



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

2022

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 2022 (the “Reporting Period”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in 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. It is observed that the COVID-19 pandemic continues to affect business and social activities and causes economic uncertainties, in particular, the outbreak of the fifth wave of COVID-19 in Hong Kong during the first quarter of 2022. Correspondingly, the overall performance and financial results of the Group for the Reporting Period has been affected. During the Reporting Period, the Group recorded an overall revenue of HK\$10.7 million and net loss of the Group of approximately HK\$6.8 million. As for the Group’s advertising and media business, the revenue amounted to approximately HK\$8.6 million for the Reporting Period and has not yet recovered to the pre-COVID-19 pandemic level during the corresponding period in 2019. As for the Group’s financial services, the revenue amounted to approximately HK\$2 million for the Reporting Period. To support the development of the financial services business, the Company proposed a rights issue (the “Rights Issue”) to raise gross proceed of approximately HK\$65 million in January 2022 and the Rights Issue was completed in April 2022. In the future, the Company shall continue its efforts in the advertising and media business and to explore opportunities from its film assets under the existing challenging business environment caused by the prolonged epidemic situation. The management is cautiously optimistic that the economy would eventually progress positively after measures implemented by the government to manage and control pandemic and that the business prospects of the Group would improve in the future. The details of 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 services business amounted to approximately HK\$2 million. Margin financing business was the key income stream for the Group’s financial services business and margin loan financing of approximately HK\$97 million was granted to margin account clients as at 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 the margin financing business contributed more than 93% of CSL’s revenue for the Reporting Period. Fundamentally, contribution from margin financing business is significant for a securities company. CSL believed that it is important to explore opportunities to expand among 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 noted from CSL, there have been ongoing enquiries from clients for granting of new margin loans. Because of such business demand, CSL believed that it is necessary to prepare and equip itself to get hold of the opportunities arise from the uplift of border restrictions and the relaxation of quarantine period as they expected that there would be an influx of potential investors from the PRC and hopefully, these PRC clients would benefit the development of the Group’s financial services business. After taking into account the need to comply with the regulatory requirements of the securities business, the CSL management considered the room for granting new margin loans is very limited, unless there are additional settlement by CSL margin clients or the Group could raise additional funds for the financial services business. Accordingly, the Company has been exploring various ways to increase the financial resources of CSL for furtherance of its business. Based on the expected demand for margin facilities and as part of CSL’s business expansion plan, the Company proposed the Rights Issue in January 2022, which has been approved by the independent Shareholders on 22 March 2022 and subsequently completed in April 2022. For details of the Rights Issue, please refer to the relevant announcements and publications.

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 2022	Three months ended 31 March 2021
Hong Kong	Office, Commercial and Residential Network	1,063	1,018
Singapore	Office and Commercial Network	501	501
Total number of venues		1,564	1,519

As of 31 March 2022, the Group has deployed its branded flat-panel displays at 1,564 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group continued to upgrade the flat-panel displays in Singapore to programmatic digital out of home (“pDOOH”) to meet the demand from advertisers to have the flexibility, efficiency and audience targeting capabilities. Programmatic advertising refers to any sort of digital advertising bought via an automated media buying platform such as Hivestack and Vistar, rather than traditional media buying process. This initiative now opens up the buying of airtime under specified conditions, allowing buyers to bid for airtime based on key criteria, like views, clicks, or footfall. The Group will continue to upgrade the network in Singapore progressively and anticipate pDOOH to be a huge growth area over the next few years.

In addition to the flat-panel displays, the Group’s OOH large format media network in Hong Kong consists of nine sites of which eight 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 eight 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 three LED panels namely 3 Matheson Street in Causeway Bay, 53 Carnarvon Road in Tsim Sha Tsim and Le Diamant in Mongkok. Causeway Bay, Tsim Sha Tsui and Mongkok are amongst the busiest shopping and dining districts in Hong Kong.

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 in naked eye 3D format. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

Furthermore, 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

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.

The performance of the Group’s advertising and media business continued to be severely affected by the COVID-19 pandemic. In Hong Kong, social distancing restrictions were enforced in early January at the beginning of the 5th wave which is also the worst wave of the Hong Kong’s COVID-19 pandemic. The situation has remained at “a stable level” in April and the restrictions began to ease on 21 April 2022. Business in Hong Kong is expected to pick up as the restrictions are lifted in three phases over a period of three months. However, it also depends on whether the easing of the restrictions will trigger another wave of infections. In Singapore, almost all Covid-19 restrictions were lifted on 26 April. Wearing of face mask is still mandatory but only for indoors. With this, business in Singapore is expected to pick up pace and significantly contribute to the recovery of the Group’s advertising and media business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Review and Highlights

	Three months ended 31 March		% Change
	2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)	
Revenue	10,657,918	11,255,273	-5%
Gross profit	6,770,098	7,073,943	-4%
EBITDA ^(Note)	(3,790,659)	(2,236,809)	N/A
Net loss	(6,754,636)	(5,119,765)	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 profit/(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 three months ended 31 March 2022 was approximately HK\$10.7 million, representing a decrease of approximately 5% over the corresponding period of the previous year. The overall performance and financial results of the Group for the Reporting Period was affected by the 5th wave of COVID-19 pandemic. As for the Group's advertising and media business, the revenue amounted to approximately HK\$8.6 million for the Reporting Period and has not yet recovered to the pre-COVID-19 pandemic level during the corresponding period in 2019. As for the Group's financial services, the revenue amounted to approximately HK\$2 million for the Reporting Period.

The Group's gross profit for the three months ended 31 March 2022 was approximately HK\$6.8 million, representing a decrease of approximately 4% over the corresponding period of the previous year.

The Group's administrative expenses for the three months ended 31 March 2022 was approximately HK\$13.0 million (three months ended 31 March 2021: approximately HK\$12.1 million).

The Group's negative EBITDA amounted to approximately HK\$3.8 million for the three months ended 31 March 2022 as compared to the Group's negative EBITDA amounted to approximately HK\$2.2 million for the corresponding period of the previous year. The Group recorded a loss attributable to owners of the Company of approximately HK\$6.9 million for the three months ended 31 March 2022 as compared to a loss attributable to owners of the Company of approximately HK\$5.3 million for the corresponding period of the previous year. The above changes in EBITDA and loss were due to decrease in revenue and gross profit and increase in administrative expenses respectively.

Loss per share for the three months ended 31 March 2022 was approximately HK cents 12.05 as compared to a loss per share of HK cents 9.24 for the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its daily operations from internally generated resources. As at 31 March 2022, the Group had net current assets of approximately HK\$156 million (31 December 2021: net current assets of HK\$165 million) and cash and cash equivalents of approximately HK\$92 million (31 December 2021: HK\$102 million).

CAPITAL RAISING

On 21 January 2022, the Company announced the Rights Issue on the basis of three rights shares for every one share held by the shareholders of the Company on the record date of 3 April 2022 to issue 172,063,836 new shares at the subscription price of HK\$0.38 each. Completion of the Rights Issue took place on 26 April 2022 and the Group raised gross proceeds of approximately HK\$65.38 million from the Rights Issue. The Company intends to apply the net proceeds from the Rights Issue according to the use of proceeds as set out in the prospectus of the Company dated 4 April 2022 and will update the application of Rights Issue proceeds pursuant to the requirements of the GEM Listing Rules in due course. For details of the Rights Issue, please refer to the relevant announcements and publications of the Company.

GEARING RATIO

The gearing ratio of the Group, calculated as total debt over total capital, was approximately 2.2% as at 31 March 2022 (31 December 2021: approximately 2.3%).

FOREIGN EXCHANGE

For the reporting period ended 31 March 2022, 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 Reporting Period, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 31 March 2022, 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 (the "Share(s)"), of which 57,354,612 Shares were in issue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Immediately upon completion of the Rights Issue, 172,063,836 new shares were issued as fully paid pursuant to the Rights Issue on 26 April 2022. Accordingly, the issued share capital of the Company was enlarged to HK\$2,294,184.48 with 229,418,448 Shares in issue.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2022, the Group had 55 employees (31 December 2021: 55 employees), including the executive directors. Total staff costs (including directors' emoluments) were approximately HK\$7.6 million for the three months ended 31 March 2022 (three months ended 31 March 2021: HK\$6.7 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries and an associate, the Group did not hold any significant investment in equity interest in any company during the three months ended 31 March 2022.

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 2022, the Group did not have any charges on its assets (31 December 2021: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2022 (31 December 2021: Nil).

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

FOR THE THREE MONTHS ENDED 31 MARCH 2022

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022 together with comparative unaudited figures for the corresponding period ended 31 March 2021 as follows:

	Note	Three months ended 31 March	
		2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)
Revenue	3	10,657,918	11,255,273
Cost of services		(3,887,820)	(4,181,330)
Gross profit		6,770,098	7,073,943
Other income		114,606	371,394
Other gains and losses		(85,800)	50,800
Administrative expenses		(13,004,620)	(12,078,439)
Finance costs		(344,444)	(293,873)
Loss before tax		(6,550,160)	(4,876,175)
Income tax expenses	4	(204,476)	(243,590)
Loss for the period		(6,754,636)	(5,119,765)
Other comprehensive (expenses)/income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		26,273	(63,755)
Other comprehensive income/(expenses) for the period, net of tax		26,273	(63,755)
Total comprehensive expenses for the period		(6,728,363)	(5,183,520)

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

FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Note	Three months ended 31 March	
		2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)
(Loss)/Profit for the period attributable to:			
Owners of the Company		(6,913,730)	(5,296,703)
Non-controlling interests		159,094	176,938
		(6,754,636)	(5,119,765)
Total comprehensive (expenses)/income for the period attributable to:			
Owners of the Company		(6,887,190)	(5,360,484)
Non-controlling interests		158,827	176,964
		(6,728,363)	(5,183,520)
Loss per share			
Basic and diluted (HK cents)	6	(12.05)	(9.24)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Attributable to owners of the Company						Sub-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 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 (expenses)/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
At 31 December 2021 and 1 January 2022 (audited)	573,546	552,932,232	(176,467,450)	(1,357,963)	-	(223,365,595)	152,314,770	18,334,062	170,648,832
(Loss)/Profit for the period	-	-	-	-	-	(6,913,730)	(6,913,730)	159,094	(6,754,636)
Other comprehensive (expenses)/income for the period	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating of foreign operations	-	-	-	26,540	-	-	26,540	(267)	26,273
Total comprehensive (expenses)/income for the period	-	-	-	26,540	-	(6,913,730)	(6,887,190)	158,827	(6,728,363)
At 31 March 2022 (unaudited)	573,546	552,932,232	(176,467,450)	(1,331,423)	-	(230,279,325)	145,427,580	18,492,889	163,920,469

NOTES TO THE FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2022

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) provision of financial services, mainly including securities dealings and brokerage services and margin financing services, (ii) provision of advertising and media services, including film development, production and distribution and (iii) retail of skin care products (ceased business during the year ended 31 December 2019 and remains inactive during the period ended 31 March 2022).

The unaudited condensed consolidated first quarterly financial information has 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 2022 (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 2021.

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 2021, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning 1 January 2022.

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 2022

3 REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	three months ended 31 March	
	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Revenue from contract with customers	8,744,580	8,673,544
Revenue from other sources		
– Interest income from margin financing	1,913,338	2,581,729
	10,657,918	11,255,273

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					
	2022			2021		
	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	5,723,303	–	5,723,303	7,094,462	(305,951)	6,788,511
Singapore	4,934,615	–	4,934,615	4,466,762	–	4,466,762
	10,657,918	–	10,657,918	11,561,224	(305,951)	11,255,273

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2022

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.

Management regularly reviews the operating results from a perspective of different activities and assesses the performance of each operating segment. During the period ended 31 March 2022 and 2021, the Group had the following operating segments:

- Advertising and media
- Financial services, mainly including securities dealings and brokerage business and margin financing business
- Retail of skin care products (ceased business during the year ended 31 December 2019 and remains inactive during the period ended 31 March 2022)

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The segment results are measured at Group’s loss before tax except that other income, other gains and losses as well as head office and corporate expenses.

The segment information provided to the CODM for the reportable segments for the three months ended 31 March 2022 and 2021 is as follows:

	Advertising and media HK\$ (Unaudited)	Financial services HK\$ (Unaudited)	Retail of skin care products HK\$ (Unaudited)	Unallocated HK\$ (Unaudited)	Total HK\$ (Unaudited)
for the three months ended 31 March 2022					
Segment revenue	8,614,294	2,043,624	–	–	10,657,918
Segment results	(2,321,160)	(22,313)	(12,011)	–	(2,355,484)
Corporate and unallocated income					114,606
Corporate and unallocated expenses					(4,309,282)
Loss before tax					(6,550,160)
Other segment information:					
Depreciation of property, plant and equipment	(228,094)	(6,675)	–	–	(234,769)
Depreciation of right-of-use assets	(1,748,055)	(246,666)	–	(258,862)	(2,253,583)
Fair value loss on equity investment at fair value through profit or loss	–	(85,800)	–	–	(85,800)
Capital expenditure	(29,965)	(24,399)	–	–	(54,364)

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2022

3 REVENUE AND SEGMENT INFORMATION (Continued)

	Advertising and media HK\$ (Unaudited)	Financial services HK\$ (Unaudited)	Retail of skin care products HK\$ (Unaudited)	Unallocated HK\$ (Unaudited)	Total HK\$ (Unaudited)
for the three months ended 31 March 2021					
Segment revenue	8,434,796	2,820,477	–	–	11,255,273
Segment results	(2,369,440)	746,691	(8,530)	–	(1,631,279)
Corporate and unallocated income					422,194
Corporate and unallocated expenses					(3,667,090)
Loss before tax					(4,876,175)
Other segment information:					
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)

4 INCOME TAX EXPENSES

The provision for Hong Kong profits tax for 2022 is calculated at 16.5% (2021: 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\$204,476 has been made in these unaudited condensed consolidated accounts for the three months ended 31 March 2022 (three months ended 31 March 2021: HK\$243,590).

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2022

5 DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

6 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company of for the three months ended 31 March 2022 of HK\$6,913,730 (three months ended 31 March 2021: loss of HK\$5,296,703) and the weighted average of 57,354,612 ordinary shares (three months ended 31 March 2021: 57,354,612) in issue during the three months ended 31 March 2022.

(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 2022 and 2021.

7 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL INFORMATION

The unaudited condensed consolidated first quarterly financial information was approved by the Board on 12 May 2022.

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 2022, 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 as at 31 March 2022

Name of Directors	Nature of interests	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholding in the Company
An Xilei (Note 1)	Beneficial owner	6,800,000	–	6,800,000	11.86% (Note 2)

Notes:

1. Upon completion of the Rights Issue on 26 April 2022, the number of shares in issue was enlarged from 57,354,612 Shares to 229,418,448 Shares. As Mr. An Xilei did not take up his rights entitlement under the Rights Issue, the percentage of his shareholding in the Company reduces from approximately 11.86% to approximately 2.96% accordingly.
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 31 March 2022.

Save as disclosed above, as at 31 March 2022, 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

Since the expiration of the then share option schemes of the Company in March 2021, the Company has not adopted any new share option scheme. Further, all outstanding and unexercised options granted under the expired share option schemes lapsed and were cancelled in 2021 in accordance with the terms and conditions of the respective schemes. Accordingly, the Company had neither any share option scheme nor any outstanding share options as at 31 March 2022 up to the date of this report.

OTHER INFORMATION (CONTINUED)

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 2022, 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 as at 31 March 2022

Name of Shareholders	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company
Mr. Liu Yanhong (Note 1)	Beneficial owner	5,160,000	9.00% (Note 2)
Koala Securities Limited (Note 3)	Underwriter	86,031,918	37.50% (Note 4)
Supreme China Securities Limited (Note 3)	Underwriter	86,031,918	37.50% (Note 4)

Notes:

1. Upon completion of the Rights Issue on 26 April 2022, the number of shares in issue was enlarged from 57,354,612 Shares to 229,418,448 Shares. As Mr. Liu Yanhong did not take up his rights entitlement under the Rights Issue, the percentage of his shareholding in the Company reduces from approximately 9% to approximately 2.25% accordingly.
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 31 March 2022.
3. These Shares are the underwritten Shares which Koala Securities Limited (the "Underwriter") is interested under the underwriting agreement entered into between the Company and the Underwriter on 21 January 2022 (the "Underwriting Agreement"). As advised by the Underwriter, the Underwriter signed a sub-underwriting agreement with an independent licensed corporation, and 86,031,918 Shares have been underwritten by such sub-underwriter. Following completion of the Rights Issue on 26 April 2022, the Underwriter and sub-underwriter have procured subscribers who are Independent Third Parties to subscribe for the underwritten Shares pursuant to the Underwriting Agreement, accordingly ceased to have a security interest in the relevant Shares thereafter.
4. The shareholding percentage in the Company is calculated on the basis of 229,418,448 Shares in issue upon completion of the Rights Issue.

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

During the three months ended 31 March 2022, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

OTHER INFORMATION (CONTINUED)

COMPETITION AND CONFLICT OF INTERESTS

During the three months ended 31 March 2022, 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.

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 2022.

CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2022, 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 2022 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, 12 May 2022

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