



# 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**

# 2021

1st Quarterly Report  
第一季業績報告

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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 PROSPECTS

During the period ended 31 March 2021 (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 Group recorded an overall revenue of approximately HK\$11.3 million and net loss attributable to owners of the Company of approximately HK\$5.3 million during the Reporting Period. The impact of the COVID-19 pandemic and deteriorated economies worldwide caused a very notable reduction in business and social activities and severe economic uncertainty. With hope being built from availability of vaccines, the situation took a dramatic turnaround after new variant of virus unveiled and the sentiment back was swung to added uncertainty. The overall performance and financial results of Group was being affected, in particular, the revenue of the Group’s advertising and media business dropped from approximately HK\$12.4 million in the first quarter of 2020 to approximately HK\$8.4 million for the same period this year. It was observed that despite the general economic downturn, local stock trading activities remained energetic and had not weakened to a significantly deteriorating level. It was believed that the foreseeable outlook of the business environment would continue to remain uncertain and challenging, in particular, with recent outbreak of yet another newer variants of COVID-19 in India and the effectiveness of different vaccines to different variants of virus being debated and still under observation. Under this unprecedented circumstance, the swift and dramatic turnarounds make it difficult and challenging to formulate and implement any risk-free business plan. The management will continue to monitor the changes and their impact and to make adjustments to its business strategies as well to make plans to strive to be prepared for the potential storm which may last for an unknown period. The management is cautiously optimistic that the economy would eventually progress positively after measures implemented by different countries and more people become vaccinated and that the business prospects of the Group will become stronger in the future. The Group’s business review and prospects are as follows:

### Financial Services

The Group’s financial services activities are mainly conducted under the brand name of “Cornerstone” and consisted of Type 1 (dealing in securities), Type 4 (advising on securities) and 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 service business amounted to approximately HK\$2.8 million. Margin financing business was the key income stream for the Group’s financial services business and margin loan principal amount of approximately HK\$122 million was granted to margin account clients as at 31 March 2021.

Over the past few years, the financial services business undertaken by Cornerstone Securities Limited (“CSL”), a 91.19% indirectly owned subsidiary of the Company, has been providing stable revenue for the Group and historical records recorded that more than approximately 90% of the revenue of the financial services business was contributed by the margin financing business.

According to the financial records of the Group, the revenue of the margin financing business for the Reporting Period was approximately HK\$2.6 million. Fundamentally, contribution from margin financing business is significant for a securities company. Management of CSL projected that with more capital, more interest income and brokerage commission could be generated. The Company believes that it is important to explore opportunities to expanding amongst others, its margin financing business as CSL has a potential client base of high worth individuals in the People’s Republic of China (“PRC”). It is expected that once the regulatory bodies uplift or relax border restrictions, there will be an influx of potential investors from the PRC. Based on demand for margin facilities and as part of its business expansion plan, the Company proposed a rights issue to expand its capital base primarily striving to target the margin financing business in January 2021. However, the proposal was not passed at the extraordinary general meeting on 22 March 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

With the current business plan that the management strives to deliver, the most recent news with the fierce variant of COVID-19 and the experience from last year witnessing a possible major slowdown of economies globally, the Management considered it prudent to raise funds to sustain, support while trying to grow its business. On or about April 2021, the Company proposes to raise funding by entering into a placing agreement (“Share Placement”) to issue shares under general mandate approved at the last Annual General Meeting on 30 April 2021. If successful, the net proceeds from the Share Placement would be approximately HK\$2.37 million. Despite the pandemic, the Management remains confident with the future prospect of the financing service business. With the support of an experienced management team, it is believed that the financial services segment will continue to contribute encouraging results to the Group. To support, sustain and help to grow the Group’s businesses, the Company will continue to monitor the changing environment and to review and explore different fund raising options at different points of time.

### 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	Three months ended 31 March 2021	Three months ended 31 March 2020
Hong Kong	Office, Commercial and Residential Network	1,018	1,002
Singapore	Office and Commercial Network	501	521
Total number of venues		1,519	1,523

As of 31 March 2021, the Group has deployed its branded flat-panel displays at 1,519 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

In addition to the flat-panel displays, the Group’s OOH large format media network in Hong Kong consists of ten sites of which nine are large LED panels and one is billboard; together with its well-established office, commercial and residential networks; the Group offers a well-rounded platform for advertisers to reach their audience at home, at work and at shopping, leisure & entertainment venues.

Capitalizing on the Group’s success in operating digital media panels, the Group has a total of nine large LED panels situated in five strategic locations in Central, Causeway Bay, Tsim Sha Tsui, Mongkok and Kwun Tong.

First of all, the Group 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 Tsim and Le Diamant in Mongkok. Causeway Bay, Tsim Sha Tsim and Mongkok are amongst the busiest shopping and dining districts in Hong Kong.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

The Group also continues to hold the exclusive advertising sales right of the LED panel at the prestigious office building named One Pacific Centre. It is located at 414 Kwun Tong Road in Kwun Tong, right next to the high traffic APM Shopping Mall and in between Millennium City 5 and 6 office towers. It is situated in the heart of Kwun Tong capturing people from the working level, leisure shoppers as well as residents in the neighborhood

As well, the Group continues to hold 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 addition, the Group also continues to hold 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.

Lastly, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Under its OOH large format media network in Singapore, the Group continues to hold its current OOH sites as well as adding new ones making it a total twelve 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). We have also expanded our partnership with Change Alley Mall and 30 Raffles Place to market all their OOH spaces within the building.

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 has added exclusive partnership with 18 Tai Seng for various sites within the building as well as MRT underpass. This building serves as a retail and F&B hub choices as well as connector to MRT station for their surrounding SMEs and light industrial buildings.

The Group 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 continues to hold exclusive advertising sales rights for all media and event spaces at Galaxis situated at OneNorth 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

Lastly, the performance of the Group's advertising and media business was severely affected by the COVID-19 pandemic. It is however, slowly picking up as new infection cases further decline and people start going back to the office from working-from-home. The Group's performance is expected to improve in the second or third quarter of the year provided that there will be no spikes in new infection cases or massive outbreaks in Hong Kong or Singapore.

### Film development, production and distribution

In August 2015, the Group completed the acquisition of Ricco Media Investments Limited ("RMI") which indirectly held 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). SLGE was engaged in the business of film development, production and distribution and owned intellectual property rights in three films in the script development phase, namely Realm, The Annihilator and Replicator & Antilight. Since completion of acquisition of the rights in these films, the Group has been actively seeking collaborating partners among studios in Hollywood and/or China to co-finance the funding necessary for the production of the films. As at the end of the reporting period, the Group has not yet entered into any formal contractual agreement in relation to the production of these films. As disclosed in previous corporate publications, full impairment loss had been made for the intellectual property rights in this segment. The Company will continue to explore the potential value attributing to the film business and will keep on trying to identify potential investors to the development of the films as well as continuously review the business strategy of this segment.

## FINANCIAL REVIEW AND HIGHLIGHTS

	Three months ended 31 March		
	2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)	% Change
<b>Revenue</b>	<b>11,255,273</b>	15,768,471	-29%
<b>Gross profit</b>	<b>7,073,943</b>	9,721,060	-27%
<b>EBITDA</b> <sup>(Note)</sup>	<b>(2,236,809)</b>	339,601	N/A
<b>Net loss</b>	<b>(5,119,765)</b>	(9,202,607)	N/A

Note: EBITDA represents profit/(loss) before finance costs, income tax, depreciation of property, plant and equipment and right-of-use assets, fair value gain/(loss) on equity investment at fair value through profit or loss 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 for the three months ended 31 March 2021 was approximately HK\$11.3 million, representing a decrease of approximately 29% over the corresponding period of the previous year. The decrease in the Group's revenue is mainly due to the decline in business activities in the advertising and media business in both Hong Kong and Singapore. It was believed that the clients tended to cut advertising cost during the outbreak of COVID-19 pandemic. Accordingly, the revenue was affected.

The Group's gross profit for the three months ended 31 March 2021 was approximately HK\$7.1 million, representing a decrease of approximately 27% over the corresponding period of the previous year. The Group's gross profit margin increased approximately from 62% to 63% due to the increase in the proportion of revenue from financial services to total revenue of the Group. Revenue from financial services business constituted approximately 25% (for the three months ended 31 March 2020: 21%) of the total revenue of the Group.

The Group's administrative expenses for the three months ended 31 March 2021 was approximately HK\$12.1 million, representing a decrease of approximately 18% over the corresponding period of the previous year. The decrease in the Group's administrative expenses was mainly due to the reduction in operating expenses especially in staff costs. During the Reporting Period, the Company's administrative expenses included some rights issue related expenses amounted to approximately HK\$1.5 million.

The Group's negative EBITDA amounted to approximately HK\$2.2 million for the three months ended 31 March 2021 as compared to the Group's EBITDA amounted to approximately HK\$0.3 million for the corresponding period of the previous year. The negative EBITDA was mainly due to the drop in revenue and gross profit of the Group.

Loss per share for the three months ended 31 March 2021 was approximately HK cents 9.2 as compared to a loss per share of HK cents 15.7 (as restated by the adjustment as set out in Note 6 to the financial information) for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$5.3 million for the three months ended 31 March 2021 as compared to a loss attributable to owners of the parent of approximately HK\$9.0 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 31 March 2021, the Group had net current assets of approximately HK\$172 million (31 December 2020: HK\$177 million) and cash and cash equivalents of approximately HK\$85 million (31 December 2020: HK\$83 million).

### GEARING RATIO

The gearing ratio of the Group, calculated as total borrowings over Shareholders' fund, was approximately 0.9% as at 31 March 2021 (31 December 2020: 1.6%).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FOREIGN EXCHANGE

For the three months ended 31 March 2021, 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.

### CAPTIAL 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. As at 31 March 2021, 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 three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

### INFORMATION ON EMPLOYEES

As at 31 March 2021, the Group had 63 employees (31 December 2020: 73 employees), including the executive directors. Total staff costs of the Group (including directors' emoluments) for the three months ended 31 March 2021 were approximately HK\$6.7 million (three months ended 31 March 2020: HK\$9.9 million). Remuneration was 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 included contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options and attending professional training courses at the Company's expenses.

### 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 31 March 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES 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 31 March 2021, the Group did not have any charges on its assets (31 December 2020: Nil).

### **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2021 (31 December 2020: Nil).

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 together with comparative unaudited figures for the corresponding period ended 31 March 2020, as follows:

	Note	Three months ended 31 March	
		2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)
<b>Revenue</b>	3	<b>11,255,273</b>	15,768,471
Cost of services		<b>(4,181,330)</b>	(6,047,411)
<b>Gross profit</b>		<b>7,073,943</b>	9,721,060
Other income		<b>371,394</b>	544,392
Other gains and losses		<b>50,800</b>	(4,118,400)
Administrative expenses		<b>(12,078,439)</b>	(14,800,760)
Finance costs		<b>(293,873)</b>	(301,899)
<b>Loss before tax</b>		<b>(4,876,175)</b>	(8,955,607)
Income tax expenses	4	<b>(243,590)</b>	(247,000)
<b>Loss for the period</b>		<b>(5,119,765)</b>	(9,202,607)
<b>Other comprehensive (expenses)/income:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(63,755)</b>	(1,179,154)
<b>Other comprehensive expenses for the period, net of tax</b>		<b>(63,755)</b>	(1,179,154)
<b>Total comprehensive expenses for the period</b>		<b>(5,183,520)</b>	(10,381,761)

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Note	Three months ended 31 March	
		2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the parent		<b>(5,296,703)</b>	(9,014,105)
Non-controlling interests		<b>176,938</b>	(188,502)
		<b>(5,119,765)</b>	(9,202,607)
<b>Total comprehensive (expenses)/income for the period attributable to:</b>			
Owners of the parent		<b>(5,360,484)</b>	(10,193,655)
Non-controlling interests		<b>176,964</b>	(188,106)
		<b>(5,183,520)</b>	(10,381,761)
<b>Loss per share attributable to owners of the parent</b>			
Basic and diluted (HK cents)	6	<b>(9.24)</b>	restated (15.72)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Attributable to owners of the parent							Non-controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$		
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	-	-	-	-	-	(9,014,105)	(9,014,105)	(188,502)	(9,202,607)
Other comprehensive (expense)/ income for the period	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating of foreign operations	-	-	-	(1,179,550)	-	-	(1,179,550)	396	(1,179,154)
Total comprehensive expenses for the period	-	-	-	(1,179,550)	-	(9,014,105)	(10,193,655)	(188,106)	(10,381,761)
At 31 March 2020 (unaudited)	114,709,224	552,932,232	(176,467,450)	(2,454,793)	2,020,536	(274,912,075)	215,827,674	18,020,447	233,848,121
At 31 December 2020 and 1 January 2021 (audited)	573,546	552,932,232	(176,467,450)	(1,311,905)	2,020,536	(209,844,939)	167,902,020	17,094,556	184,996,576
(Loss)/Profit for the period	-	-	-	-	-	(5,296,703)	(5,296,703)	176,938	(5,119,765)
Other comprehensive (expense)/ income for the period	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating of foreign operations	-	-	-	(63,781)	-	-	(63,781)	26	(63,755)
Total comprehensive (expenses)/ income for the period	-	-	-	(63,781)	-	(5,296,703)	(5,360,484)	176,964	(5,183,520)
At 31 March 2021 (unaudited)	573,546	552,932,232	(176,467,450)	(1,375,686)	2,020,536	(215,141,642)	162,541,536	17,271,520	179,813,056

# NOTES TO THE FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2021

## 1 GENERAL INFORMATION

Cornerstone Financial Holdings Limited was incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, 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 and (iii) retail of skin care products (ceased business during the year ended 31 December 2019).

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

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial information for the three months ended 31 March 2021 (the "First Quarterly Financial Information") has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

The First Quarterly Financial Information should be read in conjunction with the annual report of the Group for the year ended 31 December 2020.

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

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning 1 January 2021.

In the current period, the Group has applied all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The adoption of new and amended HKFRSs do not have material impact on the First Quarterly Financial Information.

The Group has not early applied any new and amended HKFRSs and interpretations that have been issued but are not yet effective for the current accounting period.

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2021

### 3 REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	three months ended 31 March	
	2021 HK\$ (unaudited)	2020 HK\$ (unaudited)
Revenue from contract with customers	<b>8,673,544</b>	12,481,549
Revenue from other sources		
– Interest income from margin financing	<b>2,581,729</b>	3,286,922
	<b>11,255,273</b>	15,768,471

#### Geographical information

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

	three months ended 31 March					
	2021			2020		
	Segment revenue HK\$ (unaudited)	Intersegment sales HK\$ (unaudited)	Sales to external customers HK\$ (unaudited)	Segment revenue HK\$ (unaudited)	Intersegment sales HK\$ (unaudited)	Sales to external customers HK\$ (unaudited)
Hong Kong	<b>7,094,462</b>	<b>(305,951)</b>	<b>6,788,511</b>	8,568,224	(256,715)	8,311,509
Singapore	<b>4,466,762</b>	–	<b>4,466,762</b>	7,621,428	(164,466)	7,456,962
	<b>11,561,224</b>	<b>(305,951)</b>	<b>11,255,273</b>	16,189,652	(421,181)	15,768,471



## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2021

### 3 REVENUE AND SEGMENT INFORMATION (Continued)

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

The CODM regularly reviews revenue and results analysis of the Group’s operating segments. During the year ended 31 December 2020, the presentation of the Group’s operating segments are revised as the CODM considers that the operating segments could provide better summary to them in review the Group’s operating performance and making decision in resources allocation.

During the year ended 31 December 2020, the Group’s business segments in relation to the “Advertising and media” and the “film development, production and distribution” which were presented as separate operating segments in the prior years are considered as a single operating segment by the CODM. Accordingly, the information of these operations has been aggregated into a single operating segment which is reported as “Advertising and media” for segment reporting.

Following the revision of the Group’s business segments in last year ended, the Group had the following operating segments during the period ended 31 March 2021 and the comparative figures of the reportable segments have been restated for the purpose of presenting segment information.

- Advertising and media
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Retail of skin care products (ceased business during the year ended 31 December 2019)

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except that other income, other gains and losses, reversal of (impairment losses), finance costs, as well as head office and corporate expenses are excluded from such measurement.

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2021

### 3 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the three months ended 31 March 2021 and 2020 is as follows:

	Advertising and media HK\$ (Unaudited)	Retail of skin care products HK\$ (Unaudited)	Financial services HK\$ (Unaudited)	Unallocated HK\$ (Unaudited)	Total HK\$ (Unaudited)
<b>Three months ended 31 March 2021</b>					
Segment revenue	8,434,796	–	2,820,477	–	11,255,273
Segment results	(2,369,440)	(8,530)	746,691	–	(1,631,279)
<b>Other segment information:</b>					
Depreciation of property, plant and equipment	(335,900)	–	(26,124)	(32,279)	(394,303)
Depreciation of right-of-use assets	(1,880,760)	–	(247,368)	–	(2,128,128)
Capital expenditure	(246,365)	–	–	–	(246,365)
<b>Three months ended 31 March 2020</b>					
Segment revenue	12,447,732	–	3,320,739	–	15,768,471
Segment results	(2,773,222)	(12,664)	781,632	–	(2,004,254)
<b>Other segment information:</b>					
Depreciation of property, plant and equipments	(561,441)	–	(53,182)	(140,122)	(754,745)
Depreciation of right-of-use assets	(2,926,422)	–	(280,005)	(725,235)	(3,931,662)
Capital expenditure	(534,952)	–	(10,662)	–	(545,614)

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2021

### 4 INCOME TAX EXPENSES

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits, except for one subsidiary of the group which is a 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 of HK\$243,590 has been made in these unaudited condensed consolidated accounts for the three months ended 31 March 2021 (three months ended 31 March 2020: HK\$247,000).

### 5 DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

### 6 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

#### (a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the parent for the three months ended 31 March 2021 of HK\$5,296,703 (three months ended 31 March 2020: loss of HK\$9,014,105) and the weighted average of 57,354,612 ordinary shares (three months ended 31 March 2020: 57,354,612 shares after the adjustment as set out in below note) in issue during the three months ended 31 March 2021.

	Three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the parent (HK\$)	<b>(5,296,703)</b>	(9,014,105)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share (number of share)	<b>57,354,612</b>	(restated) 57,354,612

# NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2021

## 6 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (Continued)

### (a) Basic (Continued)

Note:

Pursuant to an ordinary resolution 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 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 November 2020.

### (b) Diluted

No diluted loss per share has been presented as there was no dilutive ordinary shares outstanding during the three months ended 31 March 2021 and 2020.

## 7 SUBSEQUENT EVENTS

On 30 April 2021, the Company entered into a placing agreement with ChaoShang Securities Limited for the Share Placement of 11,448,000 new shares at HK\$0.22 per share to not less than seven placees who and whose ultimate beneficial owners shall be independent third parties of the Company. The gross proceeds from the Share Placement would be approximately HK\$2.52 million and the net proceeds amount to HK\$2.37 million would be applied to develop the margin financing business. As the terms and conditions of the placing agreement were not fulfilled, the Share Placement was lapse on 14 May 2021.

## 8 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL INFORMATION

The unaudited condensed consolidated first quarterly financial information was approved by the Board on 14 May 2021.

## OTHER INFORMATION

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

Save as disclosed below, as at 31 March 2021, no Directors or chief executive of the Company had or was deemed to have interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the required standard of dealings by the Directors:

### Long positions in the ordinary shares of HK\$0.01 each in the Company (the "Shares"), underlying Shares and debentures 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)
An Xilei	Interest of controlled corporation (Note 2)	17,000,000	–	17,000,000	29.64%
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%
Chan Chi Keung Alan	Beneficial owner	–	4,281	4,281	0.01%

Notes:

1. 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.
2. These Shares are directly held by Profit Cosmo Group Limited ("PCG"), 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.
3. 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.
4. 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 31 March 2021.

## OTHER INFORMATION (CONTINUED)

Save that (i) Mr. An is a director of PCG; and (ii) Mr. Wong is a director of iMHA and iMediaHouse.com Limited, as at 31 March 2021, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 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 31 March 2021, share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme were 25,688 and 18,848 respectively.

The Pre-IPO Share Option Scheme has a validity period of ten years commencing from the date of adoption and was expired on 26 March 2021. On expiry of the scheme period, no further options shall be granted but all options granted and accepted prior to such expiry shall continue to be valid and exercisable in accordance with the terms and conditions of the Pre-IPO Share Option Scheme.

The Share Option Scheme has a validity period of ten years commencing from the date of adoption and was expired on 26 March 2021. On expiry of the scheme period, no further options shall be granted but options remaining outstanding after the end of the scheme period shall remain in full force and effect in accordance with the terms and conditions of the Share Option Scheme.

During the three months ended 31 March 2021, 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

Save as disclosed below, as at 31 March 2021, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies (other than a Director or a chief executive of the Company) had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

## OTHER INFORMATION (CONTINUED)

### Long positions in the Shares and underlying Shares

Name of Shareholders	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company (Note 3)
PCG (Note 1)	Beneficial owner	17,000,000	29.64%
Mr. Liu Yanhong (Note 1)	Interest of controlled corporation	17,000,000	29.64%
iMHA (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 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 which is in turn wholly owned by Mr. Wong. The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. iMediaHouse.com Limited 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 31 March 2021.

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

During the three months ended 31 March 2021, 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 three months ended 31 March 2021, none of the Directors or 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.

## OTHER INFORMATION (CONTINUED)

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors, having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31 March 2021.

### CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules.

### AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2021 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the first quarterly financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Cornerstone Financial Holdings Limited**  
**Gao Ran**  
*Chairman and Executive Director*

Hong Kong, 14 May 2021

*As at the date of this report, the Board comprises Mr. Gao Ran (Chairman), Mr. An Xilei (Deputy Chairman), Mr. Wong Hong Gay Patrick Jonathan and Mr. Mock Wai Yin 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

