



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

2023

3rd Quarterly Report
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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 nine months ended 30 September 2023 (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 provision of financial services continued to generate regular revenue for the Group. During the Reporting Period, the Group recorded an overall revenue of approximately HK\$43.1 million and net loss of approximately HK\$20.9 million, as compared with that of approximately HK\$39.6 million and HK\$19.9 million respectively of the last corresponding period for the nine months ended 30 September 2022 under COVID-19 environment. Revenue from the advertising and media business amounted to approximately HK\$36.6 million for the Reporting Period, an increase of approximately 12% over the corresponding period of last year of approximately HK\$32.6 million. Revenue from the financial services business for the Reporting Period amounted to approximately HK\$6.5 million, a decrease of approximately 6% over the previous corresponding period of approximately HK\$6.9 million.

During the Reporting Period, it was observed that economic and social activities steadily resuming to normality after the COVID-19 pandemic ceased to be a global health emergency. The Group’s advertising and media business in both Hong Kong and Singapore markets have been picking up gradually in the post COVID-19 recovery. However, amid the macro challenges including, among others, the rising interest rates and cumulative geopolitical tension, the Group’s financial services business has been profoundly affected as investment sentiment of investors have been remaining adversely impacted under the uncertain and fluctuated financial markets. The Group continues to implement its strategy to look into opportunities to expand its business. Going forward, the Group will strive to explore potential business opportunities, while continuing to maintain its current operations in various businesses. The Group will look for new investment opportunities in different industry sectors with growth potential for business diversification and corporate sustainability. The management will also review and monitor the latest development of the external environment and the business portfolio of the Group, and adjust its business strategies from time to time if required. The management remains cautiously optimistic about the prospects of the Group’s core businesses when market recovery continues to gain momentum. Details of the Group’s business review and prospects are as follows:

Financial Services Business

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\$6.5 million. Margin financing business was the key income stream for the Group’s financial services business and margin loan financing of approximately HK\$94 million was granted to margin account clients as at 30 September 2023.

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 regular revenue for the Group and the interest income from the margin financing business contributed approximately 97% 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”). Accordingly, the financial services segment with focus on the margin financing business has always been part of the Company’s business development plan. However, over the past COVID-19 period, with the recent situation of increasing global economic and political complexities and the volatile market environment have led to uncertainties in operational and financial conditions in general. The Hong Kong stock market has still experienced a weak market sentiment during the Reporting Period. The Group’s securities trading business has been affected under such market environment which presented various challenges for growth including, among others, the margin financing business. It is believed that operating environment for this business segment will remain challenging. However, with the lowering of stamp duty on securities transactions from 0.13% to 0.1% of the value of trade for both buyers and sellers expected to take effect at the end of November this year, it is believed that it will help enhancing competitiveness and liquidity of the Hong Kong stock market and the benefits are likely to become apparent when the local and wider economy recovers. To reduce negative environmental impact and maintain sustainable business development, the CSL management will continue to equip themselves with updated market information with an aim of expanding the scope of services and customer base. With regard to the above, the Company will maintain more communication with existing clients and explore business opportunities with potential clients.

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 2023	Nine months ended 30 September 2022
Hong Kong	Office, Commercial and Residential Network	1,106	1,053
Singapore	Office and Commercial Network	484	491
Total number of venues		1,590	1,544

As of 30 September 2023, the Group has deployed its branded flat-panel displays at 1,590 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As previously reported, the Group partnered exclusively with Hivestack, the world's leading independent programmatic digital out of home ad tech company, to bring the programmatic digital out of home ("pDOOH") advertising buying experience in Hong Kong and Singapore to the next level. The Group anticipates pDOOH to be a key driver of growth in the coming years.

In addition to the flat-panel displays, the Group's OOH large format media network in Hong Kong consists of seven sites of which six are large LED panels and one is billboard. Under its OOH large format media network in Singapore, the Group continued to maintain its current twelve strategically located sites. Combined 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.

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 is gradually picking up post Covid-19 in both Hong Kong and Singapore. The Group believes that advertisers' advertising spending will continue to increase in the last quarter of 2023.

FINANCIAL REVIEW

	Nine months ended 30 September		% Change
	2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	
Revenue	43,111,305	39,563,743	9%
Gross profit	27,987,808	24,687,058	13%
EBITDA ^(Note)	(18,669,619)	(10,783,407)	N/A
Net loss	(20,853,079)	(19,926,890)	N/A

Note: EBITDA represents profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment and right-of-use assets, fair value gain/(loss) on equity investments 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 nine months ended 30 September 2023 was approximately HK\$43.1 million (nine months ended 30 September 2022: HK\$39.6 million), representing an increase of approximately 9% over the corresponding period of previous year. The Group's revenue from advertising and media business increased approximately 12% by HK\$4.0 million to HK\$36.6 million (nine months ended 30 September 2022: HK\$32.6 million) as compared to the corresponding period of last year. The Group's revenue from advertising and media business is gradually picking up quarterly. However, the Group's revenue from financial services business decreased approximately 6% by HK\$0.4 million to HK\$6.5 million (nine months ended 30 September 2022: HK\$6.9 million) as compared to the corresponding period of last year due to the weak market sentiment continuing in third quarter of 2023 and leading the lower trading activities throughout the reporting period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the nine months ended 30 September 2023 was approximately HK\$28.0 million, representing an increase of approximately 13% over the corresponding period of previous year. The Group's gross profit margin increased approximately from 62% to 65% due to the rise in revenue from advertising and media business.

The Group's administrative expenses for the nine months ended 30 September 2023 was approximately HK\$58.1 million (nine months ended 30 September 2022: HK\$43.6 million), representing an increase of approximately 33% over the corresponding period of previous year. The increase in administrative expenses was due to the increase in operating activities in order to cope with the business recovery and the strategic plan of the Group.

The Group's negative EBITDA amounted to approximately HK\$18.7 million for the nine months ended 30 September 2023 as compared to the Group's negative EBITDA amounted to approximately HK\$10.8 million for the corresponding period of previous year. The increase in the Group's negative EBITDA is due to the increase of Group administrative expenses during the period.

Loss per share for the nine months ended 30 September 2023 was approximately HK cents 9.00 as compared to a loss per share of HK cents 12.64 for the corresponding period of previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$20.6 million for the nine months ended 30 September 2023 as compared to a loss attributable to owners of the Company of approximately HK\$20.3 million for the corresponding period of previous year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its daily operations from internally generated resources. As at 30 September 2023, the Group had net current assets of approximately HK\$157 million (31 December 2022: HK\$180 million) and cash and cash equivalents of approximately HK\$82 million (31 December 2022: HK\$116 million).

GEARING RATIO

The gearing ratio of the Group, calculated as total debt over total capital, was approximately 1.6% as at 30 September 2023 (31 December 2022: 1.9%).

FOREIGN EXCHANGE

For the nine months ended 30 September 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023, 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)"), and the issued share capital was HK\$2,294,184 divided into 229,418,448 Shares as fully paid.

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 2023 (nine month ended 30 September 2022: Nil).

INFORMATION ON EMPLOYEES

As at 30 September 2023, the Group had 54 employees (31 December 2022: 50 employees), including the executive directors. Total staff costs of the Group (including directors' emoluments) for the nine months ended 30 September 2023 were approximately HK\$21 million (nine months ended 30 September 2022: HK\$20 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, and as disclosed in Note 7 to the Unaudited Condensed Consolidated Financial Information, the Group did not hold any significant investment in any company as at 30 September 2023 (31 December 2022: Nil).

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 of subsidiaries, associates and joint ventures, nor had other plans for material investments and capital assets during the Reporting Period.

CHARGES OF ASSETS

As at 30 September 2023, the Group did not have any charges on its assets (31 December 2022: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2023 (31 December 2022: Nil).

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

The Board is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2023 together with comparative unaudited figures for the corresponding period ended 30 September 2022, as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
REVENUE	3	14,840,751	15,837,570	43,111,305	39,563,743
Cost of services		(5,723,547)	(5,589,937)	(15,123,497)	(14,876,685)
GROSS PROFIT		9,117,204	10,247,633	27,987,808	24,687,058
Other income		382,953	343,462	2,578,982	1,024,462
Other gains and losses		3,438,039	71,266	8,651,519	(234,182)
Administrative expenses		(21,614,643)	(13,223,244)	(58,106,588)	(43,559,398)
Finance costs		(345,806)	(312,513)	(1,217,343)	(1,012,194)
LOSS BEFORE TAX		(9,022,253)	(2,873,396)	(20,105,622)	(19,094,254)
Income tax expenses	4	(79,704)	(316,854)	(747,457)	(832,636)
LOSS FOR THE PERIOD		(9,101,957)	(3,190,250)	(20,853,079)	(19,926,890)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(23,844)	(98,655)	(28,096)	(125,634)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX		(23,844)	(98,655)	(28,096)	(125,634)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(9,125,801)	(3,288,905)	(20,881,175)	(20,052,524)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	Note	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
(LOSS)PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(9,024,976)	(3,319,750)	(20,644,686)	(20,317,548)
Non-controlling interests		(76,981)	129,500	(208,393)	390,658
		(9,101,957)	(3,190,250)	(20,853,079)	(19,926,890)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(9,057,471)	(3,418,020)	(20,685,286)	(20,442,061)
Non-controlling interests		(68,330)	129,115	(195,889)	389,537
		(9,125,801)	(3,288,905)	(20,881,175)	(20,052,524)
LOSS PER SHARE					
Basic and diluted (HK cents)	6	(3.93)	(1.45)	(9.00)	(12.64)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	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\$	Accumulated losses HK\$	Sub-total HK\$		
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	-	-	-	-	(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)
Total comprehensive (expenses)/income for the period	-	-	-	(124,513)	(20,317,548)	(20,442,061)	389,537	(20,052,524)
Transactions with owners								
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)
Total transactions with owners	1,720,638	59,895,706	-	-	-	61,616,344	-	61,616,344
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
At 31 December 2022 and 1 January 2023 (audited)	2,294,184	612,827,938	(176,467,450)	(1,279,537)	(255,351,310)	182,023,825	17,716,705	199,740,530
Loss for the period	-	-	-	-	(20,644,686)	(20,644,686)	(208,393)	(20,853,079)
Other comprehensive (expense)/income for the period:								
Exchange difference arising on translating of foreign operations	-	-	-	(40,600)	-	(40,600)	12,504	(28,096)
Total comprehensive expenses for the period	-	-	-	(40,600)	(20,644,686)	(20,685,286)	(195,889)	(20,881,175)
At 30 September 2023 (unaudited)	2,294,184	612,827,938	(176,467,450)	(1,320,137)	(275,995,996)	161,338,539	17,520,816	178,859,355

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) provision of 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 subsequently).

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 2023 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 third quarterly financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2022.

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated third quarterly financial information for the nine months ended 30 September 2023 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning 1 January 2023.

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 this 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.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2023 and 2022 is as follows:

	Nine months ended 30 September	
	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)
Revenue from contract with customers	36,837,588	33,060,251
Revenue from other sources	6,273,717	6,503,492
	43,111,305	39,563,743

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					
	2023			2022		
	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	26,147,741	–	26,147,741	23,992,947	–	23,992,947
Singapore	28,150,522	(11,186,958)	16,963,564	24,742,160	(9,171,364)	15,570,796
	54,298,263	(11,186,958)	43,111,305	48,735,107	(9,171,364)	39,563,743

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 2023 and 2022, 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 subsequently)

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 costs 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 2023 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	36,632,942	6,478,363	–	–	43,111,305
Segment results	(240,606)	(1,027,217)	(21,370)	–	(1,289,193)
Corporate and unallocated income					11,230,501
Corporate and unallocated expenses					(30,046,930)
Loss before tax					(20,105,622)
Other segment information:					
Depreciation of property, plant and equipment	(357,101)	(16,416)	–	–	(373,517)
Depreciation of right-of-use assets	(5,460,158)	(677,071)	–	(2,151,040)	(8,288,269)
Fair value gain on equity investment at fair value through profit or loss	–	–	–	8,651,519	8,651,519
Capital expenditure	(97,942)	–	–	–	(97,942)

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

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% (2022: 16.5%) to the nine months ended 30 September 2023, 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 2022.

The provision for Hong Kong profits tax of HK\$747,457 has been made in this unaudited condensed consolidated accounts for the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$832,636).

5. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: 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\$20,644,686 (nine months ended 30 September 2022: loss of HK\$20,317,548) and the weighted average of 229,418,448 ordinary shares (nine months ended 30 September 2022: 160,781,994 shares ^{Note}) in issue during the period ended 30 September 2023.

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. Thus, the weighted average of ordinary shares for the purpose of calculating basic loss per share for the nine months ended 30 September 2022 has been adjusted.

(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 2023 and 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2023 HK\$ (unaudited)	31 December 2022 HK\$ (audited)
Included in non-current assets		
Unlisted equity securities (Note a)	6,500,000	6,500,000
Included in current assets		
Equity securities		
– listed on the London Stock Exchange (Note b)	18,254,519	9,603,000
– listed on the Hong Kong Stock Exchange (Note c)	–	–
	24,754,519	16,103,000

Note:

- (a) The Group's investment of unlisted equity securities represents 5% equity interest in a private company incorporated in BVI which holds a BioPharma project in the PRC. The fair value of the Group's unlisted equity securities is based on discounted cash flow model carried by an independent professional valuer.
- (b) The Group's investment of equity securities listed on the London Stock Exchange represents 16,500,000 ordinary shares of a London listed company which is principally engaging in technology innovations investments. The fair value of the Group's investment of equity securities listed on the London Stock Exchange is based on the bid-price quoted on the London Stock Exchange. During the period ended 30 September 2023, the fair value gain of HK\$8,651,519 is recognised in other gains and losses in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.
- (c) The Group's investment of equity securities listed on the Hong Kong Exchange represents 3,432,000 (31 December 2022: 3,432,000) ordinary shares of a Hong Kong listed company which is principally engaging in gaming and resort business.

The Group's investment of equity securities listed on the Hong Kong Stock Exchange has become non-publicly traded as trading of such shares has been suspended since April 2022. In view of the above circumstance, the directors of the Company consider that the fair value of these securities listed on the Hong Kong Stock Exchange is minimal and the fair value loss of HK\$305,448 is recognised in other gains and losses in the unaudited condensed consolidated statement of profit or loss and other comprehensive income during the reporting period of last year.

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

The unaudited condensed consolidated third quarterly financial information was approved by the Board on 14 November 2023.

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 2023, 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 as at 30 September 2023

Name of Directors	Nature of interests	Number of Shares held	Number of underlying Shares held	Approximate % of shareholding in the Company (Note)	
				Total	
An Xilei	Beneficial owner	6,800,000	–	6,800,000	2.96%

Note: 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 2023.

Save as disclosed above, as at 30 September 2023 and up to the date of this report, 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.

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 2023 and 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.

OTHER INFORMATION (CONTINUED)

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

As at 30 September 2023, 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 interests required to be kept by the Company under Section 336 of the SFO.

Subsequent to the Reporting Period and up to the date of this report, the following persons (other than the directors and chief executives 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 as recorded in the register of interests required to be kept under Section 336 of the SFO:

Long positions in the Shares

Name of Shareholders	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company (Note 2)
Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP (Note 1)	Beneficial owner	52,704,000	22.97%
Masan Capital Limited (Note 1)	Investment Manager	52,704,000	22.97%
Top Lion International Limited (Note 1)	Interest of controlled corporation	52,704,000	22.97%

Notes:

1. These Shares are directly held by Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP which is wholly owned by Masan Capital Limited which is in turn wholly owned by Top Lion International Limited.
2. 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 2023 and up to the date of this report.

Save as disclosed above, no other interests required to be recorded in the register kept under Section 336 of the SFO have been notified to the Company.

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

During the nine months ended 30 September 2023, 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 2023, 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 2023.

CORPORATE GOVERNANCE PRACTICES

During the nine months ended 30 September 2023, the Company has complied with the code provisions (the “Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix 15 to the GEM Listing Rules, except as stated otherwise below.

Pursuant to Code Provision D.1.2 of the CG Code, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. During the Reporting Period, instead of monthly updates, the management has provided to the Board quarterly updates containing consolidated financial statements with summaries of key events and outlook of the Group for the pertaining period for review and discussion in the regular Board meetings concerned. In addition, the management will provide to the Board with updates in a timely manner if there are material events affecting the performance, position and prospects of the Company. Accordingly, it is considered that the purpose of providing regular updates on the Company’s performance, position and prospects can be achieved.

Pursuant to Code Provision D.2.5 of the CG Code, the Group should have an internal audit function. There is currently no internal audit function within the Group. However, the Group will engage independent external consulting firm to review the effectiveness of the risk management and internal control systems of the Group on an annual basis. Taking into account of its size, nature and complexity of its business operations, the Group considers that the current organisation structure and management could provide adequate risk management and internal control of the Group.

Pursuant to Code Provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Gao Ran, the then chairman and executive director of the Company, was unable to attend the annual general meeting of the Company held on 11 May 2023, which was chaired by Mr. Mock Wai Yin, an executive director of the Company, accordingly. Mr. Gao Ran has already resigned from the directorship of the Company effective from 5 September 2023, as detailed in the Company’s announcement dated 5 September 2023.

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 all three independent non-executive Directors.

The unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2023 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the third quarterly financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board
Cornerstone Financial Holdings Limited
An Xilei
Chairman and Executive Director

Hong Kong, 14 November 2023

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