



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

3rd Quarterly Report
第三季業績報告

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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 FUTURE PROSPECTS

During the period ended 30 September 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\$38 million and loss attributable to owners of the Company of approximately HK\$21 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”). During the Reporting Period, the total revenue of the financial services business amounted to approximately HK\$10 million while the operating profit before tax reached approximately HK\$1 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 margin loan financing of approximately HK\$158 million was granted to margin account clients as at 30 September 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)

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.

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	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Hong Kong	Office, Commercial and Residential Network	1,046	943
Singapore	Office and Commercial Network	516	517
Total number of venues		1,562	1,460

As of 30 September 2020, the Group has deployed its branded flat-panel displays at 1,562 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

In Hong Kong, with the Group's official launch of OOH large format media network (with details below) which consists of ten sites of which eight are large LED panels and two are billboards; together with its well-established office, commercial and residential networks; the Group offers a well-rounded platform for advertisers to reach their audience from home, from work and from shopping, leisure & entertainment venues.

To recap, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

To capitalize on the Group's success in operating digital media panels, the Group has added two more large LED panels to the platform making it a total of eight situated in five strategic locations in Central, Causeway Bay, Tsim Sha Tsui, Mongkok and Kwun Tong.

For instance, in July 2020, the Group was awarded the exclusive advertising sales right of the Hilton Towers LED panel. It is located at 96 Granville Road, Tsim Sha Tsui East, facing the renowned "Water Fountain at Tsim Sha Tsui East" (Urban Council Centenary Garden) surrounded by well-known office buildings such as East Ocean Centre, New Mandarin Plaza, South Seas Centre and Peninsular Centre, etc. This strategic location captures high traffic of eyeballs generated from the office buildings nearby.

In September 2020, the Group was also awarded the exclusive advertising sales right of the 655 Nathan Road LED panel, Mongkok. The LED panel is situated right next to Mongkok MTR station with white collars and shoppers coming in and out. It is facing the pedestrian path between Nathan Road and Portland Street heading to Langham Place with thousands of pedestrians traffic flow everyday. It is right in the heart of Mongkok targeting both locals and tourists.

Besides, the Group continues to hold the exclusive advertising sales rights of the 8 Lyndhurst Terrace LED panel in Central and the Hung To Centre LED panel in Kwun Tong. 8 Lyndhurst Terrace is strategically located in prime Central CBD district closed to Lan Kwai Fong with a variety of dining and entertainment venues around. It is built on Pottinger Street linking Hollywood Road and Wellington Street surrounded by office buildings. Hung To Centre is located at 94-96 How Ming Street, Kwun Tong, the Kowloon East CBD district. Kwun Tong was once Hong Kong's industrial district and it is now the up-and-coming business district with prestigious office towers and F&B outlets. The LED panel is only a block away from Millennium City and is facing the busy intersection of Hung To Road and How Ming Street with vehicles and pedestrians coming from all directions.

The Group also continues to hold the exclusive advertising sales rights of four LED panels 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Under its OOH large format media network in Singapore, the Group continues to hold its 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 also partners with Furama City Centre Hotel. 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.

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 expanded its exclusive partnership with the 13-storey HarbourFront Centre (HFC) which is a thriving mixed-use development comprising of office and retail space, F&B outlets and an international cruise centre and now markets its various advertising format comprising of façade billboard to in-malls static site.

As well, the Group foresees the demand in reaching new suburban town thus went into partnership with Waterway Point for its 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Lastly, the performance of the Group's advertising and media business was severely affected by the COVID-19 pandemic. Singapore has begun to open up in phases since June from the "lockdown" which was imposed during the months of April, May and June. The Group's operations in Singapore is picking up slowly and gradually. As for Hong Kong, due to the outbreak of the third wave in July and August, it has affected the recovery of the Group's operations. The Group's performance is expected to improve in the fourth quarter of the year provided that there will be no massive outbreak again in both Singapore and Hong Kong.

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.

FINANCIAL REVIEW AND HIGHLIGHTS

	Nine months ended 30 September		
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	% Change
Revenue	37,766,238	73,437,380	(49%)
– continuing operations	37,766,238	73,149,829	(48%)
– discontinued operation	–	287,551	(100%)
Gross profit	24,990,593	42,935,350	(42%)
– continuing operations	24,990,593	42,655,537	(41%)
– discontinued operation	–	279,813	(100%)
EBITDA ^(Note)	1,832,735	(1,193,395)	N/A
Net loss	(20,951,465)	(5,305,595)	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, gain/(loss) on disposal of financial assets at fair value through profit or loss, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's revenue from continuing operations for the nine months ended 30 September 2020 was approximately HK\$37.8 million, representing a decrease of approximately 48% 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 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 nine months ended 30 September 2020 was approximately HK\$25 million, representing a decrease of approximately 41% over the corresponding period of the previous year. The Group's gross profit margin increased approximately from 58% to 66% 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 nine months ended 30 September 2020 was approximately HK\$51.2 million, representing a decrease of approximately 5% 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 staff cost and travelling expenses.

The Group's EBITDA amounted to approximately HK\$1.8 million for the nine months ended 30 September 2020 as compared to the Group's negative EBITDA amounted to approximately HK\$1.2 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 nine months ended 30 September 2020 was approximately HK\$0.37 as compared to a loss per share of HK\$0.11 (as restated by the adjustment of share consolidation during the period) for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$21 million for the nine months ended 30 September 2020 as compared to a loss attributable to owners of the parent of approximately HK\$6.3 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 September 2020, the Group had net current assets of approximately HK\$198 million (31 December 2019: HK\$219 million) and cash and cash equivalents of approximately HK\$61 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 September 2020 (31 December 2019: 0.7%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE

For the nine months ended 30 September 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.

CAPITAL STRUCTURE

The shares of the Company were 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 was held on 10 September 2020 in the Cayman Islands. The Capital Reduction and the Share Sub-division became effective on 14 September 2020 after all the other conditions precedent for their implementation had been fulfilled.

As at 30 September 2020, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each (“Share(s)”), of which 57,354,612 Shares were in issue.

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INFORMATION ON EMPLOYEES

As at 30 September 2020, the Group had 76 employees (31 December 2019: 82 employees), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the nine months ended 30 September 2020 were approximately HK\$28 million (nine months ended 30 September 2019: HK\$32 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.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, joint ventures and an associate, the Group held approximately HK\$0.7 million listed investments as at 30 September 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 ON ASSETS

As at 30 September 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 September 2020 (31 December 2019: Nil).

UNAUDITED THIRD QUARTERLY RESULTS

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

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
REVENUE	3	11,527,722	24,853,862	37,766,238	73,149,829
Cost of sales		(4,125,935)	(9,629,372)	(12,775,645)	(30,494,292)
GROSS PROFIT		7,401,787	15,224,490	24,990,593	42,655,537
Other income and gains, net		3,821,910	(2,775,355)	7,369,911	10,485,392
Administrative expenses		(16,615,199)	(16,652,930)	(51,202,501)	(54,180,403)
Loss on disposal of a subsidiary		–	–	–	(1,351,277)
Finance costs		(275,668)	(444,827)	(865,468)	(1,523,274)
LOSS BEFORE TAX		(5,667,170)	(4,648,622)	(19,707,465)	(3,914,025)
Income tax expenses	4	(455,000)	(500,000)	(1,244,000)	(1,198,000)
Loss for the period from continuing operations		(6,122,170)	(5,148,622)	(20,951,465)	(5,112,025)
Loss for the period from discontinued operations		–	(3,630)	–	(193,570)
LOSS FOR THE PERIOD		(6,122,170)	(5,152,252)	(20,951,465)	(5,305,595)
OTHER COMPREHENSIVE (LOSS)/ INCOME					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		416,910	(290,288)	(408,339)	(507,037)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,705,260)	(5,442,540)	(21,359,804)	(5,812,632)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
(LOSS)/PROFIT FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owners of the parent		(6,184,741)	(5,029,638)	(20,974,393)	(6,340,633)
Non-controlling interests		62,571	(122,614)	22,928	1,035,038
		(6,122,170)	(5,152,252)	(20,951,465)	(5,305,595)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owners of the parent		(5,768,250)	(5,320,006)	(21,383,988)	(6,847,688)
Non-controlling interests		62,990	(122,534)	24,184	1,035,056
		(5,705,260)	(5,442,540)	(21,359,804)	(5,812,632)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT					
Basic and Diluted	6	(0.11)	(restated) (0.09)	(0.37)	(restated) (0.11)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	-	-	(6,340,633)	(6,340,633)	1,035,038	(5,305,595)
Other comprehensive (loss)/income for the period:									
Exchange difference related to foreign operations	-	-	-	(507,055)	-	-	(507,055)	18	(507,037)
Total comprehensive (loss)/income for the period	-	-	-	(507,055)	-	(6,340,633)	(6,847,688)	1,035,056	(5,812,632)
Disposal of a subsidiary	-	-	-	-	-	-	-	1,598,836	1,598,836
At 30 September 2019 (unaudited)	114,709,224	552,932,232	(176,467,450)	(2,020,018)	2,020,536	(254,468,722)	236,705,802	18,391,384	255,097,186
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)/Profit for the period	-	-	-	-	-	(20,974,393)	(20,974,393)	22,928	(20,951,465)
Other comprehensive (loss)/income for the period:									
Exchange difference related to foreign operations	-	-	-	(409,595)	-	-	(409,595)	1,256	(408,339)
Total comprehensive (loss)/income for the period	-	-	-	(409,595)	-	(20,974,393)	(21,383,988)	24,184	(21,359,804)
Capital reduction (Note)	(114,135,678)	-	-	-	-	114,135,678	-	-	-
At 30 September 2020 (unaudited)	573,546	552,932,232	(176,467,450)	(1,684,838)	2,020,536	(172,736,685)	204,637,341	18,232,737	222,870,078

Note:

On 14 September 2020, the par value of the ordinary shares of HK\$2 each is reduced to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$1.99 each of the shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 third quarterly financial information have been reviewed by the Company’s audit committee.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial information for the nine months ended 30 September 2020 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) 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 third quarterly 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 third quarterly financial information are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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 2019:

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

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

- (b) The following new and amended standards and interpretations have been published but are not yet effective for the period ended 30 September 2020 and which the Group has not early adopted:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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.

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

The segment information provided to the CODM for the reportable segments for nine months ended 30 September 2020 and 2019 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 nine months ended 30 September 2020					
Segment revenue	27,501,760	–	–	10,264,478	37,766,238
Segment results	10,596,681	–	–	9,264,449	19,861,130
Other segment information:					
Depreciation of property, plant and equipment	(1,856,539)	–	–	(160,013)	(2,016,552)
Depreciation of right-of-use assets	(8,942,144)	–	–	(840,016)	(9,782,160)
Gain on disposal of right-of-use asset	68,154	–	–	–	68,154
Capital expenditure*	3,086,122	–	–	14,761	3,100,883

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for nine months ended 30 September 2020 and 2019 is as follows (Continued):

	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 nine months ended 30 September 2019

Segment revenue	62,207,971	–	–	10,941,858	73,149,829	287,551
Segment results (restated)	25,835,012	(38,526)	–	9,638,034	35,434,520	278,811
Other segment information:						
Depreciation of property, plant and equipment	(2,235,356)	(38,526)	–	(455,373)	(2,729,255)	(1,002)
Depreciation of right-of-use assets	(3,789,400)	–	–	(848,451)	(4,637,851)	–
Amortisation of intangible assets	(35,750)	–	–	–	(35,750)	–
Loss on disposal of a subsidiary	(1,351,277)	–	–	–	(1,351,277)	–
Capital expenditure*	1,340,953	–	–	6,500	1,347,453	–

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue of external customers is mainly derived from customers located in Hong Kong and Singapore as follows:

	Nine months ended 30 September					
	2020			2019		
	Segment revenue HK\$ (unaudited)	Inter- segment sales HK\$ (unaudited)	Revenue from external customers HK\$ (unaudited)	Segment revenue HK\$ (unaudited)	Inter- segment sales HK\$ (unaudited)	Revenue from external customers HK\$ (unaudited)
Continuing operations						
Hong Kong	26,243,154	(755,200)	25,487,954	34,714,590	(377,919)	34,336,671
Singapore	12,442,715	(164,431)	12,278,284	46,229,487	(7,416,329)	38,813,158
	38,685,869	(919,631)	37,766,238	80,944,077	(7,794,248)	73,149,829
Discontinued operation						
Hong Kong	–	–	–	287,551	–	287,551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Nine months ended 30 September	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Continuing operations		
Revenue from contracts with customers	27,728,096	62,706,788
Revenue from other sources	10,038,142	10,443,041
	37,766,238	73,149,829
Discontinued operation		
Revenue from contracts with customers	–	287,551

4. 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 nine months ended 30 September 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.

The provision for Hong Kong profits tax of HK\$1,244,000 has been made in these unaudited condensed consolidated accounts for the nine months ended 30 September 2020 (nine months ended 30 September 2019: HK\$1,198,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. DIVIDENDS

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

6. LOSS PER SHARE

(a) Basic

The calculation of basic losses per share is based on the loss attributable to owners of the parent of HK\$20,974,393 for the nine months ended 30 September 2020 (nine months ended 30 September 2019: loss of HK\$6,340,633) and the weighted average of 57,354,612 ordinary shares (2019: 57,354,612 shares) in issue during the period after the adjustment of the Share Consolidation (Note).

	Nine months ended 30 September	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Losses:		
Loss attributable to owners of the parent, used in the basic loss per share calculation:		
– from continuing operations	(20,974,393)	(6,203,655)
– from discontinued operations	–	(136,978)
Loss attributable to owners of the parent	(20,974,393)	(6,340,633)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. LOSS PER SHARE (Continued)

(a) Basic (Continued)

Note:

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

A special resolution was also passed by the Shareholders at the EGM to reduce 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"). The Capital Reduction and the Share Sub-division came into effect on 14 September 2020.

As at 30 September 2020, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 ordinary shares of par value HK\$0.01 each ("Shares"), of which 57,354,612 Shares were in issue.

(b) Diluted

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

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL INFORMATION

The unaudited condensed consolidated third quarterly financial information was approved by the Board on 11 November 2020.

OTHER INFORMATION

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

As at 30 September 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 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)	3,453,990	–	3,453,990	6.02%
	Beneficial owner	–	4,281	4,281	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.
- 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 September 2020.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

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. As at 30 September 2020, share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme were 25,688 and 18,848 respectively.

During the nine months ended 30 September 2020, 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 30 September 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%

OTHER INFORMATION (CONTINUED)

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 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. 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 September 2020.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020.

OTHER INFORMATION (CONTINUED)

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 nine months ended 30 September 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.

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 nine months ended 30 September 2020 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the third 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
An Xilei
Chairman

Hong Kong, 11 November 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