基石金融控股有限公司
CORNERSTONE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8112)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2017 was approximately HK$92.9 million, representing an increase of approximately 15.2% over the previous year.

- The Group's gross profit for the year ended 31 December 2017 was approximately HK$54.7 million, representing an increase of approximately 14.9% over the previous year. Gross profit margin slightly decreased from approximately 59.0% to 58.9% mainly due to the contribution from advertising and media business.

- The Group's administrative expenses for the year ended 31 December 2017 were approximately HK$81.3 million, representing an increase of approximately 23.6% over the previous year. The increase in administrative expenses was mainly due to the office rental and remuneration of employees as well as the other operating expenses to cope with the business development of the Group. In addition, the fair value of the film deposits and rights significantly reduced and the provision for impairment loss of $37.0 million was recognised during the year ended 31 December 2017.

- For the year ended 31 December 2017, the Group's negative EBITDA amounted to approximately HK$8.4 million as compared to the Group's negative EBITDA amounting to approximately HK$10.0 million for the previous year.

- The Group recorded a loss attributable to owners of the Company of approximately HK$52.7 million for the year ended 31 December 2017 as compared to a loss attributable to owners of the Company of approximately HK$19.5 million for the previous year.

- Loss per share for the year ended 31 December 2017 was HK cents 12.5 as compared to loss per share of HK cents 11.5 (as restated) for the previous year.

- The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

FINAL RESULTS

The board (the "Board") of Directors of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "YUR" or "Financial Year") together with comparative figures for the previous corresponding year as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	**2017** *HK$*	2016 *HK$*
Revenue	*3*	**92,883,100**	80,646,748
Cost of sales	*5*	**(38,212,258)**	(33,078,227)
Gross profit		**54,670,842**	47,568,521
Other income — net	*4*	**3,396,732**	1,624,940
Provision for impairment loss on film deposits and rights	*9*	**(37,001,600)**	–
Administrative expenses	*5*	**(81,332,311)**	(65,807,238)
Operating loss		**(60,266,337)**	(16,613,777)
Finance costs	*6*	**(1,617,001)**	(3,698,644)
Share of loss of an associate		**(194,041)**	(118,354)
Loss before income tax		**(62,077,379)**	(20,430,775)
Income tax expense	*7*	**(50,019)**	–
Loss for the year		**(62,127,398)**	(20,430,775)
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss			
Currency translation differences		**1,865,446**	(523,789)
Total comprehensive loss for the year		**(60,261,952)**	(20,954,564)
Loss for the year attributable to:			
Owners of the Company		**(52,706,931)**	(19,460,622)
Non-controlling interests		**(9,420,467)**	(970,153)
		(62,127,398)	(20,430,775)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(50,840,936)**	(19,984,259)
Non-controlling interests		**(9,421,016)**	(970,305)
		(60,261,952)	(20,954,564)
Loss per share attributable to owners of the Company			
			(As restated)
— Basic and diluted	*8*	**(HK cents 12.5)**	(HK cents 11.5)

Consolidated Statement of Financial Position
As at 31 December 2017

	Note	2017 HK$	2016 HK$
ASSETS			
Non-current assets			
Property, plant and equipment		**8,663,974**	11,239,747
Intangible assets		**3,081,045**	3,500,050
Film deposits and rights	*9*	**102,000,000**	138,912,831
Available-for-sale financial asset		**3,000,000**	3,000,000
Deposits and prepayments	*10*	**5,837,908**	4,621,740
Pledged bank deposits		**585,000**	285,184
Interest in an associate		**145,107**	1,131,646
		123,313,034	162,691,198
Current assets			
Inventories		**1,645,868**	1,107,786
Margin loans receivable		**152,022,021**	–
Trade and other receivables	*10*	**29,619,111**	28,945,149
Financial asset at fair value through profit or loss		**–**	388,500
Pledged bank deposits		**311,255**	–
Cash held on behalf of brokerage clients		**5,309,334**	20,665,616
Cash and cash equivalents		**134,737,011**	73,248,475
		323,644,600	124,355,526
Total assets		**446,957,634**	287,046,724
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**114,709,224**	22,941,845
Share premium		**552,932,232**	440,528,546
Other reserves		**(175,773,165)**	(177,639,160)
Accumulated losses		**(135,074,908)**	(81,788,809)
Equity attributable to owners of the Company		**356,793,383**	204,042,422
Non-controlling interests		**60,928,813**	35,470,661
Total equity		**417,722,196**	239,513,083

Consolidated Statement of Financial Position (Continued)
As at 31 December 2017

	Note	**2017** **HK$**	2016 *HK$*
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**19,970,450**	24,328,754
Accounts payable to brokerage clients		**5,309,305**	20,678,343
Deferred revenue		**3,905,233**	2,526,544
Income tax payable		**50,450**	–
		29,235,438	47,533,641
Total equity and liabilities		**446,957,634**	287,046,724
Net current assets		**294,409,162**	76,821,885
Total assets less current liabilities		**417,722,196**	239,513,083

Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital *HK$*	Share premium *HK$*	Capital reserve *HK$*	Exchange reserve *HK$*	Share option reserve *HK$*	Accumulated losses *HK$*	Total *HK$*	Non-controlling interests *HK$*	Total equity *HK$*
Balance at 1 January 2016	3,823,641	333,877,058	(176,467,450)	(2,668,609)	2,020,536	(62,328,187)	98,256,989	30,440,966	128,697,955
Comprehensive loss									
Loss for the year	–	–	–	–	–	(19,460,622)	(19,460,622)	(970,153)	(20,430,775)
Other comprehensive loss									
Currency translation differences	–	–	–	(523,637)	–	–	(523,637)	(152)	(523,789)
Total comprehensive loss	–	–	–	(523,637)	–	(19,460,622)	(19,984,259)	(970,305)	(20,954,564)
Transactions with owners									
Rights issue									
— Proceeds from rights issue	19,118,204	110,885,583	–	–	–	–	130,003,787	–	130,003,787
— Rights issue expenses	–	(4,234,095)	–	–	–	–	(4,234,095)	–	(4,234,095)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	6,000,000	6,000,000
Total transactions with owners	19,118,204	106,651,488	–	–	–	–	125,769,692	6,000,000	131,769,692
Balance at 31 December 2016	22,941,845	440,528,546	(176,467,450)	(3,192,246)	2,020,536	(81,788,809)	204,042,422	35,470,661	239,513,083
Balance at 1 January 2017	**22,941,845**	**440,528,546**	**(176,467,450)**	**(3,192,246)**	**2,020,536**	**(81,788,809)**	**204,042,422**	**35,470,661**	**239,513,083**
Comprehensive loss									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(52,706,931)**	**(52,706,931)**	**(9,420,467)**	**(62,127,398)**
Other comprehensive income/(loss)									
Currency translation differences	**–**	**–**	**–**	**1,865,995**	**–**	**–**	**1,865,995**	**(549)**	**1,865,446**
Total comprehensive income/(loss)	**–**	**–**	**–**	**1,865,995**	**–**	**(52,706,931)**	**(50,840,936)**	**(9,421,016)**	**(60,261,952)**
Transactions with owners									
Rights issue *(Note a)*									
— Proceeds from rights issue	**91,767,379**	**119,297,593**	**–**	**–**	**–**	**–**	**211,064,972**	**–**	**211,064,972**
— Rights issue expenses	**–**	**(6,893,907)**	**–**	**–**	**–**	**–**	**(6,893,907)**	**–**	**(6,893,907)**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34,300,000**	**34,300,000**
Transaction with non-controlling interests *(Note b)*	**–**	**–**	**–**	**–**	**–**	**(579,168)**	**(579,168)**	**579,168**	**–**
Total transactions with owners	**91,767,379**	**112,403,686**	**–**	**–**	**–**	**(579,168)**	**203,591,897**	**34,879,168**	**238,471,065**
Balance at 31 December 2017	**114,709,224**	**552,932,232**	**(176,467,450)**	**(1,326,251)**	**2,020,536**	**(135,074,908)**	**356,793,383**	**60,928,813**	**417,722,196**

Notes:

(a) On 22 September 2017, the Company completed a rights issue (the "Right Issue") of four rights shares for every one existing share held by shareholders of the Company at the record date of 30 August 2017 at the subscription price of HK$0.23 per rights share and a total of 917,673,792 rights shares of the Company were issued.

(b) The Company, through its indirect wholly-owned subsidiary, namely Glory Creator Limited, obtained 80% equity interests in Cornerstone Securities Limited, a non-wholly-owned subsidiary of the Company. On 10 April 2017, 6 October 2017 and 9 November 2017, upon the issue of new shares by Cornerstone Securities Limited, the Company obtained a further 3.5% equity interests through additional capital injection.

NOTES

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (formerly known as "Focus Media Network Limited") (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business was relocated to Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 13 March 2018 (formerly located at 6th Floor, 603, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong).

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 15 December 2017 and approval from the Registrar of Companies in Cayman Islands on 18 December 2017, the English name of the Company has been changed from "Focus Media Network Limited" to "Cornerstone Financial Holdings Limited" and "基石金融控股有限公司" has been adopted as the Chinese name of the Company, both with effect from 18 December 2017. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 16 January 2018 confirming the registration of the new names of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 16 January 2018.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss and available-for-sale financial asset, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) The following amended standards are mandatory for the first time for the financial year beginning 1 January 2017. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income taxes
HKFRS 12 (Amendments)	Disclosure of interests in other entities

(b) The following new and amended standards and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2017 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 28 (Amendments)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 1 (Amendments)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HK (IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019

None of the above is expected to have a significant effect on the Group's consolidated financial statements, except the following:

HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

The Group has reviewed its financial assets and liabilities and expects that the Group's financial asset that is currently classified as available-for-sale ("AFS") will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets. Besides, the Group also expects the financial asset that is currently measured at fair value through profit or loss ("FVPL") will continue to be measured on the same basis under HKFRS 9. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables, this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Management has performed assessment and expects that the implementation of HKFRS 9 would not result in any significant impacts on the Group's financial position and results of operation.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is provision of services, the performance obligations of this revenue is currently recognised when the related services are rendered.

Impact on the revenue recognition timing and amount may arise when multiple performance obligations are identified and satisfied. Incremental costs to obtain a contract will be capitalised under HKFRS 15 if they are expected to be recovered in long term. This could result in additional deferred costs for certain contracts with customers which incur a commission or agency cost at the time of signing up a long term service contract. However, such costs may be expensed as incurred as a practical expedient if the amortisation period of the asset is one year or less. The contracts with customers entered into by the Group are normally for a term less than one year. Management has performed preliminary assessment on the implementation of HKFRS 15 and the initial result indicated that it would not result in any significant impact on the Group's financial position and results of operation other than changes on the disclosure.

Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 16 "Leases"

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 "Leases" and related interpretations. The Group is a lessee of office premises, which are currently classified as operating leases. The Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position, under non-cancellable operating lease of HK$34,035,598 as at 31 December 2017, is set out in Note 12.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statement of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019, including the adjustment of prior years. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group has disclosed its non-cancellable operating lease commitments in Note 12. As a result of the adoption of the new standard, there will be no operating lease commitment.

Nevertheless, it is expected that there will be no material impact on the financial position and performance of the Group as the total expenses to be recognised by us over the entire lease period and our total net profit over the lease period is not expected to be materially affected. The adoption of HKFRS 16 would not affect our total cash flows in respect of the leases.

For lessors, the accounting stays almost the same. Although the standard provides guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), this does not impact the Group as there are no such arrangements in place.

We are continuing to assess the specific magnitude of the adoption of HKFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of 1 January 2019.

The management of the Group anticipated that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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. Management assesses the performance of the following operating segments:

— Advertising and media

— Retail of skin care products

— Provision of early childhood education

— Film development, production and distribution

— Financial services, mainly include securities brokerage business and margin financing business

Management assesses the performance of the operating segments based on a measure of gross profits.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2017 and 2016 is as follows:

	Advertising and media *HK$*	**Retail of skin care products** *HK$*	**Provision of early childhood education** *HK$*	**Film development, production and distribution** *HK$*	**Financial services** *HK$*	**Total** *HK$*
For the year ended 31 December 2017						
Segment revenue	**76,473,091**	**5,645,943**	**2,748,512**	**–**	**8,015,554**	**92,883,100**
Segment results	**42,340,894**	**1,666,713**	**2,647,681**	**–**	**8,015,554**	**54,670,842**
Provision for impairment loss on film deposits and rights	**–**	**–**	**–**	**(37,001,600)**	**–**	**(37,001,600)**
For the year ended 31 December 2016						
Segment revenue	75,293,554	4,448,511	866,066	–	38,617	80,646,748
Segment results	45,086,959	1,594,085	848,860	–	38,617	47,568,521

A reconciliation of segment results to loss before income tax is provided as follows:

	2017	2016
	HK$	*HK$*
Segment results	**54,670,842**	47,568,521
Other income — net	**3,396,732**	1,624,940
Provision for impairment loss on film deposits and rights	**(37,001,600)**	–
Administrative expenses	**(81,332,311)**	(65,807,238)
Operating loss	**(60,266,337)**	(16,613,777)
Finance costs	**(1,617,001)**	(3,698,644)
Share of loss of an associate	**(194,041)**	(118,354)
Loss before income tax	**(62,077,379)**	(20,430,775)

The total non-current assets by the reportable segments as at 31 December 2017 and 2016 are as follow:

	Advertising and media	**Retail of skin care products**	**Provision of early childhood education**	**Film development, production and distribution**	**Financial services**	**Unallocated non-current assets**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 December 2017							
Non-current assets	**14,847,118**	**126,208**	**26,093**	**102,000,000**	**4,474,145**	**1,839,470**	**123,313,034**
As at 31 December 2016							
Non-current assets	17,911,490	122,620	626,231	138,912,831	5,118,026	–	162,691,198

Segment assets mainly exclude assets that are managed on a central basis.

Geographical information

The Group's operations are located in Hong Kong, Singapore and the United States.

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets by geographical location of the assets are detailed below:

	Hong Kong *HK$*	**Singapore** *HK$*	**United States** *HK$*	**Total** *HK$*
For the year ended 31 December 2017				
Segment revenue	**50,985,845**	**47,127,791**	**–**	**98,113,636**
Inter-segment revenue	**(171,945)**	**(5,058,591)**	**–**	**(5,230,536)**
Revenue (from external customers)	**50,813,900**	**42,069,200**	**–**	**92,883,100**
Segment results	**29,474,728**	**25,196,114**	**–**	**54,670,842**
For the year ended 31 December 2016				
Segment revenue	45,944,122	36,656,689	–	82,600,811
Inter-segment revenue	(605,623)	(1,348,440)	–	(1,954,063)
Revenue (from external customers)	45,338,499	35,308,249	–	80,646,748
Segment results	25,310,643	22,257,878	–	47,568,521

The total non-current assets located in Hong Kong, Singapore and the United States are HK$16,779,553 (2016: HK$19,824,478), HK$4,533,481 (2016: HK$3,953,889) and HK$102,000,000 (2016: HK$138,912,831) respectively.

None of the customers accounted for 10% or more of the Group's total revenue for the year ended 31 December 2017 (2016: nil).

4. OTHER INCOME — NET

	2017 *HK$*	2016 *HK$*
Net exchange gains	**38**	150,975
Government grants	**420,943**	481,707
Interest income	**11,021**	393
Sundry income	**825,961**	333,610
Gain on disposal of property, plant and equipment	**–**	9,013
Production income	**912,558**	260,742
Financial asset at fair value through profit or loss — Fair value gain	**1,226,211**	388,500
	3,396,732	1,624,940

5. EXPENSES BY NATURE

	2017	2016
	HK$	*HK$*
Revenue sharing with landlords of Office and Commercial Networks *(Note)*	**11,221,758**	9,229,901
Revenue sharing with landlords of In-store Networks *(Note)*	**2,121,003**	2,405,555
Revenue sharing with owners of Online Video Streaming Platforms *(Note)*	**–**	77,259
Revenue sharing with owners of Residential Networks *(Note)*	**297,173**	327,878
Cost of inventories	**3,722,837**	2,672,793
Sales commission	**4,987,150**	5,344,817
Production and installation	**3,088,482**	2,367,954
Auditor's remuneration	**1,698,800**	1,594,144
Depreciation	**5,476,555**	5,581,633
Amortisation	**419,005**	419,004
Operating lease payments		
— Outdoor billboards	**13,300,365**	10,153,014
— In-store Networks	**–**	499,056
— Land and building	**10,248,703**	8,255,046
Employee benefit expenses	**43,572,299**	37,170,403
Write-off of trade receivables	**250,161**	–
Marketing and promotion expenses	**3,960,880**	2,382,324
Travelling expenses	**1,398,464**	1,558,420
Professional fees	**904,186**	1,205,120
Impairment of interest in an associate	**792,498**	–
Other expenses	**12,084,250**	7,641,144
Total cost of sales and administrative expenses	**119,544,569**	98,885,465
Representing:		
Cost of sales	**38,212,258**	33,078,227
Administrative expenses	**81,332,311**	65,807,238
	119,544,569	98,885,465

Note: There are no minimum lease payments to landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms. Revenue sharing with landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms was calculated based on the rates agreed between the Group and landlords and owners and is recognised as cost of sales when the related advertisements are telecasted.

6. FINANCE COSTS

	2017	2016
	HK$	*HK$*
Interest expense		
— Borrowings	**1,617,001**	3,698,644

7. INCOME TAX EXPENSE

	2017	2016
	HK$	*HK$*
Current income tax on profits for the year	**50,019**	–
Deferred income tax	**–**	–
	50,019	–

Provision for Singapore profits tax of HK$50,019 has been made in these consolidated financial statements (2016: no provision for Hong Kong and Singapore profits tax as the tax losses brought forward from previous years exceed the estimated assessable profits). The profits tax rates for Hong Kong and Singapore are 16.5% (2016: 16.5%) and 17% (2016: 17%) respectively.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2017	2016
	HK$	*HK$*
Loss before income tax	**(62,077,379)**	(20,430,775)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(16,232,078)**	(839,088)
Income not subject to tax	**(315,490)**	(174,870)
Expenses not deductible for tax purpose	**15,680,531**	775,268
Tax losses for which no deferred income tax asset was recognised	**1,376,016**	1,247,787
Utilisation of previously unrecognised tax losses	**(458,960)**	(1,009,097)
Income tax expense	**50,019**	–

8. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year ended 31 December 2017 of HK$52,706,931 (2016: loss of HK$19,460,622) and on the weighted average number of 422,853,444 (2016: 169,620,336) of ordinary shares in issue during the year after the adjustment of the rights issue.

The comparative figures for the basic loss per share for the year ended 31 December 2016 are restated to take into account of the effect of the rights issue completed during the year 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 year ended 31 December 2016, the weighted average number of ordinary shares in issue was 161,312,401 before restatement.

	2017	2016 (As restated)
Loss attributable to owners of the Company (HK$)	**(52,706,931)**	(19,460,622)
Weighted average number of ordinary shares in issue	**422,853,444**	169,620,336
Basic loss per share	**(HK cents 12.5)**	(HK cents 11.5)

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the year ended 31 December 2017 have no dilutive effect (2016: same).

9. FILM DEPOSITS AND RIGHTS

	Film deposits and rights *HK$*
Year ended 31 December 2016	
Opening net book amount	136,845,195
Additions	2,051,248
Exchange difference on translation	16,388
Closing net book amount	138,912,831
At 31 December 2016	
Cost	138,912,831
Accumulated amortisation	–
Net book amount	138,912,831
Year ended 31 December 2017	
Opening net book amount	**138,912,831**
Additions	**38,793**
Provision for impairment	**(37,001,600)**
Exchange difference on translation	**49,976**
Closing net book amount	**102,000,000**
At 31 December 2017	
Cost	**139,001,600**
Accumulated amortisation and impairment losses	**(37,001,600)**
Net book amount	**102,000,000**

The recoverable amounts of the Group's film deposits and rights are supported by value-in-use calculations with multi-period excess earnings ("MEEM") method that have taken into account the estimated future cash flows, the status of each film and the availability of funding to complete the film.

For the Group's film deposits and rights, the recoverable amount calculated based on value-in-use calculations was approximately HK$102,000,000 (2016: HK$157,000,000), which was lower than the carrying value before provision for impairment by HK$37,001,600 (2016: nil). This was mainly attributable to (i) the reduction in expected box office revenue due to the increased competitiveness in the film industry; (ii) a proposed draft co-financing arrangement which led to a lower revenue sharing by the Group; and (iii) the delay in the progress of the film development. As such, a provision for impairment of HK$37,001,600 on the film deposits and rights was made during the year ended 31 December 2017.

The key assumptions used for value-in-use calculations are as follows:

	2017	2016
Box office earnings to production cost multiples	**5.8–5.9**	5.8–5.9
Discount rate	**20.6%**	19.6%

These calculations use estimated future cash flows relating to each film deposits and rights based on financial budgets approved by the board of director. Management determined box office earnings to production cost multiples with reference to available market information and industry practice. The discount rate used is pre-tax and reflect specific risk relating to the relevant assets.

A decrease in box office earnings to production cost multiples to 5.74–5.84 or increase in discount rate by 1%, all changes taken in isolation, would result in a further provision for impairment of HK$6,000,000 and HK$7,000,000, respectively.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$	*HK$*
Trade receivables — third parties	**21,359,904**	18,060,613
Less: provision for impairment of trade receivables	**–**	–
Trade receivables — net	**21,359,904**	18,060,613
Prepayments, deposits and other receivables	**14,097,115**	15,506,276
	35,457,019	33,566,889
Less non-current portion:		
Rental deposit	**(4,522,758)**	(4,121,740)
Prepayment for acquisition of plant and equipment	**(815,150)**	–
Deposit with Hong Kong Exchanges and Clearing Limited	**(500,000)**	(500,000)
	(5,837,908)	(4,621,740)
Current portion	**29,619,111**	28,945,149

The carrying amounts of trade and other receivables approximate their fair values.

As at 31 December 2017, the ageing analysis of trade receivables based on invoice date was as follows:

	2017	2016
	HK$	*HK$*
Up to 30 days	**5,952,119**	5,232,329
31–60 days	**7,503,011**	6,644,747
Over 60 days	**7,904,774**	6,183,537
	21,359,904	18,060,613

The majority of the Group's sales are mainly on average credit terms of 30 days. Trade receivables of HK$15,407,785 (2016: HK$12,828,284) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$	*HK$*
Neither past due nor impaired	**5,952,119**	5,232,329
0–30 days past due	**7,503,011**	6,644,747
31–60 days past due	**3,390,452**	3,646,572
Over 60 days past due	**4,514,322**	2,536,965
Past due but not impaired *(Note a)*	**15,407,785**	12,828,284
	21,359,904	18,060,613

Note:

(a) Past due but not impaired comprised of receivables from 72 (2016: 71) customers with 246 (2016: 132) campaign orders.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

	2017	2016
	HK$	*HK$*
At 1 January	**–**	194,998
Receivables written off during the year as uncollectible	**–**	(194,998)
At 31 December	**–**	–

As of 31 December 2017, no (2016: nil) trade receivables were provided for and HK$250,161 (2016: nil) of trade receivables were written off during the year ended 31 December 2017.

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2017	2016
	HK$	*HK$*
HK$	**18,723,576**	21,135,825
Singapore dollars ("SG$")	**16,642,857**	12,349,931
US$	**90,586**	81,133
	35,457,019	33,566,889

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$	*HK$*
Trade payables	**242,560**	294,665
Licence fee payable	**338,712**	739,745
Other payables	**1,290,912**	7,980,455
Accruals	**18,098,266**	15,313,889
	19,970,450	24,328,754

The carrying amounts of the trade and other payables approximate their fair values.

Payment terms granted by suppliers ranged from 60 to 90 days after end of the month in which the relevant purchase occurred.

The ageing analysis of the trade payables based on the due date is as follows:

	2017	2016
	HK$	*HK$*
Current	**242,560**	294,665

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2017	2016
	HK$	*HK$*
HK$	**10,264,421**	14,812,273
SG$	**5,666,486**	4,575,833
RMB	**5,302**	115,837
US$	**4,034,241**	4,824,811
	19,970,450	24,328,754

12. COMMITMENTS

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of its office buildings and outdoor billboard spaces are as follows:

	2017	2016
	HK$	*HK$*
No later than 1 year	**19,709,912**	19,141,842
Later than 1 year and no later than 5 years	**14,325,686**	22,619,553
	34,035,598	41,761,395

13. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

14. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the consolidated financial statements, there is no significant event that took place after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the year ended 31 December 2017 (the "Financial Year"), the Group was principally engaged in (i) financial services including securities brokerage services and margin financing services; (ii) provision of out-of-home ("OOH") advertising services; and (iii) film development, production and distribution. The Group also engaged in the retail of skin care products and the provision of early Childhood education. For the Financial Year, the advertising and media business remained the main contributor to the Group's revenue, accounted for approximately 82% of the Group's consolidated revenue. Meanwhile, the financial service business has experienced a significant growth in turnover which reached approximately HK$8 million during the Financial Year (2016: HK$39,000). The Group also supported the development of the financial services business with an injection of working capital derived from the proceeds from the Rights Issue (the "Rights Issue") completed in September 2017 to develop the Group's margin financing business. The details of the Group's principal business are as follows:

Securities brokerage

On 26 November 2016, the Group acquired Glory Creator Limited ("GCL") and its non-wholly owned subsidiary, Cornerstone Securities Limited ("CSL" and together with GCL, the "GCL Group") (the "Acquisition"). CSL is a corporation licensed by the Securities and Futures Commission (the "SFC") to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). During the Financial Year, CSL was principally engaged in the provision of securities brokerage and margin financing services, with a focus on securities trading on the Stock Exchange.

After completion of the Acquisition in November 2016, the Company began to develop the financial services business operated by CSL. Following the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it was expected that the securities market in Hong Kong would benefit from such mutual market access schemes which would facilitate inflow of capital into the securities market in Hong Kong and have a positive impact to the stock market turnover in the long run. The Group was aware of the opportunities offered by such schemes, and invested substantial capital and resources on developing CSL's securities brokerage business so it would be in a position to benefit from increased turnover in the stock market.

CSL was granted authorisation from the SFC to provide margin financing services in March 2017, and thereafter began to slowly roll out its margin financing business with the Group's internal resources.

In order to strengthen the financial resources of the Group and to raise the capital required to develop the securities and margin financing business, the Company conducted a rights issue ("Rights Issue") on the basis of four rights shares for every one existing share at the subscription price of HK$0.23 per rights share to raise net proceeds of approximately HK$204 million, out of which not more than approximately HK$138 million would be applied towards further capital injection into CSL to accelerate the business growth of CSL and expansion of the securities brokerage business. The rights issue was completed in September 2017 and thereafter, the Company injected HK$138 million to CSL to develop its margin financing business. For details of the Rights Issue, please refer to the Company's announcements dated between 29 June 2017 and 21 September 2017 (collectively the "Rights Issue Announcements"), the circular dated 3 August 2017 and the prospectus dated 31 August 2017.

For the Financial Year, the total revenue from the securities brokerage business amounted to approximately HK$8 million including the interest income from margin financing totalling approximately HK$5 million. As at 31 December 2017, the total net assets of CSL's client accounts amounted to approximately HK$2,800 million and the net assets for margin account clients and cash account clients were approximately HK$1,000 million and HK$1,800 million respectively. Margin loan financing totalling approximately HK$152 million was granted to margin account clients with aggregate net assets of approximately HK$609 million in their respective securities accounts, representing the margin loan to net assets ratio of about 25%.

The management of the Group (the "Management") believes that CSL has an excellent client base with sound financial knowledge and experience in financial investments, as well as appetite for investment products with steady capital appreciation and medium to high risk financial products. This would allow CSL to not only further develop its margin financing business, but potentially introduce financial products other than listed securities such as funds. CSL has also assembled a strong team of seasoned financial professionals with solid experience in securities trading and advising. The proceeds from the Rights Issue provided CSL with the capital resources needed to develop the margin financing business further. In addition, CSL was granted Type 4 (advising on securities) license by SFC in February 2018.

With the above in mind, the Management's plan for the year 2018 is to realise CSL's full potential, in the manner elaborated under the heading "Future prospects" below.

Backed by the experienced management team and its sound reputation in the industry, the Directors are optimistic that securities brokerage and margin financing businesses will continue to widen its customer base through the extensive business platform and will enlarge its presence in the industry with advantage synergies aiming to optimize returns to the Company and its shareholders.

Advertising and media business

The Group is a well established digital 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 to sell advertisement. In terms of the number of venues in which the Group deploys its digital flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore. As of 31 December 2017, the Group has deployed its flat-panel displays at 1,615 venues in Hong Kong and Singapore.

The number of venues in which the Group deployed its flat-panel over the corresponding period of the previous year is shown as follows:

Region	**Network**	**2017**	2016
Hong Kong	Office and Commercial Network	**601**	604
Hong Kong	In-store Network (Mannings)	**240**	242
Hong Kong	Residential Network	**262**	221
Singapore	Office and Commercial Network	**512**	519
Total number of venues		**1,615**	1,586

As of 31 December 2017, the Group has deployed its branded flat-panel displays at 1,113 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, and at 240 Mannings retail chain-stores in Hong Kong under its In-store digital OOH media network.

Further leveraging on the existing infrastructure and its relationships with Hong Kong's leading real-estate developers, the Group expanded its digital OOH media network at major private residential complexes (Residential digital OOH media network) in Hong Kong. As of 31 December 2017, the Group has deployed its branded flat-panel displays at 262 major private residential complexes in Hong Kong under its Residential digital OOH media network.

Under its OOH Billboard media network in Hong Kong, the Group continues to hold the exclusive advertising sales rights to both the Tsim Sha Tsui ("TST") Interchange Subways and the Middle Road Subway (total three subways); this underground transport hub beneath one of the busiest tourists and business districts in Hong Kong connects the TST MTR station and the East TST MTR station. In addition, the Group continues to hold the exclusive advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at TST. Knutsford Terrace has been dubbed the "Lan Kwai Fong" of Kowloon, a popular dining/nightlife place and an entertainment hub in the heart of TST, with a strip of international/local restaurants and bars catering to both locals and tourists.

The Group also holds the exclusive advertising sales rights to a billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This billboard is located right next to the iconic Mandarin Oriental Hotel at the heart of the Central District, the financial hub of Hong Kong; it faces all vehicle traffic passing through Central towards the east and west side of Hong Kong island.

Under its OOH Billboard media network in Singapore, the Group has recently entered a partnership with Galaxis, situated at One-North Buona Vista and secured the exclusive advertising sales rights for all media and event spaces. 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.

The Group continues to hold the exclusive advertising sales rights to a brand new billboard at AZ @ Paya Lebar building; 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 Mcpherson MRT station, which is directly opposite of AZ @ Paya Lebar building.

As well, the Group continues to hold the exclusive operating and advertising sales rights to the mega-size LED screen at One Raffles Place ("ORP"), fronting Raffles Green; ORP is one of the three tallest buildings in Singapore and is a beacon in the heart of Singapore's financial district. As well, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the new 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 also holds the exclusive advertising sales rights to a billboard at Fortune Center in Singapore; it is located in the middle of the bustling Bugis District and faces all vehicle traffic at the cross junction of Middle Road and Waterloo Street. The Group also holds the exclusive advertising sales rights to a large format LED illuminated billboard at The Arcade in Singapore as well as the exclusive sales rights to the venue for event marketing. The Arcade faces the busy Raffles Green, just above the Raffles MRT station, located right in the heart of Singapore's financial district.

Furthermore, the Group holds the exclusive advertising sales rights to a billboard on the façade of Furama City Centre Hotel in Singapore. This site is located in the heart of vibrant Chinatown, with a rich culture and long-standing history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

The Group 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 OOH sites under its Static OOH billboard media network.

Film development, production and distribution

Since the founding of the Group in April 2004, the Group has been in the business of media, advertising and content production. In February 2012, the Group began its involvement in the production of micro-movies for leading gaming, integrated resorts, and tourism brands around the regions, for media placements on Youku Tudou Inc., China's largest online television company, and other leading online video portals and social media platforms in China. The Group has since been exploring possible strategies to further expand the Group's media business, as well as identifying and acquiring suitable investment or business projects related to the field of mass media, film production and distribution, new media content production and entertainment related projects. In view of the increasing needs for media contents in China due to the increasing popularity of social media networks, increasing number of IMAX cinemas and improved accessibility to media contents and also the outstanding box office records in relation to "superhero" genre of motion pictures worldwide, the Company has attempted to make a big step forward to expand its business scope and transform itself into a media content provider.

In August 2015, the Group successfully completed its first-ever acquisition in the film development, production and distribution sector, namely the acquisition of Ricco Media Investments Limited ("RMI") which indirectly held a 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). The remaining 25% of SLGE remained owned by POW! Entertainment, Inc., of which Mr. Stan Lee ("Stan") was the founder. SLGE was engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and/or film script. Having witnessed the phenomenal success of Stan's superhero characters as well as the upcoming schedule of new releases of superhero motion pictures, the Company was confident that superhero motion pictures and Stan's superhero characters would remain in demand.

As of the end of the Financial Year, the Group owned intellectual property rights in three films in the script development phase, namely Realm (written by Alex Litvak of "The Three Musketeers" and "Predators"), The Annihilator (written by Jim Hecht of "Ice Age: Melt Down" and "Thundercats"), and Replicator & Antilight (written by Chris Shafer and Paul Vicknair of "Before We Go" and "Playing It Cool"). Since completion of acquisition of the rights in these films, the Group has been actively seeking equity investors and production studios to co-finance the funding necessary for the production of the films. In the Financial Year, the Group has not entered into any formal contractual agreement in relation to the production of these films. Among the potential investors with whom the Group had initiated contact, one Asia-based group showed interest in collaborating with the Group in developing one or two of the films. However, taking into account (i) the reduction in expected box office revenue due to increased competitiveness in the film industry; (ii) a proposed draft co-financing arrangement which led to a lower revenue sharing by the Group; and (iii) the delay in the progress of the film development, a provision for impairment of film deposits and rights amounting to approximately HK$37 million was incurred for the Financial Year.

FUTURE PROSPECTS

The Management believes the financial services segment of the Group has tremendous potentials to develop into a sizeable financial corporation providing a wider range of financial products and services. While the Management will continue to operate and develop the advertising and media business, and continue the negotiation with potential investors to finance the production of the films in which the Group owns rights, the Group will also focus on expanding CSL's financial services business and fully realising its potentials in 2018.

The Management considers it is crucial for CSL to improve its profitability by focusing on financial products and services which provide a higher profit margin than traditional securities brokerage services. The Management plans to implement a range of measures to improve client services and building customer loyalty to the "Cornerstone" brand, expand the client base further, aggressively promote CSL's margin financing services, and to start a new line of asset management services.

The proceeds raised by the Rights Issue has provided CSL with the capital resources required to expand its margin financing services. The Company also changed its name to Cornerstone Financial Holdings Limited on 25 January 2018 in order to increase exposure of the "Cornerstone" brand name to the financial markets and potential clients in Hong Kong and China.

The Management is of the view that solely relying on securities trading and related services (including advisory and margin financing) for the financial services segment of the Group would expose the segment to fluctuations in the Hong Kong stock market and yet the business scale and potentials are limited to the capital and financial resources of the Group. To manage such risks, the Management has been working to start a new line of asset management business, which is expected to bring relatively stable management fee and performance fee income to the Group upon its launch.

The Group has employed qualified staff and submitted its application to SFC for a licence to conduct Type 9 (asset management) regulated activities through a subsidiary. As the application process is expected to take a few months, in the meantime the Group is committed to formulating the business strategies, developing detail business plan and setting up organizational structure and policies related to the asset management business. The management aims at having a solid platform established to enable the Group to rapidly expand into the asset management business upon the grant of the Type 9 license. In the meantime, the management would also further develop the new "Cornerstone" brand name and strengthen its position as a premier financial service provider. The Management is confident that the Company would offer positive return to its shareholders in the long run.

FINANCIAL REVIEW

	2017	2016	2015	2014	2013
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	**92,883,100**	80,646,748	72,306,609	76,304,823	72,253,333
Gross profit	**54,670,842**	47,568,521	41,630,172	38,763,986	48,545,536
EBITDA *(Note)*	**(8,382,423)**	(10,031,487)	(6,656,831)	(6,405,116)	8,562,397
Net (loss)/profit	**(62,127,398)**	(20,430,775)	(18,936,258)	(13,192,850)	4,016,035

Note: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profit/(loss) of an associate, impairment of interest in an associate, impairment of property, plant and equipment, provision for impairment of film deposits and rights, fair value gain/(loss) on financial asset at fair value through profit or loss, amortization of intangible assets and net of the total comprehensive loss for the year attributable to non-controlling interest. While EBITDA is commonly used in the advertising and media industry worldwide 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 Financial Year was approximately HK$92.9 million, representing an increase of approximately 15.2% over the previous year.

The Group's gross profit for the Financial Year was approximately HK$54.7 million, representing an increase of approximately 14.9% over the previous year. Gross profit margin slightly decreased from approximately 59.0% to 58.9% mainly due to the contribution from advertising and media business.

The Group's administrative expenses for the Financial Year were approximately HK$81.3 million, representing an increase of approximately 23.6% over the previous year. The increase in administrative expenses was mainly due to the office rental and remuneration of employees as well as the other operating expenses to cope with the business development of the Group. In addition, because of (i) the reduction in expected box office revenue due to increased competitiveness in the film industry; (ii) a proposed draft co-financing arrangement which led to a lower revenue sharing by the Group; and (iii) the delay in the progress of the film development, the fair value of the film deposits and rights significantly reduced and the provision for impairment loss of $37.0 million was recognised during the Financial Year.

For the Financial Year, the Group's negative EBITDA amounted to approximately HK$8.4 million as compared to the Group's negative EBITDA amounting to approximately HK$10.0 million for the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK$52.7 million for the Financial Year as compared to a loss attributable to owners of the Company of approximately HK$19.5 million for the previous year.

Liquidity and financial resources

During the Financial Year, the Group financed its daily operations with internally generated resources, short-term loans and net proceeds from the Rights Issue. For the Financial Year, the Group has utilized approximately HK$45 million for full repayment of the principal amounts and accrued interests of the short term loan, and approximately HK$138 million as capital injection to CSL to develop its margin loan financing business.

As at 31 December 2017, the Group had net current assets of approximately HK$294 million (2016: HK$77 million) and cash and cash equivalents amounted to approximately HK$135 million (2016: HK$73 million), mainly attributable to net proceeds from the Rights Issue after full repayment of its short-term loans and accrued interests. The Group had no borrowings outstanding as at 31 December 2017.

To cope with the needs for business operations and development, particularly the securities brokerage business and the film projects, the Company will from time to time review its funding requirement and explore fund raising opportunities including but not limited to equity financing/debt financing opportunities in the market as and when required.

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was nil as at 31 December 2017 (2016: nil).

Foreign exchange

For the Financial Year, 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. Despite most of RMI Group's business transactions, assets and liabilities were denominated in US dollars, the foreign currency risk associated with RMI Group was not significant due to the linked exchange rate system. The Group will monitor its foreign currency exposure closely. During the Financial Year, 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 in 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. During the Financial Year, the Company proposed to increase the authorized share capital from HK$100 million to HK$500 million which was approved by the shareholders of the Company during the extraordinary general meeting on 22 August 2017. Following to the completion of Rights Issue on 22 September 2017, the Company had 1,147,092,240 shares of HK$0.10 each in issue as at 31 December 2017.

Dividend

The Board does not recommend the payment of any dividend for the Financial Year (2016: Nil).

Information on employees

As at 31 December 2017, the Group had 112 employees (2016: 96 employees), including the Executive Directors. Total staff costs (including Directors' emoluments) were approximately HK$44 million for the Financial Year (2016: HK$37 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 as well as share options.

Significant investments held

Except for investment in subsidiaries, joint ventures and an associate, the Group did not hold any significant investment in equity interest in any company during the Financial Year.

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 year.

Charges of assets

As at 31 December 2017, the Group did not have any charges on its assets (2016: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017 (2016: Nil).

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the Financial Year, 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.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as 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. Specific enquiry had been made to all existing Directors who confirmed that they had complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the Financial Year.

Corporate Governance Practices

For the Financial Year, the Company had complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Corporate Governance Code") as contained in Appendix 15 to the GEM Listing Rules except for the following:

Under Code Provision E.1.2, the chairman of the Board should attend the Company's annual general meeting. Mr. An Xilei ("Mr. An"), the then chairman of the Board, was unable to attend the Company's annual general meeting held on 12 May 2017 (the "AGM") owing to business reasons. Mr. Chan Chi Keung Alan, an independent non-executive director of the Company, was authorised by Mr. An to chair the meeting.

Audit Committee

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

The financial information set out above in this announcement does not constitute the Group's consolidated financial statements for the Financial Year but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereof for the Financial Year as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Closure of the Register of Members

The Register of Members will be closed from 7 May 2018 (Monday) to 10 May 2018 (Thursday), both days inclusive, during which period no transfer of shares in the Company shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 May 2018 (Friday).

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

Hong Kong, 26 March 2018

As at the date of this announcement, the Board comprises Mr. Liu Xiaodong (Chairman), Mr. An Xilei (Deputy Chairman), Mr. Wong Hong Gay Patrick Jonathan, Mr. Mock Wai Yin and Mr. Wang Jun as executive Directors; and Mr. Chan Chi Keung Alan, Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying as independent non-executive Directors.

This announcement will remain on the "Latest Company Announcements" page of the GEM's website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.cs8112.com.