Company (the “Board”) does not recommend the payment of any dividend for the six months ended 30 June 2020 (six month ended 30 June 2019: Nil).

INFORMATION ON EMPLOYEES

As at 30 June 2020, the Group had 79 employees (31 December 2019: 82 employees), including the executive Directors. Total staff costs of the Group (including Directors’ emoluments) for the six months ended 30 June 2020 were approximately HK\$20 million (six months ended 30 June 2019: HK\$22 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. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, joint ventures and an associate, the Group held approximately HK\$2.5 million listed investments as at 30 June 2020 (31 December 2019: HK\$7.1 million).

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 Reporting Period.

CHARGES OF ASSETS

As at 30 June 2020, the Group did not have any charges on its assets (31 December 2019: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 together with comparative unaudited figures for the corresponding period ended 30 June 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
REVENUE	3	10,470,045	23,617,072	26,238,516	48,295,967
Cost of sales		(2,602,299)	(10,451,563)	(8,649,710)	(20,864,920)
GROSS PROFIT		7,867,746	13,165,509	17,588,806	27,431,047
Other income and gains, net		3,003,609	11,143,822	3,548,001	13,260,747
Administrative expenses		(15,668,142)	(17,665,161)	(34,587,302)	(37,527,473)
Loss on disposal of a subsidiary		–	–	–	(1,351,277)
Finance costs	4	(287,901)	(551,041)	(589,800)	(1,078,447)
(LOSS)/PROFIT BEFORE TAX	5	(5,084,688)	6,093,129	(14,040,295)	734,597
Income tax expenses	6	(542,000)	(461,000)	(789,000)	(698,000)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(5,626,688)	5,632,129	(14,829,295)	36,597
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION		–	(1,300)	–	(189,940)
(LOSS)/PROFIT FOR THE PERIOD		(5,626,688)	5,630,829	(14,829,295)	(153,343)
OTHER COMPREHENSIVE (LOSS)/INCOME					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		353,905	(389,843)	(825,249)	(216,749)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(5,272,783)	5,240,986	(15,654,544)	(370,092)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the parent		(5,775,547)	4,592,531	(14,789,652)	(1,310,995)
Non-controlling interests		148,859	1,038,298	(39,643)	1,157,652
		(5,626,688)	5,630,829	(14,829,295)	(153,343)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the parent		(5,422,083)	4,202,660	(15,615,738)	(1,527,682)
Non-controlling interests		149,300	1,038,326	(38,806)	1,157,590
		(5,272,783)	5,240,986	(15,654,544)	(370,092)
(LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT					
Basic and Diluted	8	(0.10)	(restated) 0.08	(0.26)	(restated) (0.02)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,610,408	6,163,388
Right-of-use assets	10	30,702,607	36,575,009
Goodwill		2,780,482	2,780,482
Deposits	11	1,863,333	1,728,686
Interest in an associate		87,673	87,673
Pledged bank deposits		345,586	359,882
Total non-current assets		43,390,089	47,695,120
CURRENT ASSETS			
Margin loans receivable		165,266,408	162,189,933
Trade and other receivables	11	15,807,692	33,605,921
Financial asset at fair value through profit or loss		2,539,680	7,069,920
Cash held on behalf of brokerage clients		26,018,827	8,937,966
Cash and cash equivalents		55,771,664	60,901,172
Total current assets		265,404,271	272,704,912
CURRENT LIABILITIES			
Trade and other payables	12	18,258,901	21,479,757
Accounts payable to brokerage clients		27,395,609	14,184,860
Lease liability		11,334,049	14,691,868
Deferred revenue		2,821,818	1,280,810
Income tax payable		821,898	2,434,913
Total current liabilities		60,632,275	54,072,208
NET CURRENT ASSETS		204,771,996	218,632,704
TOTAL ASSETS LESS CURRENT LIABILITIES		248,162,085	266,327,824

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

Note	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
NON-CURRENT LIABILITIES		
Lease liability	19,586,747	22,097,942
Total non-current liabilities	19,586,747	22,097,942
NET ASSETS		
EQUITY		
Equity attributable to owners of the parent		
Share capital	13 114,709,224	114,709,224
Other reserves	95,696,368	111,312,105
	210,405,592	226,021,329
Non-controlling interests	18,169,746	18,208,553
TOTAL EQUITY	228,575,338	244,229,882

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent						Total HK\$	Non- controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange fluctuation reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$			
At 31 December 2018 and 1 January 2019 (audited)	114,709,224	552,932,232	(176,467,450)	(1,512,963)	2,020,536	(247,790,206)	243,891,373	15,762,063	259,653,436
Effect of adoption of HKFRS 16	-	-	-	-	-	(337,883)	(337,883)	(4,571)	(342,454)
At 1 January 2019 (restated)	114,709,224	552,932,232	(176,467,450)	(1,512,963)	2,020,536	(248,128,089)	243,553,490	15,757,492	259,310,982
(Loss)/Profit for the period	-	-	-	-	-	(1,310,995)	(1,310,995)	1,157,652	(153,343)
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	-	-	-
Exchange difference related to foreign operations	-	-	-	(216,687)	-	-	(216,687)	(62)	(216,749)
Total comprehensive (loss)/income for the period	-	-	-	(216,687)	-	(1,310,995)	(1,527,682)	1,157,590	(370,092)
Disposal of a subsidiary	-	-	-	-	-	-	-	1,598,836	1,598,836
At 30 June 2019 (unaudited)	114,709,224	552,932,232	(176,467,450)	(1,729,650)	2,020,536	(249,439,084)	242,025,808	18,513,918	260,539,726
At 31 December 2019 and 1 January 2020 (audited)	114,709,224	552,932,232	(176,467,450)	(1,275,243)	2,020,536	(265,897,970)	226,021,329	18,208,553	244,229,882
Loss for the period	-	-	-	-	-	(14,789,652)	(14,789,652)	(39,643)	(14,829,295)
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	-	-	-
Exchange difference related to foreign operations	-	-	-	(826,085)	-	-	(826,085)	836	(825,249)
Total comprehensive loss for the period	-	-	-	(826,085)	-	(14,789,652)	(15,615,737)	(38,807)	(15,654,544)
At 30 June 2020 (unaudited)	114,709,224	552,932,232	(176,467,450)	(2,101,328)	2,020,536	(280,687,622)	210,405,592	18,169,746	228,575,338

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash generated from/(used in) operating activities	6,622,221	(12,546,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,099,333)	(1,143,753)
Proceeds from disposal of a subsidiary	–	(9)
Proceeds from disposal of financial asset at fair value through profit or loss	–	1,112,861
Dividend received from listed investments	–	6,109
Interest received	99,059	114,100
Net cash (used in)/generated from investing activities	(3,000,274)	89,308
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payment	(7,336,406)	(4,385,053)
Interest paid on lease liabilities	(589,800)	(463,672)
Net cash used in financing activities	(7,926,206)	(4,848,725)
Net decrease in cash and cash equivalents	(4,304,259)	(17,305,531)
Cash and cash equivalents at beginning of period	60,901,172	79,281,959
Effect of foreign exchange rate changes	(825,249)	(230,949)
Cash and cash equivalents at end of period	55,771,664	61,745,479
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	56,117,250	62,681,118
Less: Pledged bank deposits	(345,586)	(935,639)
Cash and cash equivalents as stated in the statement of cash flows	55,771,664	61,745,479

The above condensed consolidated statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at 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 services including securities dealings and brokerage services and margin financing services, (ii) provision of advertising and media services.

The Company's shares are listed on GEM of the Stock Exchange.

These unaudited condensed consolidated interim financial information have been reviewed by the Company's audit committee.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" 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 GEM on the Stock Exchange (the "GEM Listing Rules").

These unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2019.

These unaudited condensed consolidated interim financial information are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

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 2019:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9 and HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of above new and revised standards has had no significant financial effect on the unaudited condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Changes in accounting policy and disclosures (Continued)

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 16	Property, Plant and Equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM has been identified collectively as the executive directors of the Company who are responsible for allocating resources and assessing performance of the operating segment.

The Group is principally engaged in the advertising and media services and the financial services. During the period, management reviews the operating results of the business as two operating segments to make decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group’s loss before tax from continuing operations except that other income and gains, net, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 and as at 30 June 2020 is as follows:

	Advertising and media HK\$ (unaudited)	Retail of skin care products HK\$ (unaudited)	Film development, production and distribution HK\$ (unaudited)	Financial services HK\$ (unaudited)	Total HK\$ (unaudited)
for the six months ended 30 June 2020					
Segment revenue	19,501,599	–	–	6,736,917	26,238,516
Segment results	8,157,787	–	–	6,070,331	14,228,118
Other segment information:					
Depreciation of property, plant and equipment	(1,206,731)	–	–	(106,576)	(1,313,307)
Depreciation of right-of-use assets	(5,716,225)	–	–	(560,010)	(6,276,235)
Gain on disposal of right-of-use asset	68,154	–	–	–	68,154
Capital expenditure*	3,086,122	–	–	13,211	3,099,333
as at 30 June 2020					
Segment assets	63,497,151	–	–	236,286,177	299,783,328
Corporate and other unallocated assets					9,011,032
Total assets					308,794,360
Segment liabilities	41,241,234	–	–	30,141,917	71,383,151
Corporate and other unallocated liabilities					8,835,871
Total liabilities					80,219,022

* Capital expenditure consists of additions to property, plant and equipment

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 and as at 31 December 2019 is as follows:

	Continuing operations					Discontinued operation
	Advertising and media	Retail of skin care products	Film development, production and distribution	Financial services	Total	Provision of early childhood education services
	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
for the six months ended 30 June 2019						
Segment revenue	41,315,999	–	–	6,979,968	48,295,967	287,551
Segment results (restated)	16,026,334	(25,784)	–	6,110,872	22,111,422	278,811
Other segment information:						
Depreciation of property, plant and equipment	(1,640,971)	(25,784)	–	(303,462)	(1,970,217)	(1,002)
Depreciation of right-of-use assets	(2,450,002)	–	–	(565,634)	(3,015,636)	–
Amortisation of intangible assets	(35,750)	–	–	–	(35,750)	–
Loss on disposal of subsidiary	(1,351,277)	–	–	–	(1,351,277)	–
Capital expenditure*	(1,143,753)	–	–	–	(1,143,753)	–
as at 31 December 2019 (audited)						
Segment assets	72,723,673	298,052	2,216,932	228,866,737	304,105,394	
Corporate and other unallocated assets					16,294,638	
Total assets					320,400,032	
Segment liabilities	44,649,634	1,503	4,054,803	18,798,696	67,504,636	
Corporate and other unallocated liabilities					8,665,514	
Total liabilities					76,170,150	

* Capital expenditure consists of additions to property, plant and equipment

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

A reconciliation of segment results to (loss)/profit before tax is provided as follows:

	Six months ended 30 June		
	2020	2019	
	Continuing operations HK\$ (unaudited)	Continuing operations HK\$ (unaudited)	Discontinued operation HK\$ (unaudited)
Segment results	14,228,118	(restated) 22,111,422	(restated) 278,811
Other income and gains, net	3,479,847	13,260,747	8
Head office and corporate expenses	(31,158,460)	(33,559,125)	(468,759)
Finance costs	(589,800)	(1,078,447)	–
(Loss)/Profit before tax	(14,040,295)	734,597	(189,940)

The total non-current assets by the reportable segments as at 30 June 2020 and 31 December 2019 is as follows:

	Advertising and media HK\$	Retail of skin care products HK\$	Film development, production and distribution HK\$	Financial services HK\$	Unallocated non-current assets HK\$	Total HK\$
As at 30 June 2020						
Non-current assets (unaudited)	37,533,184	–	–	4,117,582	1,739,323	43,390,089
As at 31 December 2019						
Non-current assets (audited)	39,453,918	23,876	–	4,770,958	3,446,368	47,695,120

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical Information

(a) Revenue from external customers

	Six months ended 30 June					
	2020			2019		
	Segment revenue	Intersegment sales	Revenue from external customers	Segment revenue	Intersegment sales	Revenue from external customers
	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
Continuing operations						
Hong Kong	16,869,694	(326,714)	16,542,980	21,142,775	(307,253)	20,835,522
Singapore	9,860,002	(164,466)	9,695,536	32,841,592	(5,381,147)	27,460,445
	26,729,696	(491,180)	26,238,516	53,984,367	(5,688,400)	48,295,967
Discontinued operation						
Hong Kong	-	-	-	287,551	-	287,551

The revenue information above is based on the location of the customers.

(b) Non-current assets

	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
Hong Kong	31,844,934	35,773,885
Singapore	11,545,155	11,921,235
	43,390,089	47,695,120

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

An analysis of revenue for the six months ended 30 June 2020 and 2019 is as follows:

	Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Continuing operations		
Revenue from contracts with customers	19,607,835	41,480,379
Revenue from other sources	6,630,681	6,815,588
	26,238,516	48,295,967
Discontinued operation		
Revenue from contracts with customers	–	287,551

Disaggregated of revenue from contracts with customers by major goods or service lines, geographical location of customers and the timing of revenue recognition for the six months ended 30 June 2020 and 2019 is as follows:

	Advertising and media HK\$ (unaudited)	Financial services HK\$ (unaudited)	Total HK\$ (unaudited)
for the six months ended 30 June 2020			
Types of goods or services			
Advertising and media services:			
– direct sales channel	9,941,286	–	9,941,286
– agency sales channel	9,560,313	–	9,560,313
Commission and fee income on securities dealing and broking	–	106,236	106,236
Total revenue from contracts with customers	19,501,599	106,236	19,607,835
Geographical markets			
Hong Kong	9,806,063	106,236	9,912,299
Singapore	9,695,536	–	9,695,536
Total revenue from contracts with customers	19,501,599	106,236	19,607,835
Timing of revenue recognition			
Services transferred at a point of time	–	106,236	106,236
Services transferred over time	19,501,599	–	19,501,599
Total revenue from contracts with customers	19,501,599	106,236	19,607,835

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregated of revenue from contracts with customers by major goods or service lines, geographical location of customers and the timing of revenue recognition for the six months ended 30 June 2020 and 2019 is as follows:
(Continued)

	Continuing operations			Discontinued operation
	Advertising and media HK\$ (unaudited)	Financial services HK\$ (unaudited)	Total HK\$ (unaudited)	Provision of early childhood education services HK\$ (unaudited)
for the six months ended 30 June 2019				
Types of goods or services				
Advertising and media services:				
– direct sales channel	17,108,536	–	17,108,536	–
– agency sales channel	24,207,463	–	24,207,463	–
Commission and fee income on securities dealing and broking	–	164,380	164,380	–
Nursery services	–	–	–	287,551
Total revenue from contracts with customers	41,315,999	164,380	41,480,379	287,551
Geographical markets				
Hong Kong	13,855,554	164,380	14,019,934	287,551
Singapore	27,460,445	–	27,460,445	–
Total revenue from contracts with customers	41,315,999	164,380	41,480,379	287,551
Timing of revenue recognition				
Services transferred at a point of time	–	164,380	164,380	–
Services transferred over time	41,315,999	–	41,315,999	287,551
Total revenue from contracts with customers	41,315,999	164,380	41,480,379	287,551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Interest on other borrowings	–	722,016
Interest on lease liabilities	589,800	356,431
	589,800	1,078,447

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax from continuing operations was arrived at after charging/(crediting):

	Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Cost of sales	8,649,710	20,864,920
Depreciation of right-of-use assets	7,726,705	3,356,249
Depreciation of property, plant and equipment	1,592,896	2,226,791
Amortisation of intangible assets	–	35,750
Employee benefit expenses (excluding directors' remuneration):		
– Salaries, wages and allowance	16,472,184	17,160,893
– Pension scheme contribution	1,068,866	1,283,705
Government Grant	(2,852,586)	(114,841)
Fair value loss/(gain) on financial asset at fair value through profit or loss	4,530,240	(10,639,200)

6. INCOME TAX EXPENSES

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020, except for one subsidiary of the Group which is qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

	Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Current tax – Hong Kong Profits Tax	789,000	698,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. LOSS PER SHARE

(a) Basic

The calculation of basic losses per share is based on the loss attributable to owners of the parent of for the six months ended 30 June 2020 of HK\$14,789,652 (six months ended 30 June 2019: loss of HK\$1,310,995) and the weighted average of 57,354,612 ordinary shares (six months ended 30 June 2019: 57,354,612 shares) in issue during the interim period after the adjustment of the Share Consolidation as set out in Note 13.

	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
Losses:		
Loss attributable to owners of the parent, used in the basic loss per share calculation:		
– from continuing operations	(14,789,652)	(1,177,647)
– from discontinued operation	–	(133,348)
Loss attributable to owners of the parent	(14,789,652)	(1,310,995)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Number of shares:		(restated)
Weighted average number of ordinary shares in issue during the period, used in the basic loss per share calculation	57,354,612	57,354,612

(b) Diluted

No diluted loss per share has been presented as there was no dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group has additions of equipment with a cost of approximately HK\$3,099,333 (six months ended 30 June 2019: HK\$1,143,753). No items of property, plant and equipment is disposal of during the interim period (six months ended 30 June 2019: HK\$5,285).

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of outdoor billboard spaces and renewed several contracts for car parking space, and therefore recognised the additions to right-of-use assets of approximately HK\$5,977,395. The Group has also disposed of a contract for use of outdoor billboard with the carrying amount of approximately HK\$3,756,441.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
Trade receivables	10,128,123	17,576,842
Impairment	(205,507)	(210,990)
Trade receivables — net	9,922,616	17,365,852
Deposits, prepayments, other receivables and other assets	7,748,409	17,968,755
	17,671,025	35,334,607
Less: Non-current portion:		
Rental deposit	(1,158,333)	(1,023,686)
Deposit with Hong Kong Exchanges and Clearing Limited	(705,000)	(705,000)
	(1,863,333)	(1,728,686)
Current portion	15,807,692	33,605,921

The carrying amount of trade and other receivables approximate their fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. TRADE AND OTHER RECEIVABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
up to 30 days	6,143,491	12,592,689
31–60 days	1,518,570	1,987,677
Over 60 days	2,260,555	2,785,486
	9,922,616	17,365,852

Movement on the provision for impairment of trade receivables is as follows:

	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
At beginning of period/year	210,990	544,056
Reversal of impairment loss of trade receivables	–	(333,066)
Exchange difference	(5,483)	–
At end of period/year	205,507	210,990

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
Trade payables	2,005,636	1,320,261
Licence fee payable	37,746	37,746
Other payables	3,846,882	5,665,407
Loan and interest payable	1,616,000	1,616,000
Contract liabilities	987,304	442,158
Accruals	9,765,333	12,398,185
	18,258,901	21,479,757

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. TRADE AND OTHER PAYABLES (Continued)

The carrying amount of the trade and other payables approximate their fair values.

Trade payables are non-interest bearing and are normally settled from 60 to 90 days. As of the end of the reporting period, the ageing analysis of trade payables, based on the due date is as follows:

	30 June 2020 HK\$ (unaudited)	31 December 2019 HK\$ (audited)
up to 30 days	1,829,936	1,320,261
31–60 days	157,490	–
Over 60 days	18,210	–
	2,005,636	1,320,261

13. SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$
Authorised:		
At 1 January 2019 and 31 December 2019 (audited) (Ordinary share of HK\$0.1 each)	5,000,000,000	500,000,000
Share Consolidation (Note)	(4,750,000,000)	–
At 30 June 2020 (unaudited) (Ordinary share of HK\$2 each)	250,000,000	500,000,000
Issued and fully paid:		
At 1 January 2019 and 31 December 2019 (audited)	1,147,092,240	114,709,224
Share Consolidation (Note)	(1,089,737,628)	–
At 30 June 2020 (unaudited)	57,354,612	114,709,224

Note: Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 3 June 2020, the shareholders of the Company have approved the consolidation of every twenty shares of HK\$0.1 each into one consolidated share of HK\$2 each in the issued and unissued share capital of the Company with effect from 5 June 2020 ("Share Consolidation").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed the fair values of the Group's financial assets and financial liabilities, which are approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of listed equity investments is based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			Total HK\$
	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
As at 30 June 2020 (unaudited)				
Financial asset at fair value through profit or loss	2,539,680	–	–	2,539,680
 As at 31 December 2019 (audited)				
Financial asset at fair value through profit or loss	7,069,920	–	–	7,069,920

15. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the unaudited condensed consolidated interim financial information, the Group has the following material transactions with related parties during the period ended 30 June 2020:

- (a) The Group has an outstanding principal amount of HK\$1,616,000 as at 30 June 2020 (31 December 2019: HK\$1,616,000) due to An Xilei, a director of the Company. The loan is interest-free since the extension of the maturity date for one year on 14 November 2019.
- (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Salaries, wages and allowance	1,401,721	2,379,000
Pension scheme contribution	11,500	24,000
	1,413,221	2,403,000

17. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 12 August 2020.

OTHER INFORMATION

SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) on 26 March 2011. The principal terms of the two schemes were summarised in the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix V to the prospectus of the Company dated 30 June 2011.

The purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group who have assisted in the development and growth of the Group and for their contribution in connection with the Listing, whilst the purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group.

PRE-IPO SHARE OPTION SCHEME

As at 1 January 2020, there were outstanding and unexercised options under the Pre-IPO Share Option Scheme which entitled holders thereof to subscribe for 513,769 shares of the Company at the exercise price of HK\$2.758 per share. As a result of the Share Consolidation which became effective on 5 June 2020, the number of shares entitled to be subscribed for under such outstanding options has been adjusted to 25,688 at the exercise price of HK\$55.160 per share in accordance with the terms and conditions of the Pre-IPO Share Option Scheme. Save for the above adjustments to the share options, no options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme during the six months ended 30 June 2020 (the “Period”). As at 30 June 2020, the number of shares comprised in the outstanding and unexercised options under the Pre-IPO Share Option Scheme remained as 25,688 at the exercise price of HK\$55.160 per share.

SHARE OPTION SCHEME

As at 1 January 2020, there were outstanding and unexercised options under the Share Option Scheme which entitled holders thereof to subscribe for 376,968 shares of the Company at the exercise price of HK\$2.777 per share. As a result of the Share Consolidation which became effective on 5 June 2020, the number of shares entitled to be subscribed for under such outstanding options has been adjusted to 18,848 at the exercise price of HK\$55.540 per share in accordance with the terms and conditions of the Share Option Scheme. Save for the above adjustments to the share options, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Period. As at 30 June 2020, the number of shares comprised in the outstanding and unexercised options under the Share Option Scheme remained as 18,848 at the exercise price of HK\$55.540 per share.

OTHER INFORMATION (CONTINUED)

A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme during the Period was as follows:

Grantees	Date of grant	Vesting period	Exercise period	Exercise price at 1 January 2020	Exercise price at 30 June 2020	Outstanding at 1 January 2020	Number of share options				Market value per share immediately before the date of grant of option	Approximate % of the Company's total issued share capital as at 30 June 2020
							Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding at 30 June 2020		
Directors												
Mr. Wong Hong Gay Patrick Jonathan	20 Dec 11	Note 1	20 Dec 11 – 19 Dec 21	HK\$2.777	HK\$55.540 (adjusted)	85,627	-	-	-	4,281 (adjusted)	HK\$0.72	0.01%
Mr. Chan Chi Keung Alan	20 Dec 11	Note 1	20 Dec 11 – 19 Dec 21	HK\$2.777	HK\$55.540 (adjusted)	85,627	-	-	-	4,281 (adjusted)	HK\$0.72	0.01%
Employees												
	20 Dec 11	Note 1	20 Dec 11 – 19 Dec 21	HK\$2.777	HK\$55.540 (adjusted)	205,714	-	-	-	10,286 (adjusted)	HK\$0.72	0.02%
	30 Jun 11	Note 2	28 Jul 11 – 27 Jul 21	HK\$2.758	HK\$55.160 (adjusted)	513,769	-	-	-	25,688 (adjusted)	N/A	0.04%
Total						890,737	-	-	-	44,536 (adjusted)		

Notes:

- The options granted under Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:
 - 33% of the option shall vest after first twelve months after date of acceptance.
 - 33% of the option shall vest after twenty four months after date of acceptance.
 - 34% of the option shall vest after thirty six months after date of acceptance.
- The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:
 - 50% of the option shall vest on 28 January 2012.
 - 8% of the option shall vest on 28 February 2012.
 - 8% of the option shall vest on 28 March 2012.
 - 8% of the option shall vest on 28 April 2012.
 - 8% of the option shall vest on 28 May 2012.
 - 8% of the option shall vest on 28 June 2012.
 - 10% of the option shall vest on 28 July 2012.
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 57,354,612 shares in issue as at 30 June 2020.

OTHER INFORMATION (CONTINUED)

Apart from the aforesaid share option schemes, at no time during the six months ended 30 June 2020 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2020, 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\$2.00 each in the Company (the "Shares") and underlying Shares in the capital of the Company

Name of Directors	Nature of interests	Number of Shares held	Number of underlying Shares held (Note 1)	Total	Approximate % of shareholding in the Company (Note 4)
Mr. An Xilei	Interest of controlled corporation (Note 2)	17,000,000	–	17,000,000	29.64%
Mr. Wong Hong Gay Patrick Jonathan	Interest of controlled corporation (Note 3) Beneficial owner	3,453,990 –	– 4,281	3,453,990 4,281	6.02% 0.01%
Mr. Chan Chi Keung Alan	Beneficial owner	–	4,281	4,281	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, particulars of Directors' interests in such share options are set out in the section headed "Share Option Schemes" above.
- 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 57,354,612 Shares in issue as at 30 June 2020.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2020, 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.

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

As at 30 June 2020, 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	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company (Note 3)
Profit Cosmo Group Limited (Note 1)	Beneficial owner	17,000,000	29.64%
Mr. Liu Yanhong (Note 1)	Interest of controlled corporation	17,000,000	29.64%
iMediaHouse Asia Limited (Note 2)	Beneficial owner	3,453,990	6.02%
iMediaHouse.com Limited (Note 2)	Interest of controlled corporation	3,453,990	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, whose interests are disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.
2. These Shares are directly held by iMHA which is owned as to approximately 67.09% by iMediaHouse.com Limited ("iMH") which is in turn wholly owned by 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 of the Company or any Associated Corporation" above.
3. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 57,354,612 Shares in issue as at 30 June 2020.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2020, 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 six months ended 30 June 2020, 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.

COMPETITION AND CONFLICT OF INTERESTS

During the six months ended 30 June 2020, none of the Directors or the substantial shareholders of the Company or any of their respective close 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 six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

During the six months ended 30 June 2020, the Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules.

OTHER INFORMATION (CONTINUED)

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.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the interim 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
An Xilei
Chairman

Hong Kong, 12 August 2020

As at the date of this report, the Board comprises Mr. An Xilei (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