



# 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

3rd Quarterly Report  
第三季業績報告

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND FUTURE PROSPECTS

During the nine months ended 30 September 2022 (the “Reporting Period”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in the businesses of financial services and 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 regular revenue for the Group. It is observed that the prolonged COVID-19 pandemic has adversely affected the global economy; in addition, the recent geographical environment has increased volatility in the international capital market, and the global interest rate hike cycle has driven the global stock market to fall. The Group has been encountering more challenges in its business operations throughout the third quarter of the current year. During the Reporting Period, the Group recorded an overall revenue of approximately HK\$40 million and net loss of approximately HK\$20 million. Revenue attributing from the advertising and media business amounted to approximately HK\$33 million for the Reporting Period as compared with approximately HK\$31 million for the same period of last year and has not yet fully recovered to the pre-COVID-19 pandemic level. As for the financial services segment, under the market environment with a general reduction in the stock trading volume during the Reporting Period, the Group recorded revenue amounted to approximately HK\$7 million, as compared with approximately HK\$10 million for the same period of last year.

Going forward, the Group will continue to explore opportunities to grow and expand its business, notwithstanding the current economic conditions and while continuing to maintain its current operations in various businesses. The Group will continue to look for new investment opportunities in different industry sectors with growth potential. It will also continue to review its business portfolio and make adjustments as appropriate. It is hoped that the overall economic and operating environment will recover gradually after the reopening of the affected economic sectors, coupled with the picking up of momentum in the capital market, the business prospects of the Group would improve in the future. 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\$7 million. Margin financing business was the key income stream for the Group’s financial services business and margin loan financing of approximately HK\$111 million was granted to margin account clients as at 30 September 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 approximately 94% 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 (the “PRC”). To support the development of the financial services business, the Company proposed a rights issue in January 2022 to raise additional funds to strengthen the margin loan capacity to either increase margin facilities for existing clients in need or to attract new clients. The Company completed the rights issue in April 2022 and successfully raised net proceeds of approximately HK\$61.62 million. For details of the rights Issue, please refer to the relevant announcements and publications of the Company. Use of proceeds obtained from the rights issue as at 30 September 2022 is set out in the section headed “Rights issue and Use of Proceeds” below. In the face of multiple uncertainties including, among others, challenges in the global economy resulted from the COVID-19 pandemic, the recent geopolitical environment and the global interest rate hike cycle, that led to greater volatility in the global stock market. The Hong Kong stock market bears the brunt of the weak market sentiment. The financial services business of the Group has been unavoidably affected during the Reporting Period. The Company will monitor the stock market performance and market sentiment and apply the net proceeds from the rights issue as intended in a prudent approach. Encountering the challenges in the current uncertain global business environment, the CSL management will continue to equip themselves with updated market information with an aim of expanding the scope of services and customer base.

### 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 2022	Nine months ended 30 September 2021
Hong Kong	Office, Commercial and Residential Network	1,053	1,040
Singapore	Office and Commercial Network	491	509
Total number of venues		1,544	1,549

As of 30 September 2022, the Group has deployed its branded flat-panel displays at 1,544 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 eight sites of which seven 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 seven large LED panels situated in four strategic locations in Causeway Bay, Tsim Sha Tsui, Mongkok and Kwun Tong.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

Furthermore, the Group continues to hold the exclusive advertising sales rights of the Hung To Centre LED panel in Kwun Tong. 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 CIMB Plaza (previously known as Chevron House). We have also expanded our partnership with CIMB Plaza 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 affected by the COVID-19 pandemic during the third quarter. However, with more and more restrictions being lifted, there is hope that advertisers will soon start to invest again during the last quarter.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

	Nine months ended 30 September		% Change
	2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)	
<b>Revenue</b>	<b>39,563,743</b>	40,169,006	-2%
<b>Gross profit</b>	<b>24,687,058</b>	26,420,047	-7%
<b>EBITDA</b> <sup>(Note)</sup>	<b>(10,783,407)</b>	(3,395,649)	N/A
<b>Net loss</b>	<b>(19,926,890)</b>	(13,063,014)	N/A

Note: EBITDA represents profit/(loss) before finance cost, 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, gain/(loss) on termination of lease contract 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 companies.

The Group's revenue for the nine months ended 30 September 2022 was approximately HK\$39.6 million, representing a decrease of approximately 2% over the corresponding period of the previous year (nine months ended 30 September 2021: HK\$40.2 million). The Group's revenue from the advertising and media business increased by approximately 7% or HK\$2.0 million to HK\$32.6 million as compared to the corresponding period of last year (nine months ended 30 September 2021: HK\$30.6 million) and has not yet recovered to the pre-COVID-19 pandemic level. Improvement in revenue generated from the advertising and media business was due to, among others, the easing of restrictions for prevention of COVID-19 leading to the economic and social activities gradually resume to normal especially in Singapore. However, the Group's revenue from financial services business decreased by approximately 28% or HK\$2.7 million to HK\$6.9 million as compared to the corresponding period of last year (nine months ended 30 September 2021: HK\$9.6 million) due to reduced trading activities of clients corresponding with the market environment with a general reduction in the stock trading volume during the Reporting Period.

The Group's gross profit for the nine months ended 30 September 2022 was approximately HK\$24.7 million, representing a decrease of approximately 7% over the corresponding period of the previous year. The Group's gross profit margin decreased approximately from 66% to 62% due to the higher cost of services incurred during the Reporting Period.

The Group's administrative expenses for the nine months ended 30 September 2022 was approximately HK\$43.6 million (nine months ended 30 September 2021: HK\$38.2 million), representing an increase by approximately 14% or HK\$5.4 million over the corresponding period of the previous year. The increase in administrative expenses was mainly due to the increase of professional service fee by approximately HK\$5.7 million as compared to the same period of last year to meet the business development needs of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's negative EBITDA amounted to approximately HK\$10.8 million for the nine months ended 30 September 2022 as compared to the Group's negative EBITDA amounted to approximately HK\$3.4 million for the corresponding period of the previous year. The increase in the Group's negative EBITDA was due to higher cost of services and expenses incurred during the Reporting Period.

Loss per share for the nine months ended 30 September 2022 was approximately HK cents 12.64 as compared to a loss per share of HK cents 23.1 (as restated by the adjustment of the rights issue during the period ended 30 September 2022) for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$20.3 million for the nine months ended 30 September 2022 as compared to a loss attributable to owners of the Company of approximately HK\$13.6 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 and equity contribution from shareholders. As at 30 September 2022, the Group had net current assets of approximately HK\$198 million (31 December 2021: HK\$165 million) and cash and cash equivalents of approximately HK\$113 million (31 December 2021: HK\$102 million).

### RIGHTS ISSUE AND USE OF PROCEEDS

On 21 January 2022, the Company announced a 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 (the "Rights Issue"). On 26 April 2022, the Company completed the Rights Issue and issued 172,063,836 new shares. The net proceeds from the Rights Issue after deducting the expenses involved were approximately HK\$62 million. For details of the Rights Issue, please refer to the relevant announcements and publications of the Company, including the prospectus for the Rights Issue dated 4 April 2022 (the "Prospectus").

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The intended use and the actual use of the net proceeds under the Rights Issue as at 30 September 2022 are set out below:

Intended use of net proceeds (Note)	Actual net proceeds (Note) HK\$ million (approximately)	Actual use of proceeds up to 30 September 2022 HK\$ million (approximately)	Unused net proceeds as at 30 September 2022 HK\$ million (approximately)	Expected timetable for use of the remaining balance
(i) For the expansion of the Group's margin financing business	51.62	51.17	0.45	By 31 December 2022
(ii) General working capital	10.00	10.00	–	
	61.62	61.17	0.45	

Note: The actual net proceeds received from the Rights Issue amounted to approximately HK\$61.62 million instead of approximately HK\$61.18 million (to be allocated as to approximately HK\$51.18 million and approximately HK\$10 million for the expansion of the Group's margin financing business and general working capital respectively) as stated in the Prospectus.

### GEARING RATIO

The gearing ratio of the Group, calculated as total debt over total capital, was approximately 1.6% as at 30 September 2022 (31 December 2021: 2.3%).

### FOREIGN EXCHANGE

For the nine months ended 30 September 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 period under review, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

### CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 30 September 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 ("Shares(s)"), and the issued share capital was HK\$2,294,184.48 divided into 229,418,448 Shares as fully paid.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 2022 (nine month ended 30 September 2021: Nil).

### INFORMATION ON EMPLOYEES

As at 30 September 2022, the Group had 50 employees (31 December 2021: 55 employees), including the executive directors. Total staff costs of the Group (including directors’ emoluments) for the nine months ended 30 September 2022 were approximately HK\$20 million (nine months ended 30 September 2021: HK\$21 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.

### 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 as at 30 September 2022 (31 December 2021: HK\$0.3 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 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 30 September 2022 (31 December 2021: Nil).

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

The Board is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2022 together with comparative unaudited figures for the corresponding period ended 30 September 2021, as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)
<b>REVENUE</b>	3	<b>15,837,570</b>	13,524,732	<b>39,563,743</b>	40,169,006
Cost of services		<b>(5,589,937)</b>	(4,807,830)	<b>(14,876,685)</b>	(13,748,959)
<b>GROSS PROFIT</b>		<b>10,247,633</b>	8,716,902	<b>24,687,058</b>	26,420,047
Other income		<b>343,462</b>	216,746	<b>1,024,462</b>	984,154
Other gains and losses		<b>71,266</b>	(498,320)	<b>(234,182)</b>	(174,720)
Administrative expenses		<b>(13,223,244)</b>	(15,350,225)	<b>(43,559,398)</b>	(38,203,319)
Finance costs		<b>(312,513)</b>	(282,385)	<b>(1,012,194)</b>	(842,922)
<b>LOSS BEFORE TAX</b>		<b>(2,873,396)</b>	(7,197,282)	<b>(19,094,254)</b>	(11,816,760)
Income tax expenses	4	<b>(316,854)</b>	(424,543)	<b>(832,636)</b>	(1,246,254)
<b>LOSS FOR THE PERIOD</b>		<b>(3,190,250)</b>	(7,621,825)	<b>(19,926,890)</b>	(13,063,014)
<b>OTHER COMPREHENSIVE (EXPENSES)/INCOME</b>					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		<b>(98,655)</b>	(13,761)	<b>(125,634)</b>	(70,423)
<b>OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(98,655)</b>	(13,761)	<b>(125,634)</b>	(70,423)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(3,288,905)</b>	(7,635,586)	<b>(20,052,524)</b>	(13,133,437)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)
<b>(LOSS)PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		<b>(3,319,750)</b>	(7,789,654)	<b>(20,317,548)</b>	(13,644,019)
Non-controlling interests		<b>129,500</b>	167,829	<b>390,658</b>	581,005
		<b>(3,190,250)</b>	(7,621,825)	<b>(19,926,890)</b>	(13,063,014)
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		<b>(3,418,020)</b>	(7,803,266)	<b>(20,442,061)</b>	(13,714,212)
Non-controlling interests		<b>129,115</b>	167,680	<b>389,537</b>	580,775
		<b>(3,288,905)</b>	(7,635,586)	<b>(20,052,524)</b>	(13,133,437)
<b>LOSS PER SHARE</b>					
Basic and diluted (HK cents)	6	<b>(1.45)</b>	restated (13.19)	<b>(12.64)</b>	restated (23.10)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Attributable to owners of the Company							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\$	Sub-total 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	-	-	-	-	-	(13,644,019)	(13,644,019)	581,005	(13,063,014)
Other comprehensive (expense)/ income for the period	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating of foreign operations	-	-	-	(70,193)	-	-	(70,193)	(230)	(70,423)
<b>Total comprehensive (expenses)/income for the period</b>	-	-	-	(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
<b>At 31 December 2021 and 1 January 2022 (audited)</b>	<b>573,546</b>	<b>552,932,232</b>	<b>(176,467,450)</b>	<b>(1,357,963)</b>	<b>-</b>	<b>(223,365,595)</b>	<b>152,314,770</b>	<b>18,334,062</b>	<b>170,648,832</b>
(Loss)/Profit for the period	-	-	-	-	-	(20,317,548)	(20,317,548)	390,658	(19,926,890)
Other comprehensive (expense)/ income for the period	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating of foreign operations	-	-	-	(124,513)	-	-	(124,513)	(1,121)	(125,634)
<b>Total comprehensive (expenses)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(124,513)</b>	<b>-</b>	<b>(20,317,548)</b>	<b>(20,442,061)</b>	<b>389,537</b>	<b>(20,052,524)</b>
<b>Transactions with owners</b>									
Rights issue (Note):									
- Proceeds from Rights Issue	1,720,638	63,663,619	-	-	-	-	65,384,257	-	65,384,257
- Rights Issue expenses	-	(3,767,913)	-	-	-	-	(3,767,913)	-	(3,767,913)
<b>Total transactions with owners</b>	<b>1,720,638</b>	<b>59,895,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,616,344</b>	<b>-</b>	<b>61,616,344</b>
At 30 September 2022 (unaudited)	2,294,184	612,827,938	(176,467,450)	(1,482,476)	-	(243,683,143)	193,489,053	18,723,599	212,212,652

Note: On 26 April 2022, the Company completed the Rights Issue for three rights shares for every one existing share held by shareholders of the Company on the record date of 3 April 2022 at the subscription price of HK\$0.38 per rights share and a total of 172,063,836 rights shares of the Company were issued.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 in Hong Kong 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 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 30 September 2022).

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

The unaudited condensed consolidated third 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 third quarterly financial information for the nine months ended 30 September 2022 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.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2021.

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



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

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

#### Changes in accounting policy and disclosures

The adoption of the following amendments to HKFRSs issued by the HKICPA to these unaudited condensed consolidated third quarterly financial information for the current accounting period do not have material impact on the results and the financial position of the Group.

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle

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.

### 3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue for the nine months ended 30 September 2022 and 2021 is as follows:

	Nine months ended 30 September	
	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Revenue from contract with customer	<b>33,060,251</b>	32,622,900
Revenue from other sources	<b>6,503,492</b>	7,546,106
	<b>39,563,743</b>	40,169,006

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

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

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

	Nine months ended 30 September					
	2022			2021		
	Segment revenue HK\$ (unaudited)	Intersegment sales HK\$ (unaudited)	Sales to external customer HK\$ (unaudited)	Segment revenue HK\$ (unaudited)	Intersegment sales HK\$ (unaudited)	Sales to external customer HK\$ (unaudited)
Hong Kong	<b>23,992,947</b>	–	<b>23,992,947</b>	26,867,683	(664,350)	26,203,333
Singapore	<b>24,742,160</b>	<b>(9,171,364)</b>	<b>15,570,796</b>	13,965,673	–	13,965,673
	<b>48,735,107</b>	<b>(9,171,364)</b>	<b>39,563,743</b>	40,833,356	(664,350)	40,169,006

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 30 September 2022 and 2021, the Group had the following operating segments:

- Advertising and media services
- 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 30 September 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, finance cost as well as head office and corporate expenses.

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

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results

The segment information provided to the CODM for the reportable segments for the nine months ended 30 September 2022 is as follows:

	Advertising and media services HK\$ (unaudited)	Financial services HK\$ (unaudited)	Retail of skin care products HK\$ (unaudited)	Unallocated HK\$ (unaudited)	Total HK\$ (unaudited)
<b>Segment revenue</b>	<b>32,638,441</b>	<b>6,925,302</b>	–	–	<b>39,563,743</b>
<b>Segment results</b>	<b>(3,970,271)</b>	<b>396,929</b>	<b>(20,933)</b>	–	<b>(3,594,275)</b>
Corporate and unallocated income					<b>1,024,462</b>
Corporate and unallocated expenses					<b>(16,524,441)</b>
<b>Loss before tax</b>					<b>(19,094,254)</b>
<b>Other segment information:</b>					
Depreciation of property, plant and equipment	<b>(701,413)</b>	<b>(22,036)</b>	–	–	<b>(723,449)</b>
Depreciation of right-of-use assets	<b>(5,301,382)</b>	<b>(739,999)</b>	–	<b>(690,299)</b>	<b>(6,731,680)</b>
Fair value loss on equity investment at fair value through profit or loss	–	<b>(305,448)</b>	–	–	<b>(305,448)</b>
Capital expenditure	<b>(59,540)</b>	<b>(33,129)</b>	–	–	<b>(92,669)</b>

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

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

The segment information provided to the CODM for the reportable segments for the nine months ended 30 September 2021 is as follows:

	Advertising and media services HK\$ (Unaudited)	Financial services HK\$ (Unaudited)	Retail of skin care products HK\$ (Unaudited)	Unallocated HK\$ (Unaudited)	Total HK\$ (Unaudited)
Segment revenue	30,552,886	9,616,120	–	–	40,169,006
Segment results	(3,515,931)	3,469,456	(28,746)	–	(75,221)
Corporate and unallocated income					984,154
Corporate and unallocated expenses					(12,725,693)
Loss before tax					(11,816,760)
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)
Fair value loss on equity investment at fair value through profit or loss	–	(549,120)	–	–	(549,120)
Capital expenditure	(375,110)	–	–	–	(375,110)

### 4. INCOME TAX EXPENSES

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective rate of 16.5% (2021: 16.5%) to the nine months ended 30 September 2022, 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 2021.

The provision for Hong Kong profits tax of HK\$832,636 has been made in these unaudited condensed consolidated accounts for the nine months ended 30 September 2022 (nine months ended 30 September 2021: HK\$1,246,254).

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

### 5. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

### 6. LOSS PER SHARE

#### (a) Basic

The calculation of basic losses per share is based on the loss attributable to owners of the company of HK\$20,317,548 (nine months ended 30 September 2021: loss of HK\$13,644,019) and the weighted average of 160,781,994 ordinary shares (nine months ended 30 September 2021: 59,075,250 shares) in issue during the period ended 30 September 2022 after the adjustment of the Rights Issue <sup>Note</sup>.

The comparative figures for the basic loss per share for the nine months ended 30 September 2021 are restated to take into account of the effect of the Rights Issue <sup>Note</sup> completed during the period as if they had been taken place since the beginning of the comparative period. The weighted average number of ordinary shares outstanding was retrospectively increased to reflect the discount in the Rights Issue. For the nine months ended 30 September 2021, the weighted average number of ordinary shares in issue was 57,354,612 before restatement.

Note: On 26 April 2022, the Company completed the Rights Issue for three rights shares for every one existing share held by shareholders of the Company on the record date of 3 April 2022 at the subscription price of HK\$0.38 per rights share and a total of 172,063,836 rights shares of the Company were issued.

#### (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 2022 and 2021.

### 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 2022.

## OTHER INFORMATION

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

As at 30 September 2022, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and 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") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

#### 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	Total	Approximate % of shareholding in the Company (Note)
An Xilei	Beneficial owner	6,800,000	–	6,800,000	2.96%

Note: 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. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 Shares in issue as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

## OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEME

Since the expiration of the previous 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. The Company had neither any share option scheme nor any outstanding share options as at 30 September 2022 up to the date of this report.

At no time during the Reporting Period was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

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

As at 30 September 2022, so far as was known to the Directors, no other persons or companies (other than a Director or a chief executive of the Company) had interests of 5% or more in the shares or underlying shares and/or short positions in the shares or underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO.

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

During the nine months ended 30 September 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.

### COMPETITION AND CONFLICT OF INTERESTS

During the nine months ended 30 September 2022, 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.

## OTHER INFORMATION (CONTINUED)

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors, having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the nine months ended 30 September 2022.

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and the code provisions in the corporate governance code (the “Corporate Governance Code”) as set out in Part 2 of Appendix 15 to the GEM Listing Rules. During the nine months ended 30 September 2022, the Company had complied with the Corporate Governance Code.

### 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 nine months ended 30 September 2022 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 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