



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

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 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. During the Reporting Period, the Group recorded an overall revenue of approximately HK\$40 million and net loss of the Company of approximately HK\$13 million. It is observed that the COVID-19 pandemic continues to affect business and social activities and causes economic uncertainties. Correspondingly, the overall performance and financial results of the Group for the Reporting Period was being affected. As for the Group’s advertising and media business, the revenue amounted to approximately HK\$31 million for the Reporting Period (nine months ended 30 September 2020: HK\$28 million) and has not yet recovered to pre-COVID-19 pandemic level of approximately HK\$62 million for the nine months ended 30 September 2019. As for the Group’s financial services business, it was observed that despite the impact of pandemic to the general economic environment, local stock trading activities remained energetic and had not been weakened to a significant deteriorating level. The management is cautiously optimistic that the economy would eventually progress positively after measures implemented by different countries to manage and control pandemic. It is noted that the Hong Kong Government has expressed a direction to make active efforts to meet with the guidelines provided by PRC authorities with an aim to ease the border restrictions such as waiving the quarantine period. In the event that such policy becomes successful, the Company may benefit from additional clients from the mainland. The Company will review its marketing efforts and aim to optimize business opportunities that may be created to grow the Group’s financial services business and to improve the Group’s performance. The management shall continue to explore opportunities to raise capital and income sources such as acting as placing agents or underwriters and providing other value-added financial services. The management shall also explore opportunities from its film assets, in the light of recent release of superhero movies. The Group’s business review and prospects are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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\$3 million. Margin financing business was the key income stream for the Group's financial services business and approximately HK\$125 million margin loan financing was granted to margin account clients as at 30 September 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 the interest income from margin financing business constituted 78% of CSL's revenue for the Reporting Period. 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 believed that it is important to explore opportunities to expanding amongst others, its margin financing business as CSL has a potential client base of high net worth individuals in the People's Republic of China ("PRC"). As explained by CSL, they have received enquiries from clients for the granting of new margin loans and they believed that once the regulatory bodies uplift or relax border restrictions, there would be an influx of potential investors from the PRC. Furthermore, the Hong Kong Government is keen to coordinate with the PRC authorities to ease the border restrictions such as waiving the quarantine period, if success, the PRC clients would be more eager to visit Hong Kong. It would create business opportunities to the Group's financial services business and it is believed that the performance would be improved accordingly. Base on the expected demand for margin facilities and as part of its business expansion plan, the Company proposed a rights issue in January 2021 and a share placement in April 2021, however, both of them did not complete. The Management of CSL reported that after considering the compliance requirements, the room for granting new margin loans is insignificant as compared to the potential demands raised by margin clients, unless there are additional settlement by margin clients or the Company could raise additional funds. To support, sustain and help to grow the Group's business, the Company will continue to monitor the changing environment and to review and explore different fund raising options at different points of time. Despite the pandemic, the Management remains confident with the future prospect of the financial service business. With the support of an experienced management team, it is believed that the financial service segment will continue to contribute to the financial results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021	Nine months ended 30 September 2020
Hong Kong	Office, Commercial and Residential Network	1,040	1,046
Singapore	Office and Commercial Network	509	516
Total number of venues		1,549	1,562

As of 30 September 2021, the Group has deployed its branded flat-panel displays at 1,549 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 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)

The performance of the Group's advertising and media business continued to be severely affected by the COVID-19 pandemic; most recently in particular due to the ongoing default "Work-from-Home" (WFH) which were re-imposed in Singapore with effect from 19 July to 8 August 2021 and then again on 27 September to 24 October 2021 in order to minimize the risk of community spread. Social interactions and activities that involve large gatherings are also calibrated to minimize the risk of transmission. Dinning out has been limited to just two per table. Most recently the city has been hit by 2,000-3,000 community cases on a daily basis. In Hong Kong, business is slowly picking up as the city has seen only single digit community cases in the past months. Moving forward it really depends on how long more will the restrictions be lifted in Singapore and when the latest outbreak will be contained. As well, it also depends if there will be any new outbreaks in Hong Kong in the coming months. The Group's performance is only expected to improve if and when social distancing/gathering and WFH restrictions are lifted in Singapore, and in Hong Kong.

FINANCIAL REVIEW AND HIGHLIGHTS

	Nine months ended 30 September		% Change
	2021 HK\$ (unaudited)	2020 HK\$ (unaudited)	
Revenue	40,169,006	37,766,238	6%
Gross profit	26,420,047	24,990,593	6%
EBITDA ^(Note)	(3,395,649)	1,832,735	N/A
Net loss	(13,063,014)	(20,951,465)	N/A

Note: EBITDA represents profit/(loss) before finance costs, income tax, depreciation of property, plant and equipment and right-of-use assets, gain/(loss) on disposal of property, plant and equipment, gain on termination of lease contracts, 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.

The Group's revenue for the nine months ended 30 September 2021 was approximately HK\$40 million, representing an increase of approximately 6% over the corresponding period of the previous year. The increase in the Group's revenue is mainly due to the continuing improvement of business sentiment in Hong Kong and Singapore as compared to last year. The overall revenue from the advertising and media services business are gradually improving, representing an increase of approximately 11% over the corresponding period of the previous year as the epidemic situation in Hong Kong has remained stable over the past few months, however, the situation in Singapore continued to be affected by the COVID-19 pandemic as the default "Work-from-Home" measurement was re-imposed during the third quarter of 2021 that its business operation temporarily halted again. As for the Group's financial services business, the revenue declined from approximately HK\$10.2 million in 2020 to HK\$9.6 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the nine months ended 30 September 2021 was approximately HK\$26.4 million, representing an increase of approximately 6% over the corresponding period of the previous year. The Group's gross profit margin was maintained at approximately 66% in both Reporting Period.

The Group's administrative expenses for the nine months ended 30 September 2021 was approximately HK\$38.2 million, representing a decrease of approximately 15% over the corresponding period of the previous year. The decrease in the Group's administrative expenses is primarily due to the reduction in operating expenses especially in staff costs and marketing expenses. During the Reporting Period, the Company's administrative expenses included some rights issue and share placing related expenses amounted to approximately HK\$2 million.

The Group's negative EBITDA amounted to approximately HK\$3.4 million for the nine months ended 30 September 2021 as compared to the Group's EBITDA amounted to approximately HK\$1.8 million for the corresponding period of the previous year.

Loss per share for the nine months ended 30 September 2021 was approximately HK cents 23.79 as compared to a loss per share of HK cents 36.57 for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$13.6 million for the nine months ended 30 September 2021 as compared to a loss attributable to owners of the parent of approximately HK\$21 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 2021, the Group had net current assets of approximately HK\$162 million (31 December 2020: HK\$177 million) and cash and cash equivalents of approximately HK\$75 million (31 December 2020: HK\$83 million).

GEARING RATIO

The gearing ratio of the Group, calculated as total debt over total capital, was approximately 1.6% as at 30 September 2021 (31 December 2020: 1.6%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE

For the nine months ended 30 September 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.

CAPITAL STRUCTURE

The shares of the Company have been listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 30 September 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 ("Shares(s)"), of which 57,354,612 Shares were in issue. On 27 January 2021, the Company proposed a rights issue on the basis of four rights shares for every one share held by the shareholders of the Company at the subscription price of HK\$0.142 per rights share. The proposed rights issue was not approved by the shareholders of the Company at the extraordinary general meeting on 22 March 2021. On 30 April 2021, the Company entered into a placing agreement with Chaoshang Securities Limited for the share placement of 11,448,000 shares under general mandate. As the terms and conditions of the placing agreement were not fulfilled, the share placement was lapsed on 14 May 2021.

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 2021 (nine month ended 30 September 2020: Nil).

INFORMATION ON EMPLOYEES

As at 30 September 2021, the Group had 57 employees (31 December 2020: 73 employees), including the executive directors. Total staff costs of the Group (including directors' emoluments) for the nine months ended 30 September 2021 were approximately HK\$21 million (nine months ended 30 September 2020: HK\$28 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 included contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, joint ventures and an associate, the Group held approximately HK\$0.1 million listed investments as at 30 September 2021 (31 December 2020: HK\$0.7 million).

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

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

CHARGES OF ASSETS

As at 30 September 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 30 September 2021 (31 December 2020: Nil).

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

The Board is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2021 together with comparative unaudited figures for the corresponding period ended 30 September 2020, as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$ (unaudited)	2020 HK\$ (unaudited)	2021 HK\$ (unaudited)	2020 HK\$ (unaudited)
REVENUE	3	13,524,732	11,527,722	40,169,006	37,766,238
Cost of services		(4,807,830)	(4,125,935)	(13,748,959)	(12,775,645)
GROSS PROFIT		8,716,902	7,401,787	26,420,047	24,990,593
Other income		216,746	3,821,910	984,154	7,301,757
Other gains and losses		(498,320)	(1,853,280)	(174,720)	(6,315,366)
Administrative expenses		(15,350,225)	(14,761,919)	(38,203,319)	(44,818,981)
Finance costs		(282,385)	(275,668)	(842,922)	(865,468)
LOSS BEFORE TAX		(7,197,282)	(5,667,170)	(11,816,760)	(19,707,465)
Income tax expenses	4	(424,543)	(455,000)	(1,246,254)	(1,244,000)
LOSS FOR THE PERIOD		(7,621,825)	(6,122,170)	(13,063,014)	(20,951,465)
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(13,761)	416,910	(70,423)	(408,339)
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX		(13,761)	416,910	(70,423)	(408,339)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD		(7,635,586)	(5,705,260)	(13,133,437)	(21,359,804)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$ (unaudited)	2020 HK\$ (unaudited)	2021 HK\$ (unaudited)	2020 HK\$ (unaudited)
(LOSS)/PROFIT FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owners of the parent		(7,789,654)	(6,184,741)	(13,644,019)	(20,974,393)
Non-controlling interests		167,829	62,571	581,005	22,928
		(7,621,825)	(6,122,170)	(13,063,014)	(20,951,465)
TOTAL COMPREHENSIVE					
(EXPENSES)/INCOME FOR THE					
PERIOD ATTRIBUTABLE TO:					
Owners of the parent		(7,803,266)	(5,768,250)	(13,714,212)	(21,383,988)
Non-controlling interests		167,680	62,990	580,775	24,184
		(7,635,586)	(5,705,260)	(13,133,437)	(21,359,804)
LOSS PER SHARE					
Basic and diluted (HK cents)	6	(13.58)	(10.78)	(23.79)	(36.57)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

	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 reserve HK\$	Share option reserve HK\$	Accumulated losses 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)/Profit for the period	-	-	-	-	-	(20,974,393)	(20,974,393)	22,928	(20,951,465)
Other comprehensive (expenses)/income for the period:									
Exchange difference on translating of foreign operations	-	-	-	(409,595)	-	-	(409,595)	1,256	(408,339)
Total comprehensive (expenses)/income for the period	-	-	-	(409,595)	-	(20,974,393)	(21,383,988)	24,184	(21,359,804)
Capital reduction	(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
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	-	-	-	-	-	(13,644,019)	(13,644,019)	581,005	(13,063,014)
Other comprehensive (expense)/ income for the period:									
Exchange difference on translating of foreign operations	-	-	-	(70,193)	-	-	(70,193)	(230)	(70,423)
Total comprehensive (expenses)/ income for the period	-	-	-	(70,193)	-	(13,644,019)	(13,714,212)	580,775	(13,133,437)
At 30 September 2021 (unaudited)	573,546	552,932,232	(176,467,450)	(1,382,098)	2,020,536	(223,488,958)	154,187,808	17,675,331	171,863,139

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the “Company”) 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).

The Company’s share is 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 2021 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”) and the Hong Kong Companies Ordinance.

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 2020.

These unaudited condensed consolidated third quarterly financial information are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

Changes in accounting policy and disclosures

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these unaudited condensed consolidated third quarterly financial information for the current accounting period:

Amendments to HKFRS 16	COVID-19-related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except the adoption of the Amendments to HKFRS 16 is discussed below:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

Changes in accounting policy and disclosures (Continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The application of the amendment had no impact to the opening retained profits at 1 January 2021. During the reporting period, the Group recognised the COVID-19-related rent concessions amounted to HK\$3,755,021 in the profit or loss. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$3,755,021, which has been recognised as variable lease payments in profit or loss for the current period.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue for the nine months ended 30 September 2021 and 2020 is as follows:

	Nine months ended 30 September	
	2021 HK\$ (unaudited)	2020 HK\$ (unaudited)
Revenue from contract with customers	32,622,900	27,728,096
Revenue from other sources	7,546,106	10,038,142
	40,169,006	37,766,238

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					
	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	26,867,683	(664,350)	26,203,333	26,243,154	(755,200)	25,487,954
Singapore	13,965,673	–	13,965,673	12,442,715	(164,431)	12,278,284
	40,833,356	(664,350)	40,169,006	38,685,869	(919,631)	37,766,238

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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 30 September 2021 and the comparative figures of the reportable segments have been restated and adjusted appropriately 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 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 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)
for the nine months ended 30 September 2021					
Segment revenue	30,552,886	–	9,616,120	–	40,169,006
Segment results	(3,515,931)	(28,746)	3,469,456	–	(75,221)
Other segment information:					
Depreciation of property, plant and equipment	(927,157)	–	(24,084)	(32,278)	(983,519)
Depreciation of right-of-use assets	(5,836,922)	–	(742,103)	(269,530)	(6,848,555)
Capital expenditure	(375,110)	–	–	–	(375,110)
for the nine months ended 30 September 2020					
Segment revenue	27,501,760	–	10,264,478	–	37,766,238
Segment results	(12,260,541)	(33,160)	3,142,129	–	(9,151,572)
Other segment information:					
Depreciation of property, plant and equipment	(1,856,539)	–	(160,013)	(407,877)	(2,424,429)
Depreciation of right-of-use assets	(8,942,144)	–	(840,016)	(2,175,706)	(11,957,866)
Gain on termination of lease contracts	68,154	–	–	–	68,154
Capital expenditure	(3,086,122)	–	(14,761)	–	(3,100,883)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. INCOME TAX EXPENSES

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective rate of 16.5% (2020: 16.5%) to the nine months ended 30 September 2021, 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 2020.

The provision for Hong Kong profits tax of HK\$1,246,254 has been made in these unaudited condensed consolidated accounts for the nine months ended 30 September 2021 (nine months ended 30 September 2020: HK\$1,244,000).

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: 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\$13,644,019 (nine months ended 30 September 2020: loss of HK\$20,974,393) and the weighted average of 57,354,612 (nine months ended 30 September 2020: 57,354,612) ordinary shares in issue during the period ended 30 September 2021.

(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 2021 and 2020.

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 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 30 September 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 (Note 2)	Beneficial owner	6,800,000	–	6,800,000	11.86%
Wong Hong Gay Patrick Jonathan (Note 3)	Beneficial owner	–	4,281	4,281	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. On 16 September 2021, Profit Cosmo Group Limited ("PCG") transferred 17,000,000 Shares to its beneficial owners, namely Mr. Liu Yanhong and Mr. An Xilei ("Mr. An") according to their respective shareholding percentages in PCG for nil consideration, which resulted in 6,800,000 Shares transferred to Mr. An.
3. On 13 August 2021, iMediaHouse Asia Limited ("iMHA") disposed of 3,453,990 Shares on the market and ceased to have interest in those Shares. Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong") had deemed interest in those Shares through iMHA, and such deemed interest ceased accordingly.
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 30 September 2021.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 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. Both the Pre-IPO Share Option Scheme and the Share Option Scheme were expired on 26 March 2021. 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 respective schemes.

On 27 July 2021, 25,688 options under the Pre-IPO Share Option Scheme lapsed and were cancelled in accordance with its terms and conditions. As at 30 September 2021, there were no outstanding options under the Pre-IPO Share Option Scheme and 18,848 options under the Share Option Scheme at the exercise price of HK\$55.540 per share remained outstanding and unexercised.

During the nine months ended 30 September 2021, the Company has not adopted any new 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 30 September 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:

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 2)
Liu Yanhong (Note 1)	Beneficial owner	10,200,000	17.78%



OTHER INFORMATION (CONTINUED)

Notes:

1. On 16 September 2021, Profit Cosmo Group Limited (“PCG”) transferred 17,000,000 Shares to its beneficial owners, namely Mr. Liu Yanhong (“Mr. Liu”) and Mr. An Xilei according to their respective shareholding percentages in PCG for nil consideration, which resulted in 10,200,000 Shares transferred to Mr. Liu.

Mr. Liu disposed of 5,040,000 Shares in aggregate on the market on 22 October 2021 and 25 October 2021 respectively. Thereafter and up to the date of this report, the number of Shares held by Mr. Liu was 5,160,000 as recorded in the register of interest required to be kept by the Company under Section 336 of the SFO.

2. 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 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the nine months ended 30 September 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 nine months ended 30 September 2021, 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 2021.

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 2021, the Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules.

OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2021 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
Gao Ran
Chairman and Executive Director

Hong Kong, 11 November 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, Ms. Lau Mei Ying and Mr. Wong Man Hong as independent non-executive Directors.



基石金融控股有限公司

CORNERSTONE FINANCIAL HOLDINGS LIMITED

