Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 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.

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 2019 together with comparative figures for the previous corresponding year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019**	2018
		HK$	*HK$*
CONTINUING OPERATIONS			
REVENUE	*4*	**92,039,627**	103,034,362
Cost of sales		**(36,059,286)**	(41,776,664)
Gross profit		**55,980,341**	61,257,698
Other income and gains, net		**7,347,369**	10,131,063
Administrative expenses		**(75,327,461)**	(100,374,809)
Loss on disposal of a subsidiary		**(1,351,373)**	–
Provision for impairment loss on film deposits and rights		**–**	(102,074,882)
Finance costs	*6*	**(2,287,414)**	(2,060)
Share of loss of an associate		**(40,036)**	(17,398)
LOSS BEFORE TAX	*7*	**(15,678,574)**	(131,080,388)
Income tax expenses	*8*	**(1,393,034)**	(1,028,755)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(17,071,608)**	(132,109,143)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*5*	**(188,501)**	(159,732)
LOSS FOR THE YEAR		**(17,260,109)**	(132,268,875)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2019

	Notes	**2019**	2018
		HK$	*HK$*
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**237,761**	(187,546)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(17,022,348)**	(132,456,421)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**(18,107,764)**	(107,933,612)
Non-controlling interests		**847,655**	(24,335,263)
		(17,260,109)	(132,268,875)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**(17,870,044)**	(108,120,324)
Non-controlling interests		**847,696**	(24,336,097)
		(17,022,348)	(132,456,421)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	***HK cents***	*HK cents*
– For loss for the year		**(1.58)**	(9.41)
– For loss for the year from continuing operations		**(1.57)**	(9.40)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$	2018 HK$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**6,163,388**	8,063,741
Right-of-use assets		**36,575,009**	–
Goodwill		**2,780,482**	2,780,482
Intangible assets		**–**	35,750
Film deposits and rights		**–**	–
Deposits, prepayments and other receivables		**1,728,686**	2,799,873
Interest in an associate		**87,673**	127,709
Pledged bank deposits		**359,882**	357,398
Total non-current assets		**47,695,120**	14,164,953
CURRENT ASSETS			
Margin loans receivable		**162,189,933**	165,003,073
Trade and other receivables	*10*	**33,605,921**	44,727,619
Equity investments at fair value through profit or loss		**7,069,920**	4,506,020
Pledged bank deposits		**–**	575,000
Cash held on behalf of brokerage clients		**8,937,966**	11,346,943
Cash and cash equivalents		**60,901,172**	79,281,959
Total current assets		**272,704,912**	305,440,614
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**21,479,757**	43,844,819
Accounts payable to brokerage clients	*11*	**14,184,860**	11,346,280
Lease liabilities		**14,691,868**	–
Deferred revenue		**1,280,810**	3,719,413
Income tax payable		**2,434,913**	1,041,619
Total current liabilities		**54,072,208**	59,952,131

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

	2019	2018
	HK$	*HK$*
NET CURRENT ASSETS	**218,632,704**	245,488,483
TOTAL ASSETS LESS CURRENT LIABILITIES	**266,327,824**	259,653,436
NON-CURRENT LIABILITIES		
Lease liabilities	**22,097,942**	–
Total non-current liabilities	**22,097,942**	–
Net assets	**244,229,882**	259,653,436
EQUITY		
Equity attributable to owners of the parent		
Share capital	**114,709,224**	114,709,224
Other reserves	**111,312,105**	129,182,149
	226,021,329	243,891,373
Non-controlling interests	**18,208,553**	15,762,063
Total equity	**244,229,882**	259,653,436

NOTES

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at 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. The Company's shares are listed on the GEM of the Stock Exchange.

During the year, 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 year) and (v) provision of early childhood education (disposed during the year).

2.1 BASIS OF PREPARATION

These financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial information also comply with the applicable disclosure provisions of the GEM Listing Rules. They have been prepared under the historical cost convention, except for certain of equity investments which have been measured at fair value. These financial information are presented in Hong Kong dollars except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial information.

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

The amendment that are more relevant to the Group are described below, other amendments do not have any significant impact on the Group's financial information.

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings and outdoor billboard spaces. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase
	HK$
Assets	
Increase in right-of-use assets	13,839,907
Increase in total assets	13,839,907
Liabilities	
Increase in lease liabilities	13,839,907
Increase in total liabilities	13,839,907

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$
Operating lease commitments as at 31 December 2018	22,723,173
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(8,100,726)
	14,622,447
Weighted average incremental borrowing rate as at 1 January 2019	5.18%
Discounted operating lease commitments as at 1 January 2019	13,839,907
Lease liabilities as at 1 January 2019	13,839,907

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net an investment in the associate or joint venture. The Group assessed its business model for its long-term interest in an associate upon adoption of the amendments on 1 January 2019 and concluded that the long-term interest in an associate continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

HK(IFRIC)-lnt 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Group.

3. OPERATING 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 and assesses the performance of the following five operating segments:

- Advertising and media
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Film development, production and distribution
- Retail of skin care products (ceased business during the year)
- Provision of early childhood education services (disposed during the year)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that other income and gains, net, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The segment information provided to the CODM for the reportable segments for year ended 31 December 2019 and 2018 is as follows:

	Continuing operations					Discontinued operation
	Advertising and media *HK$*	Retail of skin care products *HK$*	Film development, production and distribution *HK$*	Financial services *HK$*	Total *HK$*	Provision of early childhood education services *HK$*
Year ended 31 December 2019						
Segment revenue	77,613,055	–	–	14,426,572	92,039,627	287,551
Segment results	34,364,760	(48,914)	–	12,835,168	47,151,014	102,725
Segment assets	72,723,673	298,052	2,216,932	228,866,737	304,105,394	–
Corporate and other unallocated assets					16,294,638	–
Total assets					320,400,032	–
Segment liabilities	44,649,634	1,503	4,054,803	18,798,696	67,504,636	–
Corporate and other unallocated assets					8,665,514	–
Total liabilities					76,170,150	–
Other segment information						
Loss on disposal of a subsidiary	(1,351,373)	–	–	–	(1,351,373)	–
Share of loss of an associate	(40,036)	–	–	–	(40,036)	–
Reversal of impairment of trade receivables	333,066	–	–	–	333,066	–
Depreciation of property, plant and equipment	(2,879,716)	(48,914)	–	(587,060)	(3,515,690)	(1,002)
Depreciation of right-of-use assets	(6,766,014)	–	–	(1,004,344)	(7,770,358)	(176,086)
Amortisation	(35,750)	–	–	–	(35,750)	–
Capital expenditure *	2,107,120	–	–	12,240	2,119,360	–

	Continuing operations					Discontinued operation
	Advertising and media	Retail of skin care products	Film development, production and distribution	Financial services	Total	Provision of early childhood education services
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2018						
Segment revenue	81,547,214	6,550,719	–	14,936,429	103,034,362	2,993,902
Segment results	40,053,719	1,905,329	(102,074,882)	14,377,779	(45,738,055)	2,883,910
Segment assets	51,996,488	3,657,715	2,376,554	235,822,201	293,852,958	2,893,210
Corporate and other unallocated assets					22,859,398	–
Total assets					316,712,356	2,893,210
Segment liabilities	18,617,992	243,053	4,057,692	32,860,831	55,779,568	413,503
Corporate and other unallocated assets					3,759,060	–
Total liabilities					59,538,628	413,503
Other segment information						
Impairment loss on films deposits and rights	–	–	(102,074,882)	–	(102,074,882)	–
Reversal of impairment of trade and other receivables	132,560	–	–	–	132,560	–
Share of loss of an associate	(17,398)	–	–	–	(17,398)	–
Depreciation of property, plant and equipment	(4,080,010)	–	–	(558,650)	(4,638,660)	(19,806)
Amortisation	(264,813)	–	–	–	(264,913)	–
Capital expenditure *	2,869,546	–	–	168,180	3,037,726	–

* *Capital expenditure consists of additions to property, plant and equipment.*

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

	2019		2018	
	Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation
	HK$	***HK$***	*HK$*	*HK$*
Segment results	**47,151,014**	**102,725**	(45,738,055)	2,883,910
Other income and gains, net	**7,347,369**	**8**	10,131,063	10,512
Head office and corporate expenses	**(67,889,543)**	**(282,475)**	(95,471,336)	(3,054,154)
Finance costs	**(2,287,414)**	**(8,759)**	(2,060)	–
Loss before income tax	**(15,678,574)**	**(188,501)**	(131,080,388)	(159,732)

Geographical information

(a) Revenue from external customers

	2019			2018		
	Segment revenue	**Intersegment sales**	**Sales to external customers**	Segment revenue	Intersegment sales	Sales to external customers
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Hong Kong	**44,370,073**	**(674,639)**	**43,695,434**	55,487,671	(210,912)	55,276,759
Singapore	**57,239,761**	**(8,895,568)**	**48,344,193**	55,712,999	(7,955,396)	47,757,603
	101,609,834	**(9,570,207)**	**92,039,627**	111,200,670	(8,166,308)	103,034,362

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

(b) *Non-current assets*

	2019	2018
	HK$	*HK$*
Hong Kong	**35,773,885**	11,312,735
Singapore	**11,921,235**	2,852,218
	47,695,120	14,164,953

The non-current asset information above is based on the locations of the assets.

Information about a major customer

None of the customers accounted for 10% or more of the Group's total revenue for the years ended 31 December 2019 and 2018.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue from continuing operations is as follows:

	2019	2018
	HK$	*HK$*
Revenue from contract with customers	**78,232,682**	89,313,727
Revenue from other sources		
Interest income from margin financing	**13,806,945**	13,720,635
	92,039,627	103,034,362

Other income and gains, net

An analysis of other income and gains, net from continuing operations is as follows:

	2019	2018
	HK$	*HK$*
Foreign exchange difference, net	**–**	(8,471)
Government grants	**114,841**	661,943
Dividend income from listed investments	**6,109**	24,575
Bank interest income	**1,528,224**	1,252,428
Production income	**372,286**	233,037
Services fee income	**465,450**	9,450,020
Gain on disposal of items of property, plant and equipment	**335,000**	334,503
Realised gains on derecognition of financial assets at fair value through profit or loss	**244,761**	–
Fair value gain/(loss) on financial assets at fair value through profit or loss	**3,432,000**	(3,178,294)
Reversal of impairment loss of trade receivables	**333,066**	132,560
Sundry income	**515,632**	1,228,762
	7,347,369	10,131,063

5. DISCONTINUED OPERATION

On 4 March 2019, the Group sold its entire equity interest (i.e. 70% of equity interest) in Babysteps Limited ("Babysteps") to an independent third party at a consideration of HK$1 as this investment no longer coincided with the Group's investment strategy. Babysteps engaged in provision of early childhood education services. The disposal of Babysteps was completed on 4 March 2019 and the results of Babysteps are presented in these consolidated financial statements as the discontinued operation.

The results of Babysteps for the year are presented below:

	2019	2018
	HK$	*HK$*
Revenue	**287,551**	2,993,902
Cost of sales	**(7,738)**	(90,186)
Gross profit	**279,813**	2,903,716
Other income	**9**	10,512
Administrative expenses	**(459,565)**	(3,073,960)
Interest on lease liabilities	**(8,758)**	–
Loss before tax	**(188,501)**	(159,732)
Income tax expenses	**–**	–
Loss for the year from the discontinued operation	**(188,501)**	(159,732)

Calculation of the basic and diluted loss per share from the discontinued operation are based on:

	2019	2018
Loss per share:		
Basic and diluted, from the discontinued operation	**(HK0.01 cents)**	(HK0.01 cents)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**(HK$131,951)**	(HK$111,812)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,147,092,240**	1,147,092,240

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019	2018
	HK$	*HK$*
Interest on other borrowings	**1,411,169**	2,060
Interest on lease liabilities	**876,245**	–
	2,287,414	2,060

7. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging:

	2019	2018
	HK$	*HK$*
Cost of services provided	**19,628,070**	19,931,791
Cost of inventories sold	**–**	4,500,427
Auditor's remuneration		
– Current	**1,150,000**	1,000,000
– Underprovision	**231,820**	–
Depreciation of property, plant and equipment	**4,028,839**	5,120,032
Depreciation of right-of-use assets	**10,671,297**	–
Amortisation of other intangible assets*	**35,750**	264,813
Foreign difference, net	**4,493**	8,471
Impairment of other receivables*	**100,000**	–
Minimum lease payments under operating leases	**–**	30,957,750
Lease payment not included in the measurement of lease liabilities	**11,631,512**	–
Employee benefit expenses		
(including director's remuneration)		
Salaries, wages and allowance	**41,101,069**	47,490,979
Pension scheme contribution	**2,629,070**	2,692,036
Other post-employment benefits	**1,016,535**	2,515,700
Total employee benefit expenses	**44,746,674**	52,698,715

* Items are included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Singapore profits tax have been provided at the rate of 17% (2018: 17%) on the estimated assessable profits during the year.

Other taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates

	2019	2018
	HK$	*HK$*
Current tax		
– Hong Kong	**1,431,097**	1,004,284
– PRC	**–**	24,471
– Singapore	**–**	–
Overprovision in prior years		
– Hong Kong	**(38,063)**	–
Total tax charged for the year	**1,393,034**	1,028,755

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year ended 31 December 2019 of HK$18,107,764 (2018: loss of HK$107,933,612) and on the weighted average number of 1,147,092,240 (2018: 1,147,092,240) of ordinary shares in issue during the year.

	2019	2018
	HK$	*HK$*
Loss:		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
– from continuing operations	**(17,975,813)**	(107,821,800)
– from discontinued operation	**(131,951)**	(111,812)
Loss attributable to ordinary equity holders of the parent	**(18,107,764)**	(107,933,612)

	2019	2018
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation	**1,147,092,240**	1,147,092,240

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018 have no dilutive effect.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$	*HK$*
Trade receivables	**17,576,842**	22,114,197
Impairment	**(210,990)**	(544,056)
Trade receivables – net	**17,365,852**	21,570,141
Prepayments, other receivables and other assets	**17,968,755**	25,957,351
	35,334,607	47,527,492
Less: Non-current portion:		
Rental deposit	**(1,023,686)**	(2,094,873)
Deposit with Hong Kong Exchanges and Clearing Limited	**(705,000)**	(705,000)
	(1,728,686)	(2,799,873)
Current portion	**33,605,921**	44,727,619

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

	2019	2018
	HK$	*HK$*
Up to 30 days	**12,592,689**	15,643,814
31–60 days	**1,987,677**	2,203,807
Over 60 days	**2,785,486**	3,722,520
	17,365,852	21,570,141

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	*HK$*
Trade payables	**1,320,261**	1,230,698
Licence fee payable	**37,746**	338,712
Other payables	**5,665,407**	28,428,442
Loan and interest payable to a director	**1,616,000**	1,602,060
Contract liabilities	**442,158**	2,083,376
Accruals	**12,398,185**	10,161,531
	21,479,757	43,844,819

The trade payable are non-interest bearing and are normally settled from 60 to 90 days. An ageing analysis of the trade payables as at the end of the reporting period, based on the due date, is as follows:

	2019	2018
	HK$	*HK$*
Current	1,320,261	1,230,698

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the year ended 31 December 2019 (the "Financial Year"), Cornerstone Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were principally engaged in financial services and the advertising and media services. The advertising and media business remained the main contributor to the Group's revenue while the financial services continued to generate stable return for the Group. 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 Financial Year. The coronavirus outbreak in early 2020 would affect the worldwide economic growth and the Group's performance would inevitably be affected in the short run. The management is cautiously optimistic that the economy would recover after the coronavirus outbreak and the business prospect of the Group would remain strong in the future. The Group's business review and prospects are as follows:

Financial Services

During the Financial Year, 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 Financial Year, the total revenue reached approximately HK$14 million while the operating profit before tax reached approximately HK$10 million. Margin financing business was the key income stream for the Group's financial services business and approximately HK$159 million margin loan financing was granted to margin account clients as at 31 December 2019 while the total net assets of the Group's client accounts amounted to approximately HK$1,923 million and the net assets for margin account clients and cash account clients were approximately HK$432 million and HK$1,491 million respectively.

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 Strategic Holding Limited ("CSHL") (the "Disposal"). CSHL 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 since 2018. In view of the economic uncertainties, 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. New asset management projects are generally associated with higher risks than traditional financial services activities like the securities trading and margin financing businesses. The Company believes that adjusting its corporate strategy by the disposal of the asset management business would be more beneficial to the Group as a whole. The Disposal is still subject to approval from the SFC.

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 order to enhance the business development of the financial services business, the Group will from time to time explore financing opportunities to strengthen the capital base of the securities brokeage and margin financing business.

Advertising and media business

The Group is a well-established digital out-of-home ("OOH") media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings as well as the residential buildings to sell advertisement. 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, reaching business executives and affluent consumers.

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**	**2019**	2018
Hong Kong	Office, Commercial and Residential Network	**974**	912
Singapore	Office and Commercial Network	**518**	523
Total number of venues		**1,492**	1,435

As of 31 December 2019, the Group has deployed its branded flat-panel displays at 1,492 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 the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at Tsim Sha Tsui ("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.

To capitalize on the Group's success in operating digital media panels, the Group launched a number of large LED panels. In October 2019, the Group was awarded the exclusive advertising sales rights of four LED panels at three strategic locations, namely "V" and 3 Matheson Street in Causeway Bay, 53 Carnarvon Road in Tsim Sha Tsim and Le Diamant in Mongkok. Causeway Bay, Tsim Sha Tsim and Mongkok are amongst the busiest shopping and dining districts in Hong Kong.

Sogo Department Store ("Sogo"), Times Square and Lee Theatre are all renowned landmark shopping sites in Causeway Bay. "V" is just one block away from Sogo capturing both local and foreign shoppers. The large LED panels at 3 Matheson Street is a combo of G-Glass LED building wrap at the top with multi-layers LED panels at the bottom, where advertisers can deliver their messages creatively. It is strategically located between Times Square and Lee Theatre.

53 Carnarvon Road is in the center of busy Tsim Sha Tsui, known as the one-stop shoppers' paradise brimming with both high-end malls and bustling shopping streets. 53 Carnarvon Road's LEDs are in triple horizon L-shape LED format where advertisers can broadcast their messages in an unique and dynamic way. It is diagonally opposite to the shopping arcade "The One", corner site at the junction of Granville Road and Carnarvon Road. Granville Road is a road with fashion shops piled with a variety of brands and boutiques.

Le Diamant's LEDs are a combination of giant LED screen and LED billboard which are made up of a total of 212 sqm located in the buzzing Mongkok occupied by both locals and tourists. Le Diamant's LEDs are located on Nathan Road in the liveliest district which includes popular shopping malls, stalls and shopping streets. It is a spot that will not be missed out by locals and tourists.

Under its OOH large format media network in Singapore, the Group added another three exclusive OOH sites, making it a total ten strategically located OOH sites. Within the Raffles Green area which are just above the Raffles Place MRT station, located right in the heart of Singapore's financial district, the Group dominates the vicinity with three prominent sites, two illuminated large static billboard sites namely Clifford Centre and The Arcade and one LED screen at Oxley @ Raffles (previously known as Chevron House).

The Group's other OOH large static format which targets SMEs includes exclusive partnerships with AZ @ Paya Lebar and Ark @ KB. AZ @ Paya Lebar building is centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore. It faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500 meters away. This billboard also targets foot-traffic flowing in and out of MacPherson MRT station, which is directly opposite of AZ @ Paya Lebar building. Another site reaching out to SMEs is ARK @ KB where the crowd are similar as of AZ building, where the site is visible across the flyover leading to the Kaki Bukit industrial area.

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.

The Group foresees the demand in reaching new suburban town thus went into partnership with Waterway Point for their façade LED screen as well as Marina Country Club. Both these property developments have retail and F&B that serves Punggol dwellers which has the highest concentration of young couples and highest proportion of children under 5 in Singapore.

To further solidify their position as the leading OOH media player, the Group has entered into partnership with the leading OOH 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/LED 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. 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 left 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. As disclosed in the Company's 2018 Annual Report and subsequent announcement(s), the Company recognised impairment loss on film deposits and rights in previous years due to various unforeseeable and uncontrollable events caused delay to the development plan of the above three films. Notwithstanding that, the Company will continue to explore the potential value attributing to the film business and will keep on trying to identify potential investors to develop the films as well as continuously review the business strategy of this segment. As at the end of the Financial Year, the Group has not yet entered into any formal contractual agreement in relation to the production of these films.

FINANCIAL REVIEW

	2019	*(Note 2)* 2018	*(Note 2)* 2017	*(Note 2)* 2016	*(Note 2)* 2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	**92,039,627**	106,028,264	92,883,100	80,646,748	72,306,609
Gross profit	**55,980,341**	64,161,414	54,670,842	47,568,521	41,630,172
EBITDA *(Note 1)*	**(1,546,174)**	3,305,368	(8,382,423)	(10,031,487)	(6,656,831)
Net loss	**(17,260,109)**	(132,268,875)	(62,127,398)	(20,430,775)	(18,936,258)

Note 1:

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.

Note 2:

The above financial results for the years ended 31 December 2015, 2016, 2017 and 2018 included the provision of early childhood education business which was a discontinued operation for the year ended 31 December 2019.

The Group's revenue from continuing operations for the year ended 31 December 2019 was approximately HK$92.0 million, representing a decrease of approximately 11% over the previous year while the Group's revenue from discontinued operation for the year ended 31 December 2019 was approximately HK$0.3 million, representing a decrease of approximately 90% over the previous year.

The Group's gross profit from continuing operations for the year ended 31 December 2019 was approximately HK$56.0 million, representing a decrease of approximately 9% over the previous year while the Group's gross profit from discontinued operation for the year ended 31 December 2019 was approximately HK$0.3 million, representing a decrease of approximately 90% over the previous year. The Group's gross profit margin was maintained at approximately 61% in both years.

The Group's administrative expenses from continuing operations for the year ended 31 December 2019 was approximately HK$75.3 million, representing a decrease of approximately 25% over the previous year while the Group's administrative expenses from discontinued operation for the year ended 31 December 2019 was approximately HK$0.5 million, representing a decrease of approximately 85% over the previous year. The decrease in administrative expenses was mainly due to the cost saving in operating expenses such as staff costs and marketing expense.

The Group's negative EBITDA amounted to approximately HK$1.5 million for the year ended 31 December 2019 as compared to the Group's EBITDA amounted to approximately HK$3.3 million for the previous year.

The Group recorded a loss of approximately HK$17.2 million for the year ended 31 December 2019 as compared to a loss of approximately HK$132.2 million for the previous year. The improvement in the financial results was due to the reduction in administrative expenses and no provision for impairment loss on film deposits and rights was made during the year as compared to last year.

Liquidity and financial resources

During the Financial Year, the Group financed its daily operations from internally generated resources. As at 31 December 2019, the Group had net current assets of approximately HK$219 million (2018: HK$245 million) and cash and cash equivalents of approximately HK$61 million (2018: HK$79 million).

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over Shareholders' fund, was 0.7% as at 31 December 2019 (2018: 7.5%).

Foreign exchange

For the year ended 31 December 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. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2019, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 31 December 2019, the Company had 1,147,092,240 shares of HK$0.10 each in issue. The Directors will from time to time review the capital structure of the Company to facilitate potential fund raising opportunities in the future.

Information on employees

As at 31 December 2019, the Group had 82 employees (2017: 89 employees), including the executive Directors (the "Executive Directors"). Total staff costs (including Directors' emoluments) were approximately HK$45 million for the Financial Year (2018: HK$53 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 held approximately HK$7.1 million listed investments as at 31 December 2019 (2018: HK$4.5 million).

Material acquisitions and disposals of subsidiaries 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 of assets

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

Contingent liabilities

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

OTHER INFORMATION

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

During the 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 year ended 31 December 2019.

Corporate Governance Practices

For the year ended 31 December 2019, 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 where otherwise stated.

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 all three independent non-executive Directors.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Zenith CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Zenith CPA Limited 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 Zenith CPA Limited on the preliminary announcement.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of annual results of the Group for the year ended 31 December 2019.

Closure of the Register of Members

The register of members will be closed from 29 May 2020 (Friday) to 3 June 2020 (Wednesday), 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 to be held on 3 June 2020 (Wednesday), 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 May 2020 (Thursday).

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

Hong Kong, 26 March 2020

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.