

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.



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

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2020

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.

UNAUDITED FIRST QUARTERLY RESULTS

The board of directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2020 together with comparative unaudited figures for the corresponding period ended 31 March 2019, as follows:

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

For the three months ended 31 March 2020

		Three months ended 31 March	
	Note	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
REVENUE	3	15,768,471	24,678,895
Cost of sales		<u>(6,047,411)</u>	<u>(10,413,357)</u>
Gross profit		9,721,060	14,265,538
Other income and gains, net		544,392	2,116,925
Administrative expenses		(18,919,160)	(19,862,312)
Loss on disposal of a subsidiary		–	(1,351,277)
Finance costs		<u>(301,899)</u>	<u>(527,406)</u>
LOSS BEFORE TAX		(8,955,607)	(5,358,532)
Income tax expenses	4	<u>(247,000)</u>	<u>(237,000)</u>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(9,202,607)	(5,595,532)
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION		<u>–</u>	<u>(188,640)</u>
LOSS FOR THE PERIOD		(9,202,607)	(5,784,172)
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(1,179,154)</u>	<u>173,094</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(10,381,761)</u>	<u>(5,611,078)</u>

		Three months ended 31 March	
		2020	2019
		HK\$	HK\$
Note		(unaudited)	(unaudited)
(LOSS)/PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the parent		(9,014,105)	(5,903,526)
Non-controlling interests		<u>(188,502)</u>	<u>119,354</u>
		<u>(9,202,607)</u>	<u>(5,784,172)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE			
PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(10,193,655)	(5,730,342)
Non-controlling interests		<u>(188,106)</u>	<u>119,264</u>
		<u>(10,381,761)</u>	<u>(5,611,078)</u>
LOSS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and Diluted	6	<u>0.79</u>	<u>0.51</u>
		HK cents	HK cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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\$		
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	–	–	–	–	–	(5,903,526)	(5,903,526)	(5,784,172)
Other comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–
Exchange differences related to foreign operations	–	–	–	173,184	–	–	173,184	173,094
Total comprehensive (loss)/income	–	–	–	173,184	–	(5,903,526)	(5,730,342)	(5,611,078)
Disposal of a subsidiary	–	–	–	–	–	–	1,598,836	1,598,836
At 31 March 2019 (unaudited)	<u>114,709,224</u>	<u>552,932,232</u>	<u>(176,467,450)</u>	<u>(1,339,779)</u>	<u>2,020,536</u>	<u>(254,031,615)</u>	<u>237,823,148</u>	<u>255,298,740</u>
At 31 December 2019 and 1 January 2020 (audited)	<u>114,709,224</u>	<u>552,932,232</u>	<u>(176,467,450)</u>	<u>(1,275,243)</u>	<u>2,020,536</u>	<u>(265,897,970)</u>	<u>226,021,329</u>	<u>244,229,882</u>
Loss for the period	–	–	–	–	–	(9,014,105)	(9,014,105)	(9,202,607)
Other comprehensive (loss)/income for the period	–	–	–	–	–	–	–	–
Exchange differences related to foreign operations	–	–	–	(1,179,550)	–	–	(1,179,550)	(1,179,154)
Total comprehensive loss for the period	–	–	–	(1,179,550)	–	(9,014,105)	(10,193,655)	(10,381,761)
At 31 March 2020 (unaudited)	<u>114,709,224</u>	<u>552,932,232</u>	<u>(176,467,450)</u>	<u>(2,454,793)</u>	<u>2,020,536</u>	<u>(274,912,075)</u>	<u>215,827,674</u>	<u>233,848,121</u>

NOTES TO THE FINANCIAL INFORMATION

For the three months ended 31 March 2020

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited 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 is an investment holding company. The principal activities of its subsidiaries are (i) financial services including securities dealings and brokerage services and margin financing services, (ii) provision of advertising and media services.

The Company's shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated first quarterly financial information have been reviewed by the audit committee of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial information for the three months ended 31 March 2020 (the "First Quarterly Financial Information") has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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").

The First Quarterly Financial Information should be read in conjunction with the annual report of the Group for the year ended 31 December 2019.

The First Quarterly Financial Information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

Changes in accounting policy and disclosures

- (a) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9 and HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the above new and revised standards has had no significant financial effect on the unaudited condensed consolidated first quarterly financial information.

- (b) The following new and amended standards and interpretations have been published but are not yet effective for the period ended 31 March 2020 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
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

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM has been identified collectively as the executive directors of the Company who are responsible for allocating resources and assessing performance of the operating segment.

The Group is principally engaged in the advertising and media services and the financial services. During the period, management reviews the operating results of the business as two operating segments to make decisions about resources to be allocated.

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, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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 the three months ended 31 March 2020 and 2019 is as follows:

	Advertising and media <i>HK\$</i> (unaudited)	Retail of skin care products <i>HK\$</i> (unaudited)	Film development, production and distribution <i>HK\$</i> (unaudited)	Financial services <i>HK\$</i> (unaudited)	Total <i>HK\$</i> (unaudited)
for the three months ended 31 March 2020					
Segment revenue	<u>12,447,732</u>	<u>–</u>	<u>–</u>	<u>3,320,739</u>	<u>15,768,471</u>
Segment results	<u><u>5,056,246</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>2,987,552</u></u>	<u><u>8,043,798</u></u>
Other segment information:					
Depreciation of property, plant and equipments	(561,441)	–	–	(53,182)	(614,623)
Depreciation of right-of-use assets	(2,926,422)	–	–	(280,005)	(3,206,427)
Capital expenditure*	<u>534,952</u>	<u>–</u>	<u>–</u>	<u>10,662</u>	<u>545,614</u>

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

	Continuing operations				Discontinued operation
	Advertising and media <i>HK\$</i> (unaudited)	Retail of skin care products <i>HK\$</i> (unaudited)	Film development, production and distribution <i>HK\$</i> (unaudited)	Financial services <i>HK\$</i> (unaudited)	Provision of early childhood education services <i>HK\$</i> (unaudited)
for the three months ended 31 March 2019					
Segment revenue	<u>21,228,446</u>	<u>–</u>	<u>–</u>	<u>3,450,449</u>	<u>24,678,895</u>
Segment results	<u><u>7,825,303</u></u>	<u><u>(12,929)</u></u>	<u><u>–</u></u>	<u><u>3,015,901</u></u>	<u><u>10,828,275</u></u>
Other segment information					
Depreciation of property, plant and equipments	(936,504)	(12,929)	–	(151,731)	(1,101,164)
Depreciation of right-of-use assets	(666,255)	–	–	(282,817)	(949,072)
Amortisation	(35,750)	–	–	–	(35,750)
Loss on disposal of a subsidiary	(1,351,277)	–	–	–	(1,351,277)
Capital expenditure*	<u>279,410</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>279,410</u>

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

Geographical information

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

	Three months ended 31 March					
	2020			2019		
	Segment revenue	Intersegment sales	Sales to external customers	Segment revenue	Intersegment sales	Sales to external customers
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong	8,568,224	(256,715)	8,311,509	10,238,342	(91,703)	10,146,639
Singapore	7,621,428	(164,466)	7,456,962	16,966,295	(2,434,039)	14,532,256
	16,189,652	(421,181)	15,768,471	27,204,637	(2,525,742)	24,678,895

An analysis of revenue from continuing operations is as follows:

	Three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
Revenue from contract with customers	12,481,549	21,286,105
Revenue from other sources		
– Interest income from margin financing	3,286,922	3,392,790
	15,768,471	24,678,895

4. INCOME TAX EXPENSES

The provision for Hong Kong profits tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits, except for one subsidiary of the group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong profits tax of HK\$247,000 has been made in these unaudited condensed consolidated accounts for the three months ended 31 March 2020 (three months ended 31 March 2019: HK\$237,000).

5. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

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

(a) Basic

	Three months ended 31 March	
	2020	2019
	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	(9,014,105)	(5,771,478)
– from discontinued operation	–	(132,048)
	<u> </u>	<u> </u>
Loss attributable to ordinary equity holders of the parent	<u><u>(9,014,105)</u></u>	<u><u>(5,903,526)</u></u>

	Three months ended 31 March	
	2020	2019
	(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><u>1,147,092,240</u></u>	<u><u>1,147,092,240</u></u>

(b) Diluted

No diluted loss per share has been presented as there was no dilutive ordinary shares outstanding during the three months ended 31 March 2020 and 2019.

7. SUBSEQUENT EVENTS

On 7 April 2020, the Company proposed to implement the following capital reorganisation (the “Capital Reorganisation”) involving (i) the consolidation of every twenty shares of HK\$0.10 each in the issued and unissued share capital of the Company into one consolidated share of HK\$2.00 each (the “Consolidated Share(s)”) in the issued and unissued share capital of the Company (the “Share Consolidation”); and (ii) (a) immediately following the Share Consolidation, the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$1.99 on each of the then issued Consolidated Shares such that the par value of each of the then issued Consolidated Shares will be reduced from HK\$2.00 to HK\$0.01 (the “Capital Reduction”); and (b) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value HK\$2.00 each be sub-divided into two hundred ordinary shares of par value of HK\$0.01 each. Details of the Capital Reorganisation are disclosed in the Company’s announcement dated 7 April 2020 and the Company’s circular dated 7 May 2020. The Capital Reorganisation has not been effective as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the period ended 31 March 2020 (the “Reporting Period”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in the 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 revenue for the Group. The coronavirus outbreak in early 2020 has affected the worldwide economic growth and the Group’s performance has been inevitably affected during the Reporting Period. The Group recorded an overall revenue of approximately HK\$15.8 million and net loss attributable to owners of the Company of approximately HK\$9 million during the Reporting Period. The management is cautiously optimistic that the economy would recover after the coronavirus outbreak and the business prospects of the Group would remain stable in the future. The Group’s business review and prospects are as follows:

Financial Services

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. During the Reporting Period, the total revenue of the financial services business reached approximately HK\$3.32 million while the operating loss before tax reached approximately HK\$1.98 million. Margin financing business was the key income stream for the Group’s financial services business and approximately HK\$162 million margin loan financing was granted to margin account clients as at 31 March 2020.

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 license to carry out Type 9 (asset management) regulated activity under the SFO, and such license 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.

The performance of the Group’s financial services was affected by the outbreak of coronavirus during the Reporting Period. The management believed that the global business environment would recover gradually after the outbreak.

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 stable revenue 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 brokerage 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	Three months ended	Three months ended
		31 March 2020	31 March 2019
Hong Kong	Office, Commercial and Residential Network	1,002	928
Singapore	Office and Commercial Network	521	522
Total number of venues		<u>1,523</u>	<u>1,450</u>

As of 31 March 2020, the Group has deployed its branded flat-panel displays at 1,523 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 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 continues to hold 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 continues to increase their 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 Change Alley Mall (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 164 sqm 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

As disclosed in previous corporate publications, full impairment loss had been made for the intellectual property rights in this segment. The Group will review its business strategy in this business having regard to the unprecedented material downturn of the film industry, the reduction in internal resources on this business and the need for the Group to focus its resources on its principal businesses. Meanwhile, the Company will continue to strive to look out for available opportunities to exploit the potential value from these film rights.

Financial Review and Highlights

	Three months ended		
	31 March		
	2020	2019	
	HK\$	HK\$	% Change
	(unaudited)	(unaudited)	
Revenue	15,768,471	24,966,446	−37%
– continuing operations	15,768,471	24,678,895	−36%
– discontinued operation	–	287,551	−100%
Gross profit	9,721,060	14,545,351	−33%
– continuing operations	9,721,060	14,265,538	−32%
– discontinued operation	–	279,813	−100%
EBITDA <i>(Note)</i>	339,601	(1,427,280)	N/A
Net loss	(9,202,607)	(5,784,172)	N/A

Note: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipments and right-of-use assets, share of profit/(loss) of an associate, loss on disposal of a subsidiary, fair value gain/(loss) on financial asset at fair value through profit or loss, amortisation 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.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the Group envisaged the effect of the coronavirus outbreak that might have on the global economy and the potential impact to the Group's business activities and financial performance. The financial review and highlights of Group's performance for the Reporting Period are as follows:

The Group's revenue from continuing operations for the three months ended 31 March 2020 was approximately HK\$15.8 million, representing a decrease of approximately 36% over the corresponding period of the previous year.

The Group's gross profit from continuing operations for the three months ended 31 March 2020 was approximately HK\$9.7 million, representing a decrease of approximately 32% over the corresponding period of the previous year. The Group's gross profit margin from continuing operations increased approximately from 58% to 62% due to the lower cost of sales in the advertising and media business.

The Group's administrative expenses from continuing operations for the three months ended 31 March 2020 was approximately HK\$18.9 million, representing a decrease of approximately 5% over the corresponding period of the previous year. The decrease in administrative expenses was mainly due to the reduction in operating expenses such as staff costs and marketing expense.

The Group's EBITDA amounted to approximately HK\$0.3 million for the three months ended 31 March 2020 as compared to the Group's negative EBITDA amounted to approximately HK\$1.4 million for the corresponding period of the previous year.

Loss per share for the three months ended 31 March 2020 was approximately HK cents 0.79 as compared to a loss per share of HK cents 0.51 for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the parent of approximately HK\$9.0 million for the three months ended 31 March 2020 as compared to a loss attributable to owners of the parent of approximately HK\$5.9 million for the corresponding period of the previous year.

Liquidity and Financial Resources

During the Reporting Period, the Group financed its daily operations from internally generated resources. As at 31 March 2020, the Group had net current assets of approximately HK\$209 million (31 December 2019: HK\$219 million) and cash and cash equivalents of approximately HK\$59 million (31 December 2019: HK\$61 million).

Information on Employees

As at 31 March 2020, the Group had 79 employees (31 December 2019: 82 employees), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the three months ended 31 March 2020 were approximately HK\$9.9 million (three months ended 31 March 2019: HK\$11.2 million). Remuneration is determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits 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\$3.0 million listed investments as at 31 March 2020 (31 December 2019: HK\$7.1 million).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies and Future Plans for Material Investments

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

Charges of Assets

As at 31 March 2020, the Group did not have any charges on its assets (31 December 2019: Nil).

Contingent Liabilities

The Group had no material contingent liabilities as at 31 March 2020 (31 December 2019: Nil).

OTHER INFORMATION

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

During the three months ended 31 March 2020, 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 three months ended 31 March 2020, none of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors, having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31 March 2020.

Corporate Governance Practices

During the three months ended 31 March 2020, the Company has complied with the code provisions as 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 all three independent non-executive Directors.

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2020 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the first quarterly financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board
CORNERSTONE FINANCIAL HOLDINGS LIMITED
An Xilei
Chairman and Executive Director

Hong Kong, 12 May 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 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.