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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

HIGHLIGHTS

- The Group's revenue from continuing operations for the six months ended 30 June 2019 was approximately HK\$48.3 million, representing an increase of approximately 9% over the corresponding period of the previous year while the Group's revenue from discontinued operations for the six months ended 30 June 2019 was approximately HK\$0.3 million, representing a decrease of approximately 79% over the corresponding period of the previous year. During the Reporting Period, the increase in revenue was contributed by the improvement in advertising and media business from approximately HK\$34 million in 2018 to approximately HK\$41 million in 2019. While the revenue generated from the financial services segment remained stable at approximately HK\$7 million.
- The Group's gross profit from continuing operations for the six months ended 30 June 2019 was approximately HK\$27.4 million, representing an increase of approximately 8% over the corresponding period of the previous year while the Group's gross profit from discontinued operations for the six months ended 30 June 2019 was approximately HK\$0.3 million, representing a decrease of approximately 70% over the corresponding period of the previous year. The Group's gross profit margin decreased approximately from 58% to 57% due to the rising in cost of sales in operations.
- The Group's administrative expenses from continuing operations for the six months ended 30 June 2019 was approximately HK\$38 million, representing a decrease of approximately 32% over the corresponding period of the previous year while the Group's administrative expenses from discontinued operations for the six months ended 30 June 2019 was approximately HK\$0.5 million, representing a decrease of approximately 58% over the corresponding period of the previous year. The decrease in administrative expenses was mainly due to the cost saving in operating expenses such as staff costs of the Group.
- The Group's negative EBITDA amounted to approximately HK\$2.1 million for the six months ended 30 June 2019 as compared to the Group's negative EBITDA amounted to approximately HK\$10.4 million for the corresponding period of the previous year. The improvement in EBITDA was due to the drop in administrative expenses mentioned above as well as the increase in investment income contributed by the financial services business during the reporting period.
- Loss per share for the six months ended 30 June 2019 was approximately HK cents 0.11 as compared to a loss per share of HK cents 4.95 for the corresponding period of the previous year.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2019.

UNAUDITED INTERIM RESULTS

The board of directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 together with comparative unaudited figures for the corresponding period ended 30 June 2018, as follows:

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

For the six months ended 30 June 2019

		Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		HK\$	HK\$	HK\$	HK\$
	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	23,617,072	23,738,704	48,295,967	44,164,819
Cost of sales		<u>(10,451,563)</u>	<u>(9,797,363)</u>	<u>(20,864,920)</u>	<u>(18,668,687)</u>
Gross profit		13,165,509	13,941,341	27,431,047	25,496,132
Other income and gains, net		11,143,822	4,292,977	13,260,747	4,567,480
Administrative expenses		(17,665,161)	(28,291,146)	(37,527,473)	(54,950,134)
Provision for impairment loss on film deposits and rights		–	(42,053,131)	–	(42,053,131)
Loss on disposal of a subsidiary		–	–	(1,351,277)	–
Finance costs	4	<u>(551,041)</u>	–	<u>(1,078,447)</u>	–
Profit/(Loss) before tax	5	6,093,129	(52,109,959)	734,597	(66,939,653)
Income tax expenses	6	<u>(461,000)</u>	–	<u>(698,000)</u>	–
Profit/(Loss) for the period from continuing operations		5,632,129	(52,109,959)	36,597	(66,939,653)
(Loss)/Profit for the period from discontinued operations		<u>(1,300)</u>	<u>26,622</u>	<u>(189,940)</u>	<u>(167,101)</u>
Profit/(Loss) for the period		5,630,829	(52,083,337)	(153,343)	(67,106,754)
Other comprehensive loss					
<i>Item that may be reclassified to profit or loss in subsequent period:</i>					
Exchange differences on translation of foreign operations		<u>(389,843)</u>	<u>(750,290)</u>	<u>(216,749)</u>	<u>(270,104)</u>
Total comprehensive income/(loss) for the period		<u>5,240,986</u>	<u>(52,833,627)</u>	<u>(370,092)</u>	<u>(67,376,858)</u>

		Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		HK\$	HK\$	HK\$	HK\$
Notes		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:					
Owners of the parent					
– from continuing operations		4,593,831	(41,622,403)	(1,177,647)	(56,608,183)
– from discontinued operations		(1,300)	16,295	(133,348)	(119,311)
Non-controlling interests					
– from continuing operations		1,038,298	(10,487,556)	1,214,244	(10,331,470)
– from discontinued operations		–	10,327	(56,592)	(47,790)
		<u>5,630,829</u>	<u>(52,083,337)</u>	<u>(153,343)</u>	<u>(67,106,754)</u>
Total comprehensive income/(loss) for the period attributable to:					
Owners of the parent					
– from continuing operations		4,203,960	(42,372,411)	(1,394,334)	(56,877,699)
– from discontinued operations		(1,300)	16,295	(133,348)	(119,311)
Non-controlling interests					
– from continuing operations		1,038,326	(10,487,838)	1,214,182	(10,332,058)
– from discontinued operations		–	10,327	(56,592)	(47,790)
		<u>5,240,986</u>	<u>(52,833,627)</u>	<u>(370,092)</u>	<u>(67,376,858)</u>
Earning/(loss) per share attributable to ordinary equity holders of the parent					
Basic and diluted	8	HK cents	HK cents	HK cents	HK cents
– Earning/(loss) for the period		0.40	(3.63)	(0.11)	(4.95)
– Earning/(loss) for the period from continuing operations		0.40	(3.63)	(0.10)	(4.93)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	6,985,525	8,063,741
Right-of-use assets		16,210,026	–
Goodwill		2,780,482	2,780,482
Intangible assets		–	35,750
Film deposits and rights		–	–
Deposits	10	2,914,333	2,799,873
Interest in an associate		127,709	127,709
Pledged bank deposits		358,639	357,398
Total non-current assets		29,376,714	14,164,953
Current assets			
Margin loans receivable		184,263,763	165,003,073
Trade and other receivables	10	40,422,431	44,727,619
Equity investments at fair value through profit or loss		14,277,120	4,506,020
Pledged bank deposits		577,000	575,000
Cash held on behalf of brokerage clients		12,560,413	11,346,943
Cash and cash equivalents		61,745,479	79,281,959
Total current assets		313,846,206	305,440,614

		30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	11	47,451,117	43,844,819
Accounts payable to brokerage clients		12,770,177	11,346,280
Lease liabilities		9,363,553	—
Deferred revenue		4,145,199	3,719,413
Income tax payable		1,739,749	1,041,619
Total current liabilities		75,469,795	59,952,131
Net current assets		238,376,411	245,488,483
Total assets less current liabilities		267,753,125	259,653,436
Non-current liabilities			
Lease liabilities		7,213,399	—
Total non-current liabilities		7,213,399	—
Net assets		260,539,726	259,653,436
Equity			
Equity attributable to owners of the parent			
Share capital	12	114,709,224	114,709,224
Other reserves		127,316,584	129,182,149
		242,025,808	243,891,373
Non-controlling interests		18,513,918	15,762,063
Total equity		260,539,726	259,653,436

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent						Non-controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange fluctuation reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$	
At 31 December 2017 and 1 January 2018 (audited)	114,709,224	552,932,232	(176,467,450)	(1,326,251)	2,020,536	(135,074,908)	356,793,383	417,722,196
Loss for the period	-	-	-	-	-	(56,727,494)	(56,727,494)	(67,106,754)
Other comprehensive loss for the period								
Exchange difference related to foreign operations	-	-	-	(269,516)	-	-	(269,516)	(270,104)
Total comprehensive loss for the period	-	-	-	(269,516)	-	(56,727,494)	(56,997,010)	(67,376,858)
Transactions with owners								
Capital contribution from non-controlling interests	-	-	-	-	-	-	64,277	64,277
Total transactions with owners for the period	-	-	-	-	-	-	64,277	64,277
At 30 June 2018 (unaudited)	114,709,224	552,932,232	(176,467,450)	(1,595,767)	2,020,536	(191,802,402)	299,796,373	350,409,615
At 31 December 2018 and 1 January 2019 (audited)	114,709,224	552,932,232	(176,467,450)	(1,512,963)	2,020,536	(247,790,206)	243,891,373	259,653,436
Effect of adoption of HKFRS 16	-	-	-	-	-	(337,883)	(337,883)	(342,454)
At 1 January 2019 (restated)	114,709,224	552,932,232	(176,467,450)	(1,512,963)	2,020,536	(248,128,089)	243,553,490	259,310,982
(Loss)/Profit for the period	-	-	-	-	-	(1,310,995)	(1,310,995)	(153,343)
Other comprehensive loss for the period								
Exchange difference related to foreign operations	-	-	-	(216,687)	-	-	(216,687)	(216,749)
Total comprehensive (loss)/income for the period	-	-	-	(216,687)	-	(1,310,995)	(1,527,682)	(370,092)
Transactions with owners								
Disposal of a subsidiary	-	-	-	-	-	-	1,598,836	1,598,836
Total transactions with owners	-	-	-	-	-	-	1,598,836	1,598,836
At 30 June 2019 (unaudited)	114,709,224	552,932,232	(176,467,450)	(1,729,650)	2,020,536	(249,439,084)	242,025,808	260,539,726

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cash flows used in operating activities	(12,546,114)	(62,565,922)
Cash flows from investing activities		
Purchase of items of property, plant and equipment	(1,143,753)	(1,418,089)
Proceeds from disposal of a subsidiary	(9)	–
Purchase of equity investments at fair value through profit or loss	–	(7,978,510)
Proceeds from disposal of equity investments at fair value through profit or loss	1,112,861	–
Pledged deposit	–	(36,143)
Dividend received from listed investments	6,109	–
Interest received	114,100	9,395
Net cash from/(used in) investing activities	89,308	(9,423,347)
Cash flows from financing activities		
Lease payment	(4,848,725)	–
Net cash used in financing activities	(4,848,725)	–
Net decrease in cash and cash equivalents	(17,305,531)	(71,989,269)
Cash and cash equivalents at beginning of period	79,281,959	134,737,011
Effect of foreign exchange rate changes, net	(230,949)	(278,690)
Cash and cash equivalents at end of period	61,745,479	62,469,052
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	62,681,118	63,401,450
Less: Pledged bank deposits	(935,639)	(932,398)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	61,745,479	62,469,052

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the “Company”) is a limited liability incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the period, the Company and its subsidiaries (collectively, the “Group”) was involved in the following principal activities: (i) financial services including securities dealings and brokerage services and margin financing services, (ii) provision of advertising and media services, (iii) film development, production and distribution, (iv) retail of skin care products (ceased business during the period) and (v) provision of early childhood education (disposed during the period).

The Company’s share are listed on GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These unaudited condensed consolidated interim financial information have been reviewed by the Company’s audit committee.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” 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 of the Stock Exchange (the “GEM Listing Rules”).

These unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2018.

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

Changes in accounting policies and disclosures

- (a) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except as described below for HKFRS 16, the adoption of above new and revised standards has had no significant financial effect on the unaudited condensed consolidated interim financial information.

HKFRS 16 “Leases” replaced HKAS 17 and three related Interpretations.

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a “lease liability” and a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group’s accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the condensed consolidated statement of profit or loss over the period of the lease.

HKFRS 16 has been applied through a modified retrospective approach, with the cumulative effect of initial application recognised as an adjustment to the opening balances of accumulated losses and non-controlling interests as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Upon the initial application of HKFRS 16, the Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets has been adjusted as at 1 January 2019.

The following table summarises the impact, net of tax, of transition to HKFRS 16 on the opening balance of accumulated losses and non-controlling interest:

	Impact of adopting HKFRS 16 on opening balances HK\$
Accumulated losses	
Recognition of interest of lease liabilities and depreciation of right-of-use asset	337,883
Impact at 1 January 2019	337,883
Non-controlling interest	
Recognition of interest of lease liabilities and depreciation of right-of-use asset	4,571
Impact at 1 January 2019	4,571

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

- (b) The following new and amended standards and interpretations have been published but are not yet effective for the period ended 30 June 2019 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	<i>Definition of a Business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>	1 January 2020
HKFRS 17	<i>Insurance Contracts</i>	1 January 2021
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption

The Group has not applied any new or revised HKFRSs that is not yet effective for the current accounting period.

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.

In current period, 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 (ceased business during the period)
- Film development, production and distribution
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Provision of early childhood education (disposed during the period)

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 six months ended 30 June 2019 and 2018 is as follows:

	Continuing operations					Discontinued operations
	Advertising and media	Retail of skin care products	Film development, production and distribution	Financial services	Total	Provision of early childhood education
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2019						
Segment revenue	47,004,399	–	–	6,979,968	53,984,367	287,551
Inter-segment revenue	(5,688,400)	–	–	–	(5,688,400)	–
Revenue (from external customers)	41,315,999	–	–	6,979,968	48,295,967	287,551
Segment results	20,451,079	–	–	6,979,968	27,431,047	279,813
For the six months ended 30 June 2018						
Segment revenue	37,441,836	3,056,963	–	6,979,508	47,478,307	1,337,701
Inter-segment revenue	(3,313,488)	–	–	–	(3,313,488)	–
Revenue (from external customers)	34,128,348	3,056,963	–	6,979,508	44,164,819	1,337,701
Segment results	17,218,355	1,298,269	–	6,979,508	25,496,132	941,441

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

	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Segment results	27,431,047	25,496,132
Other income and gains, net	13,260,747	4,567,480
Administrative expenses	(37,527,473)	(54,950,134)
Loss on disposal of a subsidiary	(1,351,277)	–
Provision for impairment loss on film deposits and rights	–	(42,053,131)
Operating profit/(loss)	1,813,044	(66,939,653)
Finance costs	(1,078,447)	–
Profit/(loss) before tax	734,597	(66,939,653)

The total non-current assets by the reportable segments as at 30 June 2019 and 31 December 2018 are as follows:

	Continuing operations					Discontinued operations
	Advertising and media	Retail of skin care products	Film development, production and distribution	Financial services	Unallocated non-current assets	Provision of early childhood education
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 30 June 2019						
Non-current assets (Unaudited)	17,618,863	47,131	–	5,701,128	6,009,592	29,376,714
As at 31 December 2018						
Non-current assets (Audited)	7,412,604	72,662	–	4,590,504	2,082,896	14,158,666

Geographical information

(a) Revenue from external customers

	Continuing operations				Discontinued operations
	Hong Kong HK\$ (Unaudited)	Singapore HK\$ (Unaudited)	United States HK\$ (Unaudited)	Total HK\$ (Unaudited)	Hong Kong HK\$ (Unaudited)
For the six months ended 30 June 2019					
Segment revenue	21,142,775	32,841,592	–	53,984,367	287,551
Inter-segment revenue	(307,253)	(5,381,147)	–	(5,688,400)	–
Revenue (from external customers)	20,835,522	27,460,445	–	48,295,967	287,551
Segment results	12,360,335	15,070,712	–	27,431,047	279,813
For the six months ended 30 June 2018					
Segment revenue	24,176,299	23,302,008	–	47,478,307	1,337,701
Inter-segment revenue	(43,251)	(3,270,237)	–	(3,313,488)	–
Revenue (from external customers)	24,133,048	20,031,771	–	44,164,819	1,337,701
Segment results	14,890,542	10,605,590	–	25,496,132	941,441

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Hong Kong	20,875,141	11,312,735
Singapore	8,501,573	2,852,218
	29,376,714	14,164,953

4. FINANCE COSTS

	Six months ended 30 June 2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Interest on other borrowings	722,016	–
Interest on lease liabilities	356,431	–
	1,078,447	–

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation from continuing operations was arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of services provided	20,864,920	17,661,216
Cost of inventories sold	–	1,007,471
Depreciation	5,583,040	2,540,270
Amortisation	35,750	147,814
Employee benefit expenses (excluding directors' remuneration):		
– Salaries, wages and allowance	17,160,893	20,972,767
– Pension scheme contributions	1,283,705	1,425,412

6. INCOME TAX EXPENSES

Hong Kong profits tax have been provided at the rate of 8.25% of the first HK\$2 million of assessable profits and taxed at 16.5% for assessable profits above HK\$2 million arising in Hong Kong during the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current - Hong Kong	698,000	-

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

8. LOSS PER SHARE

(a) Basic

	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Losses:		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
– from continuing operations	(1,177,647)	(56,608,183)
– from discontinued operations	(133,348)	(119,311)
Loss attributable to ordinary equity holders of the parent	(1,310,995)	(56,727,494)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic loss per share calculation	<u>1,147,092,240</u>	<u>1,147,092,240</u>

(b) Diluted

No diluted loss per share has been presented as there was no dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

At 30 June 2019, the Group has addition and disposal of property, plant and equipment at total cost of approximately HK\$1,143,753 and HK\$5,285 respectively.

10. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Audited)
Trade receivables – third parties	20,032,729	22,114,197
Impairment	<u>(544,056)</u>	<u>(544,056)</u>
Trade receivables, net	19,488,673	21,570,141
Prepayments, other receivables and other assets	<u>23,848,091</u>	<u>25,957,351</u>
	<u>43,336,764</u>	<u>47,527,492</u>
Less non-current portion:		
Rental deposits	(2,209,333)	(2,094,873)
Deposit with Hong Kong Exchanges and Clearing Limited	<u>(705,000)</u>	<u>(705,000)</u>
	<u>(2,914,333)</u>	<u>(2,799,873)</u>
Current portion	<u>40,422,431</u>	<u>44,727,619</u>

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

The ageing analysis of trade receivables as at the end of the interim period, based on invoice date and net of loss allowance, is as follows:

	30 June	31 December
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Audited)
Up to 30 days	11,208,844	15,643,814
31–60 days	3,196,533	2,203,807
Over 60 days	5,083,296	3,722,520
	19,488,673	21,570,141

Movements on the provision for impairment of trade receivables are as follows:

	30 June	31 December
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Audited)
At beginning of period/year	544,056	–
Effect of adoption of HKFRS 9	–	676,616
At beginning of period/year (restated)	–	676,616
Reversal of impairment of trade receivables	–	(132,560)
At end of period/year	544,056	544,056

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.

11. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Trade payables	252,001	1,230,698
Licence fee payable	37,746	338,712
Other payables	34,054,066	28,428,442
Loan and interest payable to a director	1,609,994	1,602,060
Contract Liabilities	2,312,952	2,083,376
Accruals	9,184,358	10,161,531
	47,451,117	43,844,819

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

The trade payables are non-interest bearing and are normally settled from 60 to 90 days.

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

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Current	252,001	1,230,698

12. SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$
Authorised:		
Ordinary share of HK\$0.1 each		
At 31 December 2018 and 30 June 2019	5,000,000,000	500,000,000
Issued and fully paid:		
At 31 December 2018 (Audited), 30 June 2019 (Unaudited)	1,147,092,240	114,709,224

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

14. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the unaudited condensed consolidated interim financial information, the Group has the following material transactions with related parties during the period ended 30 June 2019:

- (a) The Group has an outstanding principal amount of HK\$18,000,000 due to Cornerstone Financial Group Limited, a former non-controlling shareholder of certain subsidiaries of the Company, as at 30 June 2019. The balance is unsecured, bears interest at the rate of 8% per annum and has no fixed term of repayment. The interest payable for the loan as at 30 June 2019 is HK\$714,082.
- (b) The Group has an outstanding principal amount of HK\$1,600,000 due to An Xilei, a director of the Company as at 30 June 2019 (31 December 2018: HK\$1,600,000). The balance is unsecured, bears interest at the rate of 1% per annum and repayable on 14 November 2019. The interest payable for the loan as at 30 June 2019 is HK\$9,994 (31 December 2018: HK\$2,060).
- (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Salaries, wages and allowances	2,379,000	4,872,032
Pension scheme contributions	24,000	9,000
	<u>2,403,000</u>	<u>4,881,032</u>

15. SUBSEQUENT EVENTS

On 19 July 2019, the Group as a vendor entered into a conditional sale and purchase agreement with an independent third party to dispose 80% equity interests in CSHL which was incorporated for applying the licence to carry out Type 9 (asset management) regulated activity under the SFO for a consideration of HK\$10 million. Further details are set out in the Company's announcement dated 19 July 2019.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 12 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the period ended 30 June 2019 (the “Reporting Period”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in (i) financial services; (ii) provision of out-of-home (“OOH”) advertising services; and (iii) film development, production and distribution. To allocate more resources in the development of the Group’s principal businesses, the Group has disposed of the business in the provision of early childhood education and ceased the business in the retail of skin care products during the Reporting Period. The details of the Group’s principal businesses are as follows:

Financial Services

During the Reporting Period, the Group’s financial services business are mainly conducted under the brand name of “Cornerstone” and consisted of Type 1 (dealing in securities), Type 4 (advising on securities), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and a wholly owned subsidiary of the Group also obtained the license to conduct money lending business. The performance of the Group’s financial services business remained strong for the period ended 30 June 2019, the total revenue reached approximately HK\$7 million while the operating profit before tax reached approximately HK\$14 million. Margin financing business was the key income stream for the Group’s financial services business and approximately HK\$182.6 million margin loan financing was granted to margin account clients as at 30 June 2019 while the total net assets of the Group’s client accounts amounted to approximately HK\$3,872 million and the net assets for margin account clients and cash account clients were approximately HK\$1,103 million and HK\$2,769 million respectively. The positive result of the financial services segment was contributed by the improvement in investment activities during the period.

On 19 July 2019, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose 80% equity interests in Cornerstone Strategy Holding Limited (“CSHL”) which was incorporated for applying the licence to carry out Type 9 (asset management) regulated activity under the SFO, and such licence was granted to Cornerstone Asset Management Limited (“CAML”, a wholly-owned subsidiary of CSHL) in August 2018. The Group’s asset management business originally targeted at high net worth individuals and potential institutional clients in the mainland China and Hong Kong. The development of the asset management business was affected by the departure of the then chairman of the Company, who was responsible for promoting the financial services business, in particular, the formulation of strategies and implementation of development of the asset management projects. In response to such personnel change, the financial services team had a succession plan in place to ensure the furtherance of the asset management projects. However, the progress was dampened by the economic slowdown in China and the escalating China-US Trade War in late 2018. In view of the economic uncertainties associated with the China-US Trade War, it is believed that commencing new asset management projects would be challenging and seeking support from institutional investors would be difficult. Therefore, CAML has not launched any asset management project after obtaining the approval from the SFC to conduct Type 9 (asset management) regulated activity. It is anticipated that the China-US Trade War would continue in the near future and the recent unprecedented political and social conditions in Hong Kong would cast further uncertainties in the economy. New asset management projects are generally associated with higher risks than traditional financing services activities like the securities trading and margin financing businesses. The Company believes that adjusting its corporate strategy in asset management business would be more beneficial to the Group as a whole.

The management is optimistic on the business prospect of the financial services business, in particular, the securities brokerage and margin financing businesses. Backed by the experienced management team and its sound reputation in the industry, the Directors are confident that the financial services segment will continue to contribute positive results to the Group in the near future.

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 as well as the residential 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 30 June 2019, the Group has deployed its flat-panel displays in 1,453 venues in Hong Kong and Singapore.

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	Six months ended 30 June 2019	Six months ended 30 June 2018
Hong Kong	Office, Commercial and Residential Network	940	899
Singapore	Office and Commercial Network	513	520
Total number of venues		<u>1,453</u>	<u>1,419</u>

As of 30 June 2019, the Group has deployed its branded flat-panel displays at 1,453 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

Under its OOH large format 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 (in 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 held 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. The advertising sales rights has expired on 30 June 2019 and the Group has decided not to pursue the tender in order to better deploy its resources to other higher profit margin new OOH sites under its OOH large format media network.

Under its OOH large format media network in Singapore, the Group continues to hold exclusive advertising rights for seven strategically located OOH sites. We have three sites within the busy Raffles Green which is just above the Raffles Place MRT station, located right in the heart of Singapore's financial district. There are two illuminated large static billboard which are Clifford Centre and The Arcade which is opposite the Group's mega-size LED screen at One Raffles Place which is one of the three tallest buildings in Singapore.

The Group's other OOH large static format includes exclusive partnerships with AZ @ Paya Lebar and Furama City Centre. AZ @ Paya Lebar building is centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore. It faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500 meters away. This billboard also targets foot-traffic flowing in and out of MacPherson MRT station, which is directly opposite of AZ @ Paya Lebar building. Furama City Centre Hotel is located in the heart of vibrant Chinatown, with a rich culture and longstanding history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

The Group also holds exclusive advertising sales rights for all media and event spaces at Galaxis situated at One-North Buona Vista. Galaxis is a state-of-the-art business space that offers the very best in contemporary urban living and retail activities within a central plaza. Sitting above One-North MRT Station, Galaxis is the gateway to all other commercial buildings within the One-North business hub, which is a 200 hectares development strategically positioned in the heart of Singapore, designed to host a cluster of world-class research facilities and business park space.

Targeting shoppers around the Orchard shopping belt, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the walkway at Orchard Gateway. It forms part of the underpass that links directly to the Somerset MRT station and also to both sides of Orchard Road. Orchard Gateway is the one-and-only shopping mall that straddles both sides of Orchard Road and is linked by a glass tubular bridge and an underpass — forming a “gateway” to the bustling shopping belt in Singapore.

To further solidify their position as the leading OOH media player, the Group has entered into partnership with the co-founder of one of the top media owners in Thailand. Their expansion into Singapore and our exclusive media representation with BL Falcon adds another five strategic locations which comprises of three LED screens namely at People's Park Centre, Sim Lim Tower and Fortune Centre and two static format at Enterprise One and Sim Lim Square. The LED screen at People's Park Centre is the first free form LED screen in Singapore known as "The Triple Horizon", which is made up of 3 separate LED strips measuring a total of 164sqm and strategically located at the busy cross junction of Upper Cross Street and Eu Tong Sen Street.

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 OOH large format media network.

Film development, production and distribution

In August 2015, the Group completed the acquisition of Ricco Media Investments Limited ("RMI") which indirectly held 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). SLGE was engaged in the business of film development, production and distribution and owned intellectual property rights in three films in the script development phase, namely Realm, The Annihilator and Replicator & Antilight.

Since completion of acquisition of the rights in these films, the Group has been actively seeking collaborating partners among studios in Hollywood and/or China to co-finance the funding necessary for the production of the films. Among the potential investors with whom the Group had initiated contact, one China-based group showed interest in collaborating with the Group in developing one or two of the films in the form of a co-financing arrangement. As at the end of the period under review, the Group has not yet entered into any formal contractual agreement in relation to the production of these films since. To better elaborate the Company's business model in relation to the investments in the film projects, the Company would develop the film rights in form of script for shooting, but would not participate in the actual shooting or filming of the motion pictures, such is let to the collaborating partner. The Company's role was merely to develop the rights of the superhero characters and to participate as one of the production equity investors of the production costs. The Company will continue to explore the potential value attributing to the film business and will keep on trying to identify potential investors to the development of the films as well as continuously review the business strategy of this segment.

Financial Review

	Six months ended 30 June		% Change
	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	
Revenue	48,583,518	45,502,520	7%
– continuing operations	48,295,967	44,164,819	9%
– discontinued operations	287,551	1,337,701	(79%)
Gross profit	27,710,860	26,437,573	5%
– continuing operations	27,431,047	25,496,132	8%
– discontinued operations	279,813	941,441	(70%)
EBITDA <i>(Note)</i>	(2,150,425)	(10,387,368)	N/A
Net loss	<u>(153,343)</u>	<u>(67,106,754)</u>	<u>N/A</u>

Note: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment and right-of-use assets, 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, provision for impairment of trade receivables, amortization of intangible assets and net of the total comprehensive loss for the period attributable to non-controlling interests. While EBITDA is commonly used as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's revenue from continuing operations for the six months ended 30 June 2019 was approximately HK\$48.3 million, representing an increase of approximately 9% over the corresponding period of the previous year while the Group's revenue from discontinued operations for the six months ended 30 June 2019 was approximately HK\$0.3 million, representing a decrease of approximately 79% over the corresponding period of the previous year. During the Reporting Period, the increase in revenue was contributed by the improvement in advertising and media business from approximately HK\$34 million in 2018 to approximately HK\$41 million in 2019. While the revenue generated from the financial services segment remained stable at approximately HK\$7 million.

The Group's gross profit from continuing operations for the six months ended 30 June 2019 was approximately HK\$27.4 million, representing an increase of approximately 8% over the corresponding period of the previous year while the Group's gross profit from discontinued operations for the six months ended 30 June 2019 was approximately HK\$0.3 million, representing a decrease of approximately 70% over the corresponding period of the previous year. The Group's gross profit margin decreased approximately from 58% to 57% due to the rising in cost of sales in operations.

The Group's administrative expenses from continuing operations for the six months ended 30 June 2019 was approximately HK\$38 million, representing a decrease of approximately 32% over the corresponding period of the previous year while the Group's administrative expenses from discontinued operations for the six months ended 30 June 2019 was approximately HK\$0.5 million, representing a decrease of approximately 58% over the corresponding period of the previous year. The decrease in administrative expenses was mainly due to the cost saving in operating expenses such as staff costs of the Group.

The Group's negative EBITDA amounted to approximately HK\$2.1 million for the six months ended 30 June 2019 as compared to the Group's negative EBITDA amounted to approximately HK\$10.4 million for the corresponding period of the previous year. The improvement in EBITDA was due to the drop in administrative expenses mentioned above as well as the increase in investment income contributed by the financial services business during the reporting period.

Loss per share for the six months ended 30 June 2019 was approximately HK cents 0.11 as compared to a loss per share of HK cents 4.95 for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$1.3 million for the six months ended 30 June 2019 as compared to a loss attributable to owners of the parent of approximately HK\$56.7 million for the corresponding period of the previous year. The improvement in the financial results was due to the increase in revenue, stable gross profit margin and the cost saving in administrative expenses as well as no provision for impairment loss on film deposits and rights was made during the interim period as compared to the corresponding period of last year.

Liquidity and financial resources

During the Reporting Period, the Group financed its daily operations from internally generated resources. As at 30 June 2019, the Group had net current assets of approximately HK\$238 million (31 December 2018: net current assets of HK\$245 million) and cash and cash equivalents of approximately HK\$62 million (31 December 2018: HK\$79 million).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over Shareholders' fund, was approximately 7.8% as at 30 June 2019 (31 December 2018: approximately 7.5%).

Foreign exchange

For the six months ended 30 June 2019, 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 period under review, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company have been listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 30 June 2019, the Company had 1,147,092,240 shares of HK\$0.10 each in issue.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Information on employees

As at 30 June 2019, the Group had 77 employees (30 June 2018: 119), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the six months ended 30 June 2019 were approximately HK\$22 million. Remuneration was determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits included contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options and attending professional training courses at the Company's expenses.

Significant investments held

Except for investment in subsidiaries, joint ventures and an associate, the Group held approximately HK\$14 million listed investments as at 30 June 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies and future plans for material investments

On 4 March 2019, Creative Execution Limited ("CEL"), an indirect wholly-owned subsidiary of the Group, that owns 70% of the issued share capital of Babysteps Limited ("Babysteps") and the 30% non-controlling interest shareholder of Babysteps agreed to sell their entire interest in Babysteps for a consideration of HK\$1 to an independent third party buyer. Since the incorporation of Babysteps in 2014, it has been engaged in the provision of early childhood education business and the accumulated loss since incorporation to the end of 2018 was approximately HK\$6 million with net liabilities of approximately HK\$5.1 million. The Group considered the disposal of Babysteps was in the best interest of the shareholders as Company can focus its resources for the development of its principal businesses. On 19 July 2019, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose 80% equity interests in CSHL for a consideration of HK\$10 million. CSHL was incorporated for applying the licence to carry out Type 9 (asset management) regulated activity under the SFO. The Company would update the status on the disposal of CSHL to the Shareholders, if necessary.

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

Charges on assets

As at 30 June 2019, the Group did not have any charges on its assets (31 December 2018: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

OTHER INFORMATION

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

During the six months ended 30 June 2019, 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 six months ended 30 June 2019, none of the Directors, the Management or the substantial shareholders of the Company or any of their respective associates engaged in any business that competes or may compete with the business of the Group or had 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 of 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 six months ended 30 June 2019.

Corporate Governance Practices

During the six months ended 30 June 2019, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules.

Audit Committee

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

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the interim 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

Hong Kong, 12 August 2019

As at the date of this announcement, the Board comprises Mr. An Xilei (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.