
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **Cornerstone Financial Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of Cornerstone Financial Holdings Limited.



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)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE; (2) PROPOSED RE-ELECTION OF DIRECTOR; AND (3) NOTICE OF EGM

Financial Adviser to the Company



結好融資有限公司
GET NICE CAPITAL LIMITED

**Independent Financial Adviser to the
Independent Board Committee and
Independent Shareholders**

Nuada Limited

Underwriter of the Rights Issue



KOALA Securities Limited
樹熊證券有限公司

Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 12 to 34 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 35 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 58 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 24 March 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 7 April 2022 to Thursday, 14 April 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 7 April 2022 to Thursday, 14 April 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong at 11:00 a.m. on Tuesday, 22 March 2022 is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting via the e-Meeting System, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Investor Services Limited, the branch share registrar of Cornerstone Financial Holdings Limited in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 11:00 a.m. on Sunday, 20 March 2022, Hong Kong time) or any adjournment thereof (as the case may be).

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

3 March 2022

CHARACTERISTICS OF GEM

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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

“Announcement”	the announcement of the Company dated 21 January 2022 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Cornerstone Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8112)
“Company (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“CSL”	Cornerstone Securities Limited, which is indirectly owned as to 91.19% by the Company

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Financial Resources Rule”	Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)
“GCL Group”	Glory Creator Limited, an indirect wholly-owned subsidiary of the Company, together with its subsidiaries
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement

DEFINITIONS

“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) or company(ies) who is (are) third party(ies) independent of the Company and connected persons of the Company
“Last Trading Day”	21 January 2022, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	1 March 2022, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 21 April 2022 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 22 April 2022 or such other time as may be agreed between the Company and the Underwriter, being the latest time for the termination of the Underwriting Agreement
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is (are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	Monday, 4 April 2022, or such other date as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Sunday, 3 April 2022 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited, the branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	172,063,836 new Shares proposed to be allotted and issued by the Company pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.38 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Koala Securities Limited, a corporation licensed to carry out businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 21 January 2022 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	172,063,836 Rights Shares, being the total number of the Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“US”	the United States of America
“%”	per cent.

SPECIAL ARRANGEMENTS FOR THE EGM

All registered Shareholders will be able to join the EGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

Through the e-Meeting System, our registered Shareholders will be able to view the live video broadcast and participate in voting and submit questions online. Login details and information will be included in our letters to registered Shareholders regarding the e-Meeting System which will be despatched later.

HOW TO ATTEND AND VOTE

Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the EGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the EGM or other persons as your proxy by providing their email address for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote via the e-Meeting System at the EGM.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the (“**Intermediary**”)) and instruct the Intermediary to appoint you as proxy or corporate representative to attend and vote via e-Meeting System at the EGM and in doing so, you will be asked to provide your email address. Details regarding the e-Meeting System including the login details will be emailed to you by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited.

Completion and return of the form of proxy will not preclude a member from attending and voting via the e-Meeting System at the EGM or any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

For the purpose of determining shareholders' eligibility to attend and vote via the e-Meeting System at the EGM, the register of members of the Company will be closed from Thursday, 17 March 2022 to Tuesday, 22 March 2022, both days inclusive, during which period no transfer of Shares will be effected.

SPECIAL ARRANGEMENTS FOR THE EGM

If you have any questions relating to the EGM, please contact Tricor Investor Services Limited with the following details:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: emeeting@hk.tricorglobal.com

Telephone: (852) 2975 0928

Fax: (852) 2861 1465

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the EGM arrangements at a short notice. Shareholders are advised to check the websites of the Company (<http://www.cs8112.com>) and Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) for the latest announcement and information relating to the EGM.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2022
Latest time for lodging transfer of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 16 March
Closure of register of members of the Company for attending and voting at the EGM (both dates inclusive)	Thursday, 17 March to Tuesday, 22 March
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Sunday, 20 March
Record date for determining entitlements and voting at the EGM	Tuesday, 22 March
Expected date and time of the EGM	11:00 a.m. on Tuesday, 22 March
Announcement of poll results of the EGM	Tuesday, 22 March
Register of members of the Company re-opens	Wednesday, 23 March
Last day of dealings in Shares on a cum-rights basis	Wednesday, 23 March
First day of dealings in Shares on an ex-rights basis	Thursday, 24 March
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 25 March
Closure of register of members to determine the eligibility of the Rights Issue (both days inclusive)	Monday, 28 March to Sunday, 3 April
Record Date for determining entitlements to the Rights Issue	Sunday, 3 April
Register of members of the Company re-opens	Monday, 4 April
Despatch of the Prospectus Documents	Monday, 4 April
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 7 April
Latest time for splitting of PAL	4:30 p.m. on Monday, 11 April
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Thursday, 14 April

EXPECTED TIMETABLE

Event	2022
Latest time for acceptance of and payment for the Rights Issue and application for and payment for the excess Rights Shares	4:00 p.m. on Thursday, 21 April
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 22 April
Announcement of the results of the Rights Issue	Monday, 25 April
Despatch of certificates for the fully-paid Rights Shares or refund cheques if the Rights Issue is terminated/ unsuccessful applications for excess Rights Shares	Tuesday, 26 April
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 27 April

All time and dates in this circular refer to Hong Kong local time and dates. The dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied. Should there be any changes to the above expected timetable, the Company will notify the Shareholders by way of announcement as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue;
- (iii) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of the Underwriter would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;

TERMINATION OF THE UNDERWRITING AGREEMENT

(iv) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(v) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

Executive Directors:

Mr. Gao Ran
Mr. An Xilei
Mr. Wong Hong Gay Patrick Jonathan
Mr. Mock Wai Yin

Independent non-executive Directors:

Mr. Chan Chi Keung Alan
Ms. Lau Mei Ying
Mr. Wong Man Hong

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in

Hong Kong:
Room 802, 8th Floor
Lee Garden Five
18 Hysan Avenue
Causeway Bay
Hong Kong

3 March 2022

To: the Qualifying Shareholders and, for information purpose only, the Excluded Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY ONE SHARE
HELD ON THE RECORD DATE;
(2) PROPOSED RE-ELECTION OF DIRECTOR; AND
(3) NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Rights Issue. On 21 January 2022, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$65.38 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 172,063,836 Rights Shares at the Subscription Price of HK\$0.38 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Subscription Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, further details on (i) the Rights Issue, certain financial information and other general information on the Group and (ii) the re-election of Director.

PROPOSED RIGHTS ISSUE

On 21 January 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.38 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	57,354,612 Shares
Number of Rights Shares	:	172,063,836 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	229,418,448 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Gross proceeds to be raised	:	Approximately HK\$65.38 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

The Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Up to the Latest Practicable Date, the Company had not received any information or irrevocable undertaking from any substantial shareholder of the Company of their intention to take up the Rights Shares to be allotted to them under the Rights Issue.

LETTER FROM THE BOARD

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 172,063,836 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, a Shareholder must lodge the relevant transfer documents (together with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 25 March 2022.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 25 March 2022.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Closure of register of members

The register of members of the Company will be closed from Thursday, 17 March 2022 to Tuesday, 22 March 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 28 March 2022 to Sunday, 3 April 2022 (both dates inclusive) for determining the entitlements to the Rights Issue.

LETTER FROM THE BOARD

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. Based on the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholder.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses and stamp duty, of more than HK\$100 will be paid on pro-rata basis (rounded down to the nearest cent) to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

LETTER FROM THE BOARD

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.38 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) no discount/premium to/over the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 11.63% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 17.39% to the average of the closing prices of approximately HK\$0.4600 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 18.28% to the average of the closing prices of approximately HK\$0.4650 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 3.18% to the theoretical ex-rights price of approximately HK\$0.3925 per Share based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (f) a discount of approximately 87.86% to the unaudited net asset value per Share of approximately HK\$3.130 (based on the latest published consolidated net asset value of the Group of approximately HK\$179,498,725 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 57,354,612 Shares in issue as at the Latest Practicable Date); and

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- (g) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 14.62%, represented by the theoretical diluted price of approximately HK0.4030 per Share to the theoretical benchmarked price of HK\$0.472 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.43 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.4720 per Share).

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising possible dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, (i) the prevailing market prices of the Shares prior to the Last Trading Day; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company, details of which are set out in the section headed "REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS" in this circular. The Board had also taken into consideration of the advice of the financial adviser that Subscription Price should be set with reference to the fund-raising needs and the requirements of Rule 10.44A of the GEM Listing Rules. Accordingly, the Rights Issue should not result in a theoretical dilution effect of 25% or more and it is noted that market price is the relevant factor instead of the Company NAV per share in the calculation of theoretical dilution effect. Furthermore, the underwriters approached by the Company expressed similar view that prevailing market prices of the Shares, rather than the net asset value of the Group, is more commonly adopted in determining the Subscription Price under current market condition.

In determining the Subscription Price, the Board reviewed the prevailing market prices of the Shares prior to the Last Trading Day and considered different dimensions of discounts with reference to the rights issue activities recently announced by other nine companies listed on GEM for the three-month period prior to the date of the Underwriting Agreement (the "**Reference Cases**"). The Board believed that the sample size and the period covered by the Reference Cases were representative as different forms of market practices for rights issues, including but not limited to various subscription ratio, subscription price range and underwriting basis, as well as the prevailing market conditions and sentiments prior to the date of the Underwriting Agreement were fairly covered and considered.

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The Reference Cases presented a range of subscription price discounts to their respective (i) closing prices on the last trading day before the release of the rights issue announcements ranging from approximately 8.1% to 40.8% with an average of approximately 25.5%; (ii) theoretical entitlement prices ranging from approximately 5.4% to 31.6% with an average of approximately 15.8%; and (iii) theoretical dilution effects ranging from approximately 5.4% to 20.9% with an average of approximately 12.3%. Compared to the above, the Subscription Price discounts of the Rights Issue (as set out in the paragraph above in this section) set within the ranges of all the dimensions, with lesser discounts to the averages of dimensions (i) and (ii) and sitting near the minimum end of the respective ranges, and was close to the average of dimension (iii) though with a higher discount to its average.

The Directors were also aware of the significant discount of approximately 87.86% to the unaudited net asset value per Share as calculated and disclosed in the paragraph above in this section presented by the Subscription Price. In this regard, the Directors noted from the Reference Cases of the relation between their subscription prices and their then net asset values per share, there were 6 cases with the subscription price set at a discount ranging from approximately 45.5% to 88.0%, 2 cases at a premium ranging from approximately 108.0% to 405.5%, and 1 case was not applicable as it recorded a net liabilities position. Given that (i) it is not uncommon for the subscription price to present a significant discount to the net asset value per share in similar fund raising exercises; (ii) the Shares had been traded at a deep discount to the Group's unaudited net asset value per Share for the 12-month period up to the Last Trading Day, as illustrated by the discount of approximately 89.78% of the average closing price of the Shares of approximately HK\$0.32 for the aforesaid 12-month period to the Group's unaudited net asset value per Share as at 30 June 2021 of approximately HK\$3.130; and (iii) the prevailing market prices of the Shares should reflect the market valuation of the Company in general, the Directors consider it is reasonable to make reference to the market price of the Shares, rather than the net asset value of the Group, in determining the Subscription Price and that the discount of the Subscription Price to the net asset value per Share is justifiable and fair and reasonable.

Furthermore, taking into account (i) the lack of sign of significant improvement from the drop of the Group's revenue due to the negative business impacts brought by the COVID-19 pandemic recorded in the financial year ended 31 December 2020; (ii) the continuation of the loss-making position of the Group since 2014 till the nine months ended 30 September 2021 (being the latest financial results of the Company available); and (iii) a favourable discount should attract the Qualifying Shareholders to participate in the Rights Issue and invest in the Company so as to enable the Company to satisfy its funding and capital needs, details of which are set out in the section headed "REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS", the Directors (including the members of Independent Board Committee) are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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The Directors consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares; and (iv) the Qualifying Shareholders are given opportunity to increase their investment in the Company through excess application of the Rights Shares to participate in the future growth of the Company.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is 75%. The theoretical dilution effect of the Rights Issue is approximately 14.62% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

The Directors are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.356.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Fractions of the Rights Shares

On the basis of three (3) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlement will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

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Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on Tuesday, 26 April 2022 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Tuesday, 26 April 2022 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Thursday, 21 April 2022.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (a) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (b) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (c) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any application may have been made with the intention to abuse the mechanism, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

If the aggregate number of Rights Shares being available for excess application is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

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Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing of the Rights Shares

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be allotted and issued pursuant to the Rights Issue. Nil-paid Rights Shares are expected to be traded in board lots of 24,000 (as the Shares are currently traded on the Stock Exchange in board lots of 24,000).

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

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Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

THE UNDERWRITING AGREEMENT

On 21 January 2022 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement. Details of the Underwriting Agreement are as follows:

Date	:	21 January 2022 (after trading hours)
Underwriter	:	Koala Securities Limited, a corporation licensed to carry out businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.
		To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.
Number of Rights Shares underwritten by the Underwriter	:	Up to 172,063,836 Rights Shares, being the total number of the Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date.
Commission	:	The Underwriter will receive 3.5% of the aggregate Subscription Price in respect of the total number of the Underwritten Shares as underwriting commission.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions.

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The Directors are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue;

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- (iii) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of the Underwriter would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (iv) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (v) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;

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- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For information only” to the Excluded Shareholders on or before the Prospectus Posting Date;
- (d) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (e) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (f) the compliance with and performance by the Company in all material respects of the undertakings and obligations under the Underwriting Agreement; and
- (g) there being no Specified Event occurring prior to the Latest Time for Termination.

Conditions (a), (b), (c), (d) and (e) above are incapable of being waived. If any of the conditions of the Rights Issue is not satisfied (or waived, as the case maybe) in whole or in part by the Company by the Latest Time for Termination or such other time and/or date as the Company and the Underwriter may agree in writing, the Underwriting Agreement will terminate and none of the parties shall, have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, none of the conditions above had been fulfilled and the Company had no intention to waive any of the conditions which are capable of being waived.

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SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 57,354,612 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders:

Name of Shareholders	As at the Latest Practicable Date		Assuming all Qualifying Shareholders have taken up their respective entitlements of the Right Shares in full		Immediately upon completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Right Issue and all Untaken Shares were subscribed for by or through the Underwriter	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
Name of Shareholders						
An Xilei (Note 2)	<u>6,800,000</u>	<u>11.86</u>	<u>27,200,000</u>	<u>11.86</u>	<u>6,800,000</u>	<u>2.96</u>
Public						
Other public Shareholders	50,554,612	88.14	202,218,448	88.14	50,554,612	22.04
Koala Securities Limited (Note 3)	-	-	-	-	86,031,918	37.50
Supreme China Securities Limited (Note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,031,918</u>	<u>37.50</u>
Total	<u><u>57,354,612</u></u>	<u><u>100.00</u></u>	<u><u>229,418,448</u></u>	<u><u>100.00</u></u>	<u><u>229,418,448</u></u>	<u><u>100.00</u></u>

Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. Mr. An Xilei is the deputy chairman of the Board and an executive Director.

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3. This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to its underwriting/sub-underwriting obligations, (i) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder; (ii) it shall ensure that the public float requirement under Rule 11.23 of the GEM Listing Rules is fulfilled by the Company upon completion of the Rights Issue; (iii) it shall and shall cause its sub-underwriters to use its best endeavours to ensure that each of the subscribers of the Rights Shares procured by it shall be an Independent Third Party not acting in concert (within the meaning of the Takeovers Code) with the Company, the Directors, the chief executive or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or its subsidiaries or any of their respective associates; and (iv) none of the persons to be procured by it and its sub-underwriters to subscribe for the Shares not taken up by the Qualifying Shareholders will be holding more than 9.9% of the total issued share capital of the Company immediately after completion of the Rights Issue.

Up to the Latest Practicable Date, the Underwriter entered into a sub-underwriting agreement (the “**Sub-underwriting Agreement**”), which is subject to the terms and conditions of the Underwriting Agreement, with one sub-underwriter (the “**Sub-underwriter**”), namely Supreme China Securities Limited, for sub-underwriting 86,031,918 Rights Shares at the Subscription Price. To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter, the Sub-underwriter and their respective ultimate beneficial owner(s) are Independent Third Parties.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in (i) financial service business including securities brokerage services and margin financing services; and (ii) advertising and media business, which mainly includes out-of-home advertising services in Hong Kong and Singapore.

As disclosed in the third quarterly report 2021 of the Company for the nine months period ended 30 September 2021 (the “**2021Q3 Period**”), 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 COVID-19 pandemic continues to affect business and social activities and causes economic uncertainties, which also bring impacts to the overall performance and financial results of the Group for the 2021Q3 Period.

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As for the Group's advertising and media business, the revenue amounted to approximately HK\$31 million for the 2021Q3 Period (corresponding period in 2020: HK\$28 million) and has not yet recovered to pre-COVID-19 pandemic level of approximately HK\$62 million for the corresponding period in 2019. As detailed in the 2021Q3 Report, the management of the advertising and media business segment considers the epidemic situation in Hong Kong has remained stable over the past few months, however, the situation in Singapore continued to be affected by the COVID-19 pandemic as the default "Work-from-Home" measurement was re-imposed during the third quarter of 2021 that its business operation temporarily halted again. It depends on how long more will the restrictions be lifted in Singapore and when the latest outbreak will be contained. The segment performance is only expected to improve if and when social distancing/gathering and "Work-from-Home" restrictions are lifted in Singapore, and in Hong Kong.

Since the acquisition of the financial services business in 2016, this segment has been developed into one of the key revenue contributors for the Group. The revenue from margin loan interest amounted to approximately HK\$13.72 million, HK\$13.81 million and HK\$13.03 million for the years ended 31 December 2018, 2019 and 2020 respectively. Based on the financial figures, it was observed that despite the impact of pandemic to the general economic environment, local stock trading activities had not been weakened to a significant deteriorating level. Also, having consider the business performance of the Group during the COVID-19, the margin financing business has proven to be a more reliable source of income to the Group in comparison to the advertising and media business. Hence, the Company believes that it is appropriate to strengthen the margin financing business. The margin financing business constituted approximately 78% of the segment revenue for the 2021Q3 Period and approximately HK\$125 million margin loan financing was granted to margin account clients as at 30 September 2021. The management of the financial services business segment believes that with more capital, more interest income and brokerage commission could be generated. However, after considering the relevant compliance requirements of the securities business, the room for granting new margin loans is very limited, unless there are additional settlement by margin clients or the Group could raise additional funds (your attention is drawn to the additional information set out in latter paragraphs in this section). To further expand and grow the margin financing business, it is considered that rights issue shall be the most appropriate option at this point of time.

The gross proceeds of the Rights Issue will be approximately HK\$65.38 million (assuming no change in the number of Shares in issue on or before the Record Date). The estimated net proceeds of the Rights Issue, after deducting the related expense, will be approximately HK\$61.18 million (assuming no change in the number of Shares in issue on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$51.18 million (or approximately 83.65% of the total net proceeds) for the expansion of the Group's margin financing business; and
- (ii) approximately HK\$10.00 million (or approximately 16.35% of the total net proceeds) for general working capital of the Group.

LETTER FROM THE BOARD

As CSL is a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO for conducting the financial services business in Hong Kong, its funding allocated for margin financing would be restricted by the different requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (“Financial Resources Rules”). In general, a securities margin financing broker has to maintain certain ratios in its total margin loans granted to the total capital of the broker, while such ratios are subject to time-to-time adjustments depending on the risk exposures as stipulated in the relevant rules, requirements and guidelines. As a rule of thumb, the higher the risks exposure associated by the margin loan portfolio or the risk controls, the lower the total margin loans-to-capital multiple benchmark should be adopted, and vice versa. Therefore, CSL has to segregate a certain level of cash balance as reserve to ensure its compliance of liquid capital requirements under the Financial Resources Rule along with the funds available for providing margin loans.

According to the CSL’s management, as at 31 December 2021, the unaudited cash and cash equivalents of CSL was approximately HK\$76.5 million and the unaudited margin loan receivables that already loaned to their margin clients was approximately HK\$90.1 million. Based on the requirements from the Financial Resources Rules, the abovementioned unaudited cash and cash equivalents of CSL and unaudited margin loan receivables, CSL’s management estimated that they can only further loan not more than HK\$5.6 million margin loans to their margin clients, which could be roughly understood as only approximately 5.9% of the margin loan capacity (as calculated as the percentage of the unaudited margin loan receivables (HK\$90.1 million) dividend by the sum of the unaudited margin loan receivables and the available cash for margin loan (HK\$90.1 million + HK\$5.6 million)) are left for CSL to conduct further margin financing business. As such, the Company intends to allocate net proceeds of approximately HK\$51.18 million from the Rights Issue to strengthen the capital base of the margin financing business of the Group. The CSL’s management estimated that the maximum amount of margin loan that they can loan would increase to not more than HK\$35.0 million, representing a possible increase of approximately 38% of CSL’s existing margin financing capacity by referring to CSL’s unaudited margin loan receivables as at 31 December 2021, depending on the securities’ categories of the underlying collateral of the additional margin loans and based on CSL’s existing clientele and its prevailing practices for credit review and control. Subject to the stock market performance and market sentiment, the net proceeds from the Rights Issue in this regard is expected to be fully utilised within 2022.

Based on the management accounts of the Group for the year ended 31 December 2021, the unaudited cash and cash equivalents of the Group was approximately HK\$101.8 million, of which approximately HK\$76.5 million was allocated for the operation of CSL as described above and approximately HK\$4.5 million was reserved by the asset management business in compliance with the SFC requirements, accordingly the remaining cash and cash equivalents of the Group was approximately HK\$20.8 million. The Group’s general working capital requirement for the coming 12 months was estimated to be approximately HK\$16.6 million. To avoid the Group may meet any shortage of cash for its general working capital by solely relying on the remaining cash and cash equivalents of the Group, in particular during the time of COVID-19 pandemic, the Board considered allocating the net proceeds of approximately HK\$10.00 million from the Rights Issue to be used for the general working capital of the Group is prudent and reasonable.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had no plan to conduct any other fundraising activities in the next 12 months and would focus on the Rights Issue. Nevertheless, as CSL is engaged in the securities brokerage and margin financing business whose market demand and business performance is highly dependent on the overall stock market performance and market sentiment, the management of CSL will closely monitor and review the change in the margin financing business and assess from time to time whether additional capital is needed.

In determining the subscription ratio of the Rights Issue, the Directors had taken into accounts, among other things, (i) the amounts to be raised by the exercise as compared to the relatively low market capitalisation of the Company of approximately HK\$25 million as at the date of the Underwriting Agreement; (ii) the subscription price shall be set at certain discount levels to the recent closing prices of the Shares at which the potential underwriters may accept; (iii) the terms and conditions of the Reference Cases which were considered a fair representation of recently completed rights issue activities by other listed companies demonstrating that the basis of three Rights Shares for every one Share held as adopted by the Rights Issue were within the range of subscription ratio adopted therein; and (iv) the requirements of Rule 10.44A of the GEM Listing Rules that Rights Issue should not result in a theoretical dilution effect of 25% or more.

The Directors have examined various ways of raising funds, including but not limited to debt financing, placing and open offer, and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considered debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner, it may as well require pledge of assets which may not be feasible to the Group as the Group's lack of traditional assets such as land and buildings were obstacles for the Company to negotiate with banks for meaningful financing. Issue of convertible bonds as an alternative method would not allow the existing Shareholders to participate and would dilute their shareholding in the Company if the subscribers convert the shares. As for equity fund raising, such as placing of new shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of nil-paid rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their nil-paid rights entitlements in the open market (subject to availability).

LETTER FROM THE BOARD

The Company had approached six licensed corporations (including the Underwriter) to explore their interests in participating in the underwriting of the Rights Issue on a fully underwritten basis. Other than the Underwriter, two of the potential underwriters showed no interest to underwrite the Rights Issue on a fully underwritten basis and the other three potential underwriters had requested for either a higher underwriting commission rate or a less sum of underwriting amount on a fully-underwritten basis, which were considered to be less favourable terms for the underwriting arrangement as compared to those agreed by the Underwriter. The Board considered the underwriting commission of 3.5% under the Underwriting Agreement was fair and reasonable as it was lower than the 4.0% adopted by another company which was the only company carrying out its rights issue exercise on a fully-underwritten basis among the Reference Cases (as defined in the section headed “Subscription Price”).

The Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee of this circular) considered that the Rights Issue provides a good opportunity for the Group to enhance its financial position and expands its margin financing business, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms to maintain their respective pro-rata shareholdings in the Company. Hence, the Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee of this circular) considered that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company proposed a rights issue in January 2021 and a share placing in April 2021. As reported and publicly announced in March 2021 and May 2021 respectively, both of them did not complete.

Save as disclosed above, the Company had not conducted any fund raising activities involving issue of securities in the past 12 months immediately preceding the Latest Practicable Date.

RE-ELECTION OF DIRECTOR

Reference is made to the announcement of the Company dated 16 July 2021 in relation to appointment of Mr. Wong Man Hong as an independent non-executive Director. In accordance with Article 83(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Wong Man Hong shall hold office until the EGM and being eligible, offer himself for re-election at the EGM.

LETTER FROM THE BOARD

Biographical details of Mr. Wong Man Hong are set out in Appendix IV to this circular. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder had a material interest in relation to the re-election of Director as at the Latest Practicable Date. As such, no Shareholder is required to abstain from voting on the resolution in respect of the re-election of Director.

GEM LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, since the Company had no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. As at the Latest Practicable Date, save for Mr. An Xilei, the deputy chairman of the Board and an executive Director, was interested in 6,800,000 Shares (representing approximately 11.86% of the issued share capital of the Company), no other Directors and the chief executive of the Company, and their respective associates held any Shares. Accordingly, Mr. An Xilei shall abstain from voting in favour of the proposed resolution approving the Rights Issue.

Save as disclosed above, the Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of the Underwriting Agreement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder.

The notice convening the EGM to be held at Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong on Tuesday, 22 March 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Sunday, 20 March 2022, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting via the e-Meeting System at the EGM or any adjournment thereof if you so wish.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Monday, 4 April 2022.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 24 March 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 7 April 2022 to Thursday, 14 April 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the letter from the Independent Financial Advisor set out on pages 36 to 58 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

The Directors also consider the proposed re-election of Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the re-election of the Director.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Cornerstone Financial Holdings Limited
Gao Ran
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the Underwriting Agreement.



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

3 March 2022

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY ONE SHARE
HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 3 March 2022 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Nuada has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

Having taken into account the advice from Nuada, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Chan Chi Keung Alan
*Independent non-executive
Directors*

Ms. Lau Mei Ying
*Independent non-executive
Directors*

Mr. Wong Man Hong
*Independent non-executive
Directors*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Shareholders from Nuada Limited dated 3 March 2022 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

3 March 2022

*To the Independent Board Committee
and the Independent Shareholders of
Cornerstone Financial Holdings Limited*

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 3 March 2022 to the Shareholders (the “**Circular**”), of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

On 21 January 2022, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$65.38 million on the basis of three (3) Rights Share for every one (1) Share held on the Record Date by issuing 172,063,836 Rights Shares at the Subscription Price of HK\$0.38 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The Company has established the Independent Board Committee and we have been appointed as the Independent Financial Adviser in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we acted as the independent financial adviser of the Company in respect of an adjustment of options of the Company as a result of share consolidation, capital reduction and share sub-division providing our independent view to the Company's (please refer to the Company's circular dated 7 May 2020 for the detailed information of the aforesaid transaction). Save for the above and this appointment as the Independent Financial Adviser in respect of the proposed Rights Issue, there were no other engagements between the Group and us during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser. Apart from normal professional fees for our services to the Company in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company or its substantial shareholder(s) or connected person(s) as defined under the GEM Listing Rules, and accordingly are eligible to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors, the management of the Company (the "**Management**") and the management of CSL (the "**CSL Management**"). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors, the Management and the CSL Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analysis were based upon, among other things, the information provided by the Company and published information from the public domain including (i) the Circular; (ii) the Underwriting Agreement; (iii) the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2021 (the “**Interim Report**”); (v) the quarterly report of the Company for the nine months ended 30 September 2021 (the “**Third Quarterly Report**”); and (vi) trading performance of the Shares on the Stock Exchange.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular and to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

(a) Information of the Group

As disclosed in the Board Letter and the Third Quarterly Report, the Group is principally engaged in the financial services and advertising and media business. The Group’s advertising and media business, which principally comprises the provision of out-of-home media services in Hong Kong and Singapore, remained the main contributor to the Group’s revenue. Since 2016, the Group commenced its financial services business, which 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 SFO. The business segment of financial services continued to generate stable revenue for the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial information of the Group

The table below summarises the financial results of the Group for the two financial years ended 31 December 2019 (“**FY2019**”) and 31 December 2020 (“**FY2020**”) respectively as extracted from the Annual Report, and for the two nine months financial period ended 30 September 2020 (“**FP2020**”) and 30 September 2021 (“**FP2021**”) as extracted from the Third Quarterly Report.

Table 1: Consolidated income statement of the Group

	FP2021 (unaudited) <i>HK\$'000</i>	FP2020 (unaudited) <i>HK\$'000</i>	FY2020 (audited) <i>HK\$'000</i>	FY2019 (audited) <i>HK\$'000</i>
Revenue				
– Advertising and media	30,553	27,502	37,580	77,613
– Financial services	<u>9,616</u>	<u>10,264</u>	<u>13,393</u>	<u>14,427</u>
	40,169	37,766	50,973	92,040
Gross profit	26,420	24,991	32,471	55,980
Administrative expenses	(38,203)	(44,819)	(61,816)	(75,227)
Loss for the year/period from:				
– continuing operations	(13,063)	(20,951)	(59,198)	(17,072)
– discontinued operation	–	–	–	(189)
Loss for the year/period attributable to owners of the Company	(13,644)	(20,974)	(58,083)	(18,108)

According to the Annual Report and Third Quarterly Report and the Management, for FY2019, FY2020, FP2020 and FP2021, the Group generated revenue mainly from its advertising and media business and financial services business. Revenue from the advertising and media business is mainly generated from the deployment of flat-panel displays in elevator lobbies of office and commercial buildings as well as the residential buildings to sell advertisements. According to the CSL Management, the financial services business consists of provision of securities dealings and brokerage services and provision of margin financing services, the latter of which contributes to the majority of revenue for the financial services business. According to the Third Quarterly Report and the Annual Report, the Group recorded (i) segment loss from the advertising and media business for approximately HK\$3.5 million for FP2021 and approximately HK\$17.7 million for FY2020 respectively; and (ii) segment profit from the financial services business of approximately HK\$3.5 million for FP2021 and approximately HK\$2.8 million for FY2020.

As disclosed in the Company’s annual report for FY2019, in order to allocate more resources in the development of the Group’s principal businesses, the Group disposed of the business in the provision of early childhood education and ceased the business in the retail of skin care products during FY2019. Accordingly, the results of business in the provision of early childhood education was presented as discontinued operation for FY2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for FY2020

The revenue of the Group for FY2020 amounted to approximately HK\$51.0 million and represented a decrease of approximately 44.6% as compared with approximately HK\$92.0 million for FY2019. Meanwhile, the gross profit of the Group also decreased from approximately HK\$56.0 million for FY2019 to approximately HK\$32.5 million for FY2020, representing a decrease of approximately 42.0%, mainly due to the decrease of revenue of the Group. As disclosed in the Annual Report and according to the Management, such decreases in revenue and gross profit were mainly attributable to the advertising and media business being severely affected by the COVID-19 pandemic during the year. In particular, “lockdown” was imposed in Singapore and the business operation of the Group in Singapore was picking up slowly and gradually afterwards. The performance of the financial services business was relatively stable, where its revenue was approximately HK\$13.4 million for FY2020 as compared with that of approximately HK\$14.4 million for FY2019.

The loss attributable to the owners of the Company increased by approximately 3.2 times from approximately HK\$18.1 million for FY2019 to approximately HK\$58.1 million for FY2020. According to the Management, such increase was due to the performance of the Group’s advertising and media business severely affected by the outbreak of COVID-19 pandemic and deteriorating economy during FY2020.

Financial performance for FP2021

The revenue of the Group for FP2021 amounted to approximately HK\$40.2 million and represented a slight increase of approximately 6.4% as compared with approximately HK\$37.8 million for FP2020. Meanwhile, the gross profit of the Group also increased slightly from approximately HK\$25.0 million for FP2020 to approximately HK\$26.4 million for FP2021, representing a slight increase of approximately 5.6%, mainly in line with the increase of revenue of the Group. As disclosed in the Third Quarterly Report and according to the Management, such increases were mainly attributable to the gradual improvement of the advertising and media business segment of the Group in Hong Kong and Singapore as compared to FP2020. The performance of the financial services business was relatively stable, where its revenue was approximately HK\$9.6 million for FP2021 as compared with that of approximately HK\$10.3 million for FP2020.

The loss attributable to the owners of the Company decreased by approximately 35.2% from approximately HK\$21.0 million for FP2020 to approximately HK\$13.6 million for FP2021. According to the Management, such decrease was mainly attributable to the decrease in administrative expenses for FP2021 by approximately HK\$6.6 million or 14.7% due to the Group’s reduction in operating expenses (especially in staff costs and marketing expenses).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position for FP2021

The table below summarises the financial position of the Group as at 31 December 2020 from the Annual Report and as at 30 June 2021 as extracted from the Interim Report.

Table 2: Consolidated statement of financial position of the Group

	As at 30 June 2021	As at 31 December 2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Audited)
Current assets	237,981	217,664
– Cash and cash equivalents	80,287	83,174
– Margin loan receivables	110,978	114,514
Current liabilities	65,752	40,583
Net current assets	172,229	177,082
Total assets	266,001	251,070
Total liabilities	86,502	66,073
Net assets	179,499	184,997
Equity attributable to the Shareholders	161,991	167,902

As stated in the Interim Report, as at 30 June 2021, there is net current assets of the Company amounted to approximately HK\$172.2 million as compared with that of approximately HK\$177.1 million as at 31 December 2020, while the net assets amounted to approximately HK\$179.5 million as at 30 June 2021 as compared with that of approximately HK\$185.0 million as at 31 December 2020. As at 30 June 2021, the current assets mainly comprised margin loan receivables amounting to approximately HK\$111.0 million and bank balances and cash of approximately HK\$80.3 million.

2. Reasons for and benefits of the Rights Issue and use of proceeds

As stated in the Board Letter, the net proceeds from the Rights Issue of approximately HK\$51.18 million will be utilised for the expansion of its margin financing business; and approximately HK\$10.00 million will be utilised for general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management and the CSL Management, the Group commenced its financial services business through the acquisition of GCL Group which included CSL in 2016. Initially, CSL was a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO. The Company considered it to be crucial for CSL to improve its profitability by focusing on financial products and services which would provide a higher profit margin rather than traditional securities brokerage services. CSL then commenced the margin financing business in 2017 and later on, GCL Group established its asset management arm in 2018. Over the past few years, the financial services business has proven its ability to generate stable revenue and segment profits for the Group as mentioned in the section headed “1. Background information on the Group” above in this letter and according to the Management the majority of the revenue of the financial services business was contributed by the margin financing business.

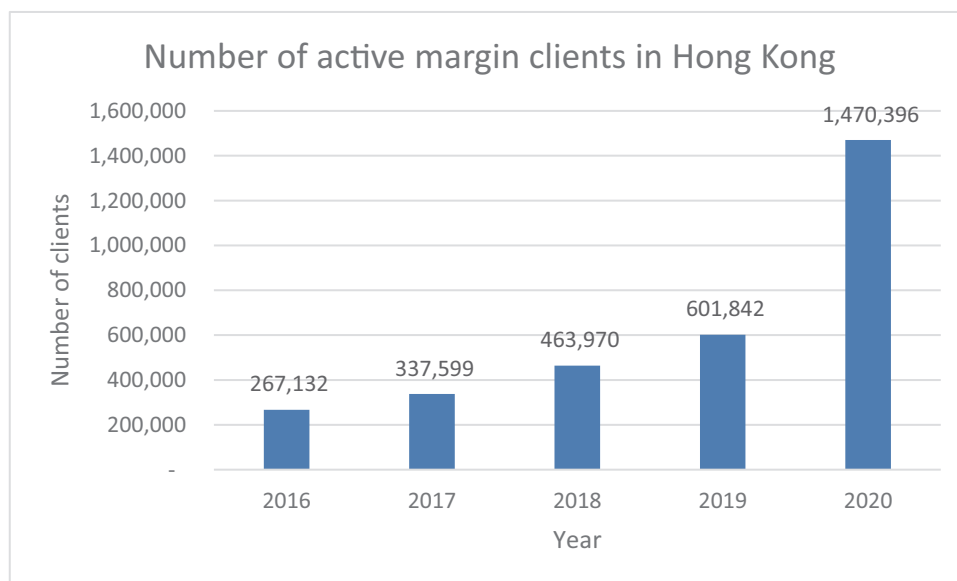
According to the CSL Management, CSL offers margin financing services to its clients who wish to purchase securities on a margin basis and provide margin financing to clients for the purchase of securities on the secondary market and derive interest income from the provision of margin loans. CSL normally would receive requests from its clients for the granting of margin financing for stock trading activities. As CSL is a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and their funding being allocated for margin financing would be restricted by the different requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (“**Financial Resources Rules**”). According to the “Guidelines for Securities Margin Financing Activities” (“**Margin Financing Guidelines**”) (source: <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-for-securities-margin-financing-activities/guidelines-for-securities-margin-financing-activities.pdf>) issued by Securities and Futures Commission (“**SFC**”) in 2019, it states that “A securities margin financing broker with lower quality margin loan portfolio or weak securities margin financing risk controls should adopt a lower total margin loans-to-capital multiple benchmark.” According to the Margin Financing Guidelines, total margin loans-to-capital multiple means the total amount of margin loans granted by the securities margin financing broker divided by the capital of the broker (i.e. the capital means the sum of the securities margin financing broker’s shareholders’ funds and any outstanding subordinated loans approved by the SFC).

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According to the CSL Management, as at 31 December 2021, the unaudited cash and cash equivalents of CSL was approximately HK\$76.5 million and the unaudited margin loan receivables that already loaned to their margin clients was approximately HK\$90.1 million. Based on the requirements from the Financial Resources Rules, the abovementioned unaudited cash and cash equivalents of CSL and unaudited margin loan receivables, CSL Management estimated that they can only further loan not more than HK\$5.6 million margin loans to their margin clients. As the net proceeds of approximately HK\$51.18 million will be allocated for the margin financing business of the Group, CSL Management estimated that the maximum amount of margin loan that they can loan would increase to not more than HK\$35.0 million depending on the securities' categories of the underlying collateral of the additional margin loans and based on CSL's existing clientele and its prevailing practices for credit review and control.

In order to understand the market outlook of the margin financing services in Hong Kong, we looked at the official statistics from the "Financial Review of the Securities Industry" for the year ended 31 December 2016 to 31 December 2020 issued by SFC (<https://www.sfc.hk/en/Regulatory-functions/Intermediaries/Supervision/Publications-and-statistics/Financial-review-of-the-securities-industry>). Below please find the relevant statistics regarding the number of active margin clients in recent years:

Graph A: Number of margin clients in Hong Kong



Source: Financial Review of the Securities Industry issued by SFC (<https://www.sfc.hk/en/Regulatory-functions/Intermediaries/Supervision/Publications-and-statistics/Financial-review-of-the-securities-industry>)

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As shown from the chart above, the number of active margin clients have been in an increasing trend since 2016, increased from approximately 267,000 clients in 2016 to approximately 1.47 million clients in 2020, which represented a compound annual growth rate of approximately 53.2% from 2016 to 2020. There was a rapid growth also from approximately 602,000 clients to approximately 1.47 million clients from 2019 to 2020, which represented a growth of approximately 144.3% in a year. The growth of the number of active margin clients was obvious despite all the border restrictions between Hong Kong and the PRC under the COVID-19 pandemic. The Management expects that the potential investors will continue to boost the number of margin clients in Hong Kong when the COVID-19 pandemic under control and the border restrictions are relaxed, accordingly it is sensible to increase the capital base of GCL Group and increase the funding for the margin loans for the potential investors.

According to the “Financial Review of the Securities Industry” for the half year ended 30 June 2021 issued by the SFC (<https://www.sfc.hk/-/media/EN/files/IS/publications/FinancialReviewoftheSecuritiesIndustryJun2021Eng.pdf>), in the first half of 2021, the total value of transactions and net securities commission income of all securities dealers and securities margin financiers increased by 20% and 10%, respectively, compared to the previous six-month period. The net profits of all securities dealers and securities margin financiers totalled HK\$36.3 billion, increased by 22% from the previous six-month period. Based on the above, we are of the view and concur with the view of the Management that the outlook of the margin financing business in Hong Kong is positive and the net proceeds from the Rights Issue to generate funding for the margin financing business of the Group is in the interests of the Group and the Shareholders as a whole.

With reference to the Board Letter, approximately HK\$10.00 million from the net proceeds of the Rights Issue will be used for general working capital of the Group. According to the Management, such proceeds will be used for the general working capital of the Group for the coming 12 months. Based on the management accounts of the Group for the year ended 31 December 2021 provided by the Management, the unaudited cash and cash equivalents of the Group was approximately HK\$101.8 million, of which approximately HK\$76.5 million was allocated for CSL as liquid capital to fulfil Financial Resources Rules requirements for the existing margin loan receivables, accordingly the remaining cash and cash equivalents of the Group would be approximately HK\$25.3 million. According to the Management, the estimated general working capital for the coming 12 months would be approximately HK\$16.6 million and the Group may have shortage of cash to support other business segments of the Group if they solely rely on the cash and cash equivalents of the Group to support the general working capital. Based on the above, we are of the view and concur with the view of the Management that the net proceeds from the Rights Issue to be used for the general working capital of the Group is fair and reasonable.

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Having considered (i) CSL is in need for funding as liquid capital as required by Financial Resources Rules to loan out more margin loans for their margin clients; (ii) the market outlook of margin financing is positive as mentioned above; and (iii) the funding need to support the general working capital of the Group as mentioned above, we are of the view and concur with the view of the Management that the reasons for and the net proceeds of the Rights Issue are fair and reasonable.

3. Principal terms of the Rights Issue

(a) Basis of the Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Board Letter:

Basis of the Rights Issue	:	Three (3) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.38 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	57,354,612 Shares
Number of Rights Shares	:	172,063,836 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	229,418,448 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Gross proceeds to be raised	:	Approximately HK\$65.38 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

For detailed terms of the Rights Issue, please refer to the section headed “Proposed Rights Issue” of the Board Letter.

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(b) *The Subscription Price*

The Subscription Price represents:

- (a) a discount of approximately 11.63% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 17.39% to the average of the closing prices of approximately HK\$0.4600 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 18.28% to the average of the closing prices of approximately HK\$0.4650 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 3.18% to the theoretical ex-rights price of approximately HK\$0.3925 per Share based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 87.86% to the unaudited net asset value per Share of approximately HK\$3.130 (based on the latest published consolidated net asset value of the Group of approximately HK\$179,498,725 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 57,354,612 Shares in issue as at the Latest Practicable Date);
- (f) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 14.62%, represented by the theoretical diluted price of approximately HK0.4030 per Share to the theoretical benchmarked price of HK\$0.472 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.43 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date of approximately HK\$0.4720 per Share); and
- (g) the same as the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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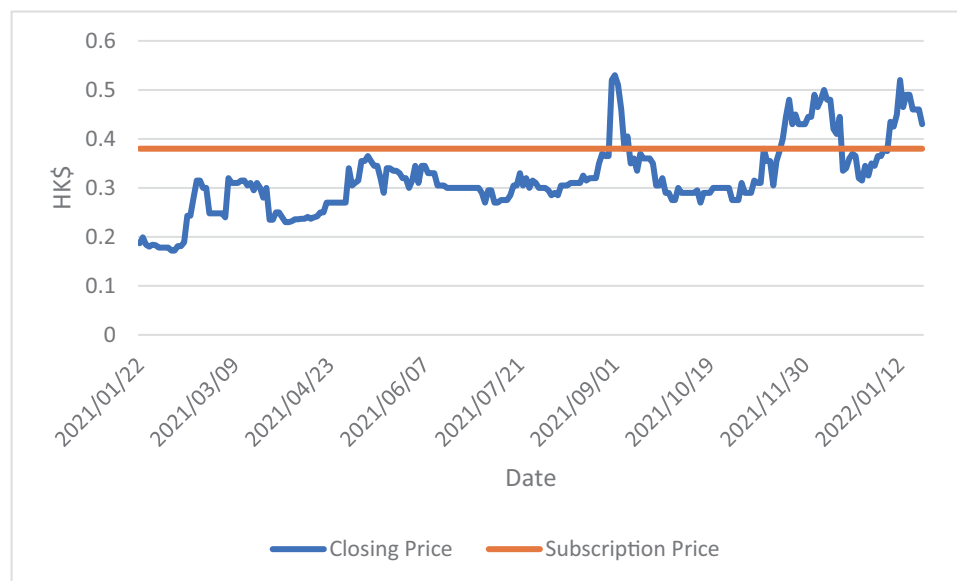
As stated in the Board Letter, the Board had taken into consideration of the advice of the financial adviser that Subscription Price should be set with reference to the fund-raising needs and the requirements of Rule 10.44A of the GEM Listing Rules. Accordingly, the Rights Issue should not result in a theoretical dilution effect of 25% or more and it is noted that market price is the relevant factor instead of the Company NAV per share in the calculation of theoretical dilution effect. Furthermore, the underwriters approached by the Company expressed similar view that prevailing market prices of the Shares, rather than the net asset value of the Group, is more commonly adopted in determining the Subscription Price under current market condition.

Please refer to the paragraph headed “Proposed Rights Issue – Subscription Price” under the Board Letter for the detailed basis of the Subscription Price.

Historical Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Share for the period from 22 January 2021, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Last Trading Day (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent closing price movement of the Share for conducting a reasonable comparison between the Subscription Price and the historical closing price of Share prior to the Last Trading Day and is relevant for the assessment of the fairness and reasonableness of the Subscription Price. The chart below illustrates the daily closing price of the Shares (the “**Closing Price**”) versus the Subscription Price of HK\$0.38 per Offer Share during the Review Period:

Graph B: Historical Closing Price of the Company:



Source: the website of the Stock Exchange

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As shown in the above chart, we note that the Closing Price shows a general upward trend throughout the Review Period and the closing price of Share has been below the Subscription Price in the first half of the Review Period. During the Review Period, the highest Closing Price was HK\$0.530 recorded on 1 September 2021 and the lowest Closing Price was HK\$0.172 recorded on 5 February 2021 and 8 February 2021. The Subscription Price of HK\$0.38 represents a discount of approximately 28.3% to the highest Closing Price during the Review Period and a premium of 120.9% to the lowest Closing Price during the Review Period. The average Closing Price of the Review Period was HK\$0.320, which means the Subscription Price has a premium of approximately 18.75% over the average Closing Price during the Review Period.

As illustrated by the above chart, the Closing Price was mostly below the Subscription Price in the first half of the Review Period. At the beginning of the Review Period, the Closing Price rose from below HK\$0.200 to over HK\$0.300 in the middle of February. After the Company announced that the proposed rights issue had been voted down by the Independent Shareholders on 22 March 2021, the Closing Price dropped from HK\$0.300 on 23 March 2021 to HK\$0.235 on 24 March 2021.

There was a surge in early May 2021 that happened following the announcement of placing of new shares under general mandate by the Company on 30 April 2021 and reached HK\$0.365 on 11 May 2021. The share price then continued to fluctuate at around HK\$0.300 up to late August 2021 when there was a price spike with a peak at HK\$0.520 on 31 August 2021 from HK\$0.365 on 30 August 2021. We have reviewed the announcements published by the Company at the relevant times, save and except for the publication of Interim Report on 12 August 2021, we are not aware of other announcements or publications made by the Company which are price sensitive. We have also discussed with the Management and understand that they are not aware of any other price sensitive information at the relevant times. However, we could see from data available on the website from the Stock Exchange that the Company recorded the highest trading volume during the Review Period (i.e. 6,488,960 Shares) on 31 August 2021. Followed by the decreasing trading volume, the Closing Price decreased to approximately HK\$0.300 in October 2021.

The Closing Price started to increase in the middle of November 2021 and climbed above the Subscription Price followed by the increased trading volume. The average daily trading volume increased from approximately 353,000 Shares per day in October 2021 to approximately 1.18 million Shares per day in November 2021. The Closing Price has been generally in a decreasing trend from HK\$0.500 on 8 December 2021 to HK\$0.315 on 24 December 2021, then climbed back to HK\$0.520 on 12 January 2022 and stayed above the Subscription Price.

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Taking into consideration that, (i) the Subscription Price has a premium of approximately 18.75% over the average Closing Price during the Review Period; (ii) the discount of approximately 11.63% represented by the Subscription Price to the closing price of the Shares on the Last Trading Day is smaller than that of the mean and fall within the range of the Rights Issue Comparables' (as defined below) and the discount of approximately 3.18% represented by the Subscription Price to the theoretical ex-entitlement price based on the Closing Price on the Last Trading Day is smaller than that of the mean and the range of the Rights Issue Comparables' (as defined below) based on our analysis as stated below in this section; (iii) the Subscription Price represented a discount of approximately 87.9% to the net asset value per Share as at 30 June 2021 (i.e. approximately HK\$3.13) is below the mean but within the range of that of the Rights Issue Comparables (as defined below) based on our analysis as stated below in this section; and (iv) the Director is of the view that the discount of the Subscription Price to the market price is necessary to encourage the Qualifying Shareholders to participate the Rights Issue, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Comparison to other rights issues

In order to assess the fairness and reasonableness of the Subscription Price, we also compared the Subscription Price with other rights issue announced by other listed companies on GEM. We attempted to review all the proposed rights issue announced by other listed companies listed on GEM in a three months period ended on the date of the Underwriting Agreement (i.e. from 22 October 2021 to 21 January 2022) and based on our research, there was only one rights issue announced by the listed company listed on GEM that was fully underwritten by the underwriter who is not connected person to the relevant listed company (i.e. listed company numbered 13 in the table below). We, therefore, relaxed the selection criteria to a six months period ended on the date of the Underwriting Agreement (i.e. from 22 July 2021 to 21 January 2022) and based on our research, the result is the same. Then we further relaxed our selection criteria to nine months period and have reviewed all the proposed rights issue announced by other listed companies listed on GEM in a nine months period ended on the date of the Underwriting Agreement i.e. from 22 April 2021 to 21 January 2022 (being the date of the Underwriting Agreement). Based on the above, we identified an exhaustive list of 18 proposed rights issue, and three of them were fully underwritten by the underwriter who is not connected person to the relevant listed companies (i.e. listed companies numbered 2, 3 and 13 in the table below. (the “**Rights Issue Comparables**”).

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We consider that the sample size of Rights Issue Comparables and the nine-month period are representative as it demonstrates the market practice of rights issues, such as the terms of the rights issue and market sentiments prior to the date of the Underwriting Agreement and it is adequate for conducting a reasonable comparison the underwriting commission between the Rights Issue and the Rights Issue Comparables that committed similar underwriting structure. Since there are a sufficient number of Rights Issue Comparables under the selection criteria mentioned above, we are of the view that such comparable analysis is fair and reasonable regarding rights issue in the recent period.

While the listed companies of the Rights Issue Comparables may be engaged in different business and have different financial performance than the Company, we believe that the terms of the Rights Issue Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of fund raising activity in Hong Kong. Therefore, we consider that the Rights Issue Comparables are meaningful, fair and representative in assessing the fairness and reasonableness of the terms of the Rights Issue.

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Details of Rights Issue Comparables are set out below:

Table 3: Rights Issue Comparables

No.	Date of initial announcement	Name of company	Stock code	Basis of entitlement	Premium/(discount) of the Subscription Price over/(to) the closing price on last trading day (%) (Note 1)	Premium/(discount) of the Subscription Price over/(to) the theoretical ex-entitlement price (%) (Note 1)	Premium/(discount) of the Subscription Price over/(to) the net asset value of the respective companies per issued share of the respective companies (%) (Note 1)	Theoretical dilution effect (%) (Note 1)	Underwriting commission (%) (Note 1)	Excess Application (Note 1)
1.	23 April 2021	PFC Device Inc.	8231	1 for 2	(20.00)	(14.3)	(64.2)	7.8	Non-underwritten	Yes
2.	7 June 2021	AL Group Limited	8360	3 for 1	(27.03)	(8.5)	NA	20.3	1.5	Yes
3.	11 June 2021	Cool Link (Holdings) Limited	8491	1 for 2	(39.30)	(30.9)	(61.8)	13.2	2.5	Yes
4.	23 June 2021	CBK Holdings Limited	8428	3 for 2	(22.73)	(10.5)	Nil	13.6	Non-underwritten	No
5.	13 July 2021	Sun Entertainment Group Limited	8082	4 for 5	(52.50)	(38.6)	185.7%	23.6	Non-underwritten	Yes
6.	16 July 2021	P.B. Group Limited	8331	1 for 1	(36.40)	(22.2)	(70.8)	18.2	Nil	No
7.	29 July 2021	Worldgate Global Logistics Ltd	8292	3 for 1	(17.90)	(5.2)	(78.8)	13.4	(Note 6)	No
8.	2 August 2021	Luen Wong Group Holdings Limited	8217	2 for 1	(18.80)	(7.1)	5.6%	12.5	Non-underwritten	No
9.	20 October 2021	Jete Power Holdings Limited	8133	1 for 2	(54.50)	(44.4)	(5.7)	18.2	1.5	Yes
10.	2 November 2021	Grand T G Gold Holdings Limited	8299	3 for 1	(16.7)	(5.4)	(78.9)	11.9	Nil	No
11.	5 November 2021	Mansion International Holdings Limited	8456	3 for 1	(18.6)	(5.4)	NA	14.3	(Note 6)	No
12.	8 November 2021	Xinyi Electric Storage Holdings Limited	8328	1 for 10	(8.1)	(7.4)	405.5	5.4	(Note 3)	Yes
13.	26 November 2021	Vertical International Holdings Limited	8375	1 for 2	(40.8)	(31.6)	(62.4)	14.2	4.00%	Yes
14.	24 December 2021	Hanvey Group Holdings Limited	8219	1 for 2	(22.8)	(16.4)	(45.5)	7.6	(Note 4)	No
15.	29 December 2021	Prosperous Printing Company Limited	8385	3 for 2	(34.3)	(17.0)	(83.0)	20.9	1.00%	Yes
16.	5 January 2022	China Information Technology Development Limited	8178	1 for 2	(34.8)	(26.1)	(88.0)	11.7	(Note 7)	Yes
17.	14 January 2022	Beaver Group (Holding) Company Limited	8275	3 for 2	(24.1)	(11.3)	(45.5)	14.5	Non-underwritten	No
18.	19 January 2022	RMH Holdings Limited	8437	1 for 2	(29.6)	(21.9)	107.3	9.9	2.50%	Yes
							(Note 4)	(Note 5)	(Note 7)	
	Mean				(28.8)	(18.0)	1.21	14.0		
	Minimum				(54.5)	(44.4)	(88.0)	5.4	Nil	
	Maximum				(8.1)	(5.2)	405.5	23.6	4.00%	
	The Company				(11.6)	(3.18)	(87.9)	14.6	3.50%	

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Notes:

1. Based on the information disclosed in the initial announcements of the Rights Issue Comparables respectively.
2. According to the annual report of AL Group Limited for the year ended 31 December 2020, AL Group Limited recorded net liabilities for FY2020.
3. According to the interim report of Mansion International Holdings Limited (“**Mansion International**”) for the six months ended 30 September 2021, Mansion International recorded net liabilities for the six months ended 30 September 2021.
4. These figures are calculated based on (i) respective net asset value of the Rights Issue Comparables as disclosed in their latest annual/interim reports before their initial rights issue announcements; (ii) the number of issued shares of the Rights Issue Comparables as disclosed in their initial rights issue announcement; and (iii) the respective subscription prices as disclosed in their initial rights issue announcements.
5. According to the clarification announcement of RMH Holdings Limited dated 20 January 2022, the theoretical dilution effect should be 9.86%.
6. These Rights Issue Comparables were underwritten by their respective connected person.
7. These Rights Issue Comparables were underwritten on best effort basis.

We compared the discount rate represented by the Subscription Price to the closing price of the Shares on the Last Trading Day to that of the Rights Issues Comparables on the respective last trading day. As shown above, the premium/(discount) of the Subscription prices over/to the closing price of the Rights Issues Comparables on the respective last trading date range from a discount of approximately 8.1% to a discount of approximately 54.5%, with a mean discount of approximately 28.8%. The premium/(discount) of subscription price over/to theoretical ex-entitlement price of the Comparable Rights Issue range from a discount of approximately 5.2% to a discount of approximately 44.4%, with a mean discount of approximately 18.0%. The discount of approximately 11.63% represented by the Subscription Price to the closing price of the Shares on the Last Trading Day is smaller than that of the mean and fall within the range of the Rights Issue Comparables’ and the discount of approximately 3.18% represented by the Subscription Price to the theoretical ex-entitlement price based on the Closing Price on the Last Trading Day is smaller than that of the mean and the range of the Rights Issue Comparables’.

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We also compared the discount rate represented by the Subscription Price to the Company's net asset value per Share to that of the Rights Issues Comparables. We noted that the range of the subscription price of the Rights Issue Comparables represented a premium of approximately 405.5% to a discount of approximately 88.0% to their respective net asset value of the respective companies per share, with a mean of premium rate of approximately 1.2% (except two of the Rights Issue Comparables that have recorded net liabilities according to their most recent financial reports before announcing their rights issue). The Subscription Price represented a discount of approximately 87.9% ("**NAV Discount**") to the net asset value per Share as at 30 June 2021 (i.e. approximately HK\$3.13) ("**Company NAV per Share**") is below the mean but within the range of that of the Rights Issue Comparables ("**NAV Discount Range**"). Despite the NAV Discount is close to the maximum discount of the NAV Discount Range, having considered (i) the benefits of the Rights Issue to further develop the margin financing business of the Group and support the funding need of the general working capital of the Group as mentioned under the paragraph headed "2. Reasons for and benefits of the Rights Issue and use of proceeds" above in this letter; (ii) the Subscription Price has a premium of approximately 18.75% over the average Closing Price during the Review Period as mentioned above in this paragraph; (iii) the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is smaller than the mean discount rate of the Rights Issue Comparables' and the discount of the Subscription Price to the theoretical ex-entitlement price based on the Closing Price on the Last Trading Day is smaller than that of the mean and the range of the Rights Issue Comparables; (iv) the average Closing Price of Share during the Review Period (i.e. HK\$0.32) as mentioned above in this letter represents a discount of approximately 89.8% to the Company NAV per Share; and (v) the highest Closing Price of Share during the Review Period (i.e. HK\$0.53) as mentioned above in this letter represents a discount of approximately 83.1% to the Company NAV per Share which means the Share has been trading significantly lower than the Company NAV per Share during the Review Period, it is impracticable to attract underwriters to underwrite or Independent Shareholders to participate in the Rights Issue if the Subscription Price is set to a price level that close to the Company NAV per Share. Based on the above, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company as a whole.

We noted that the Board had taken into consideration of the advice of the financial adviser that Subscription Price should be set with reference to the fund-raising needs and the requirements of Rule 10.44A of the GEM Listing Rules. Accordingly, the Rights Issue should not result in a theoretical dilution effect of 25% or more and it is noted that market price is the relevant factor instead of the Company NAV per share in the calculation of theoretical dilution effect. Furthermore, the underwriters approached by the Company expressed similar view that prevailing market prices of the Shares, rather than the net asset value of the Group, is more commonly adopted in determining the Subscription Price under current market condition.

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(d) Underwriting commission

Pursuant to the Underwriting Agreement, the Company agrees to pay 3.5% of the aggregate Subscription Price in respect of the total number of the Underwritten Shares as underwriting commission to the Underwriter, who and its ultimate beneficial owner are Independent Third Parties. As discussed with the Management, the Company had approached five other potential underwriters before entering into the Underwriting Agreement, two of the five potential underwriters have rejected to underwrite the Rights Issue and the remaining three potential underwriters have offered less favourable terms for the underwriting arrangement.

With reference to the Rights Issue Comparables table above, the range of the underwriting commission of the Rights Issue Comparables ranging from nil to 4.0% which (i) 10 of the 18 Rights Issue Comparables were non-underwritten; (ii) three of the 18 Rights Issue Comparable were underwritten on best effort basis; and (iii) two of the 18 Rights Issue Comparables were underwritten by their connected persons. The range of the remaining three Rights Issue Comparables, which are same as the Rights Issue that were underwritten by independent third parties and being fully underwritten, have a range of underwriting commission ranging from 1.5% to 4.0% (“**Underwriting Commission Range**”). As the commission rate of the Underwriting Agreement is within the Underwriting Commission Range, we consider that the underwriting commission of the Underwriting Agreement is fair and reasonable.

(e) Potential dilution effect on the interests of the Independent Shareholders

Upon completion of the Rights Issue, Qualifying Shareholders who elect to subscribe for their assured entitlements in full under the Rights Issue will retain their current proportionate shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for their assured entitlements in full under the Rights Issue will be diluted after completion of the Rights Issue. Please refer to the section headed “Shareholding Structure of the Company” in the Board Letter for the details of the shareholding structure of the Company.

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In the case that (i) all Qualifying Shareholders have taken up their respective entitlements of the Right Shares in full, the shareholding interests of the public Shareholders will remain 88.14%; and (ii) assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Right Issue and all untaken rights shares were subscribed for by or through the Underwriter, the shareholding interest of the public Shareholders will decrease from approximately 88.14% as at the Latest Practicable Day to approximately 22.04% immediately upon completion of the Rights Issue, representing a possible dilution of approximately 75.0% in their shareholding interest arising from the Rights Issue. As mentioned under the section headed “Shareholding Structure of the Company” in the Board Letter, the above scenario is for illustrative purpose only based on the undertaking arrangements pursuant to the Underwriting Agreement.

Even though the Rights Issue may cause a dilution effect to the Qualifying Shareholders, Having taken into account that (i) the theoretical dilution effect of the Rights Issue (i.e. 14.6%) falls within the range of the Rights Issue Comparables that ranging from a discount of approximately 5.4% to a discount of approximately 23.6%, with a mean discount of approximately 14.0%; (ii) the reasons for and benefits of the Rights Issue as stated under the section headed “2. Reasons for and benefits of the Rights Issue and use of proceeds” above in this letter; (iii) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for the Rights Shares for maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the prevailing market prices of the Shares; (iv) other fund raising alternatives, including debt financing, placement, and open offer are not feasible for the Company as mentioned below in this letter; (v) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the entitlements and (vi) the Subscription Price is fair and reasonable based on our analysis above in this section, we consider that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only arise when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

(f) Other terms of the Underwriting Agreement

We have reviewed other terms of the Underwriting Agreement (including but not limited to conditions precedent and warranties). In order to review whether the aforesaid other terms of the Underwriting Agreement are reasonable or not, we compared it with (i) the terms of the Rights Issue Comparables from their relevant published announcements; and (ii) other rights issue that conducted by other companies listed on the Stock Exchange of our previous works, we are of the view that the remaining terms of the Underwriting Agreement are the standard terms of normal Underwriting Agreements which we have reviewed before. Accordingly, we consider that the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the reasons for and benefits of the Rights Issue as stated above, and our comparable analysis on the Subscription Price, we are of the view that the Underwriting Agreement is on normal commercial terms and the terms of the Rights Issue are fair and reasonable.

4. Other financing alternatives

As discussed with the Management, we note that the Board has considered alternative fund raising methods before entering into the Underwriting Agreement. We noted from the Management and the communication records that they have approached two commercial banks for debt financing. However, both commercial banks required the Company to pledge with fixed assets of the Group as collateral. According to the Interim Report, the fixed assets of the Group (i.e. property, plant and equipment of approximately HK\$2.69 million) would not be sufficient to obtain the proceeds from debt financing equal to the net proceeds from the Rights Issue (i.e. HK\$61.18 million). The Management has also considered issue of convertible bonds as an alternative method, however, it would not allow the existing Shareholders to participate and would dilute their shareholding in the Company if the subscribers convert the shares.

In addition to debt financing, we understand that the Board had considered conducting other equity financing such as Placing. Besides, the Directors consider that the placing would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company. The Directors have also examined the possibility of fund raising by way of open offer which is similar to a rights issue, however, it does not allow shareholders to trade their rights entitlements in the market. Shareholders who do not wish to take up their entitlements will not be offered the opportunity to sell their entitled nil-paid Rights Shares on the market as compensation. Based on the above, we consider that the Rights Issue would be more favorable and attractive to the Shareholders than an open offer because it would allow the Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

Having considered the abovementioned financing alternatives and the Rights Issue allows Qualifying Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights, we are of the view and concur with the Directors' view that the Rights Issue is the most appropriate fundraising option over other fundraising alternatives under the current circumstances of the Group and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Financial impact of the Rights Issue

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 was approximately HK\$159.20 million.

(a) Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, immediately after completion of the Rights Issue, (i) the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 would have increased from approximately HK\$159.20 million to approximately HK\$220.38 million; and (ii) the unaudited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 30 June 2021 would have decreased from approximately HK\$2.78 to approximately HK\$0.96.

(b) Liquidity

According to the Interim Report, as at 30 June 2021, the cash and cash equivalents of the Group was approximately HK\$80.29 million and the Group had current assets of approximately HK\$237.98 million, current liabilities of approximately HK\$65.75 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2021 was approximately 3.62 times. Immediately upon the completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the estimated net proceeds from the Rights Issue of approximately HK\$61.18 million, the current ratio of the Group will be increased from approximately 3.62 times to approximately 4.55 times.

(c) Loan amount portfolio

According to the CSL Management, as at 31 December 2021, the cash and cash equivalents of CSL was approximately HK\$76.5 million and the margin loan receivables that already loaned to their margin clients was approximately HK\$90.1 million. Immediately upon the completion of the Rights Issue, the Management expects that the maximum available amount that able to loan to their margin clients would have increased from approximately HK\$5.6 million to approximately HK\$35.0 million depending on the securities' categories of the underlying collateral of the additional margin loans and based on CSL's existing clientele and its prevailing practices for credit review and control.

Although the aforementioned analysis is for illustrative purpose and do not represent how the financial position of the Group will be upon completion of the Rights Issue, we are of the view that the improvement in the liquidity and financial position of the Group upon completion of the Rights Issue is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION

Having considered the aforementioned principal factors and reasons, we are of the view that (i) the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms but not in the ordinary and usual course of business of the Group; and (iii) the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Director

Kevin Wong
Vice President

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 18 years of experience in the corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 14 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and the third quarter of the financial year ended 31 December 2021 were disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.cs8112.com):

- annual report of the Company for the year ended 31 December 2018 published on 29 March 2019 (pages 63 to 150);

(<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0329/gln20190329245.pdf>);
- annual report of the Company for the year ended 31 December 2019 published on 30 March 2020 (pages 57 to 144);

(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000588.pdf>);
- annual report of the Company for the year ended 31 December 2020 published on 30 March 2021 (pages 67 to 164);

(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000602.pdf>);
- 3rd quarterly report of the Company for nine months ended 30 September 2021 published on 12 November 2021 (pages 11 to 22).

(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1112/2021111200639.pdf>).

2. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

The Company was principally engaged in the businesses of financial services and advertising and media services. Among these two businesses, the advertising and media business was the main contributor to the Group's revenue over the past few years. Since the acquisition of GCL Group in August 2016, the Company has gradually developed into a well-known financial services group in Hong Kong. Initially, CSL was a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO. The Company considered it is crucial for CSL to improve its profitability by focusing on financial products and services which would provide a higher profit margin rather than traditional securities brokerage services. In order to achieve this business objective, CSL commenced the margin financing business in 2017 and later on, the GCL Group established its asset management arm in 2018. Since then, the Group's financial services business has successfully positioned itself as one of the most prestigious financial groups in Hong Kong under the name of "Cornerstone" which provides a full range of services including Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

According to the financial records of the Group, the revenue of the margin financing business for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 were approximately HK\$13.72 million, HK\$13.81 million and HK\$13.03 million respectively. The management believed that the margin financing business could contribute stable revenue to the Group and is considered as a relatively less risky and reliable sources.

During the year ended 31 December 2020 and up to the nine months ended 30 September 2021, the overall performance and financial results of the Group was affected by the outbreak of COVID-19 pandemic. In particular, the revenue for the Group's advertising and media business dropped from HK\$62.21 million for the nine months period ended 30 September 2019 to HK\$27.50 million and HK\$30.55 million for the nine months period ended 30 September 2020 and 2021. On the other hand, the revenue generated from the Group's financial services business remained stable at approximately HK\$9.62 million for the nine months ended 30 September 2021 as compared to HK\$10.26 million and HK\$10.94 million for the same period in 2020 and 2019. The above business results showed that the advertising and media business has been affected by the outbreak of COVID-19, the management was cautiously optimistic that the economy would eventually progress positively after measures implemented by different countries to manage and control pandemic. Despite the adverse global economic condition, the local stock trading activities remained energetic and had not been weakened to a significant deteriorating level. The Company considered that it is an appropriate time to get hold of this opportunity to expand its financial services business, in particular, the margin financing business.

3. FOREIGN EXCHANGE

For the nine months ended 30 September 2021, 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 nine months ended 30 September 2021, 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.

4. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowing:

	As at 31 January 2022 HK\$
Other borrowings, unsecured and unguaranteed	<u>1,616,000</u>

As at 31 January 2022, the Group has other borrowings of approximately HK\$1.6 million due to Mr. An Xilei, a director of the Company. The loan is interest-free, unguaranteed, unsecured and the maturity date will be on 14 November 2022.

Saved as disclosed above, the Company had no other outstanding borrowings as at 31 January 2022.

Lease liabilities

The Group entered into several lease agreements for leasing of carpark and outdoor billboard space and offices located in Hong Kong and Singapore recognised right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to approximately HK\$29.1 million as at 31 January 2022, which were classified as to approximately HK\$10.7 million as current liabilities and approximately HK\$18.4 million as non-current liabilities.

Contingent liabilities

As at the close of business on 31 January 2022, the Group did not have any contingent liabilities.

Save as disclosed above, and apart from normal trade payables in the ordinary course of business, as at the close of business on 31 January 2022, there were no other: (i) debt securities of the Group issued and outstanding, and authorized or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing of the Group (including bank overdrafts and liabilities under acceptances) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) mortgages and charges of the Group; and (iv) any contingent liabilities or guarantees of the Group.

5. COMMITMENTS

As at the close of business on 31 January 2022, the Group had no commitment or other commitment contracted but not provided for.

6. WORKING CAPITAL

Taking into account the financial resources available to the Group, including estimated net proceeds from the Rights Issue, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants’ assurance report received from Yongtuo Fuson CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

To the directors of Cornerstone Financial Holdings Limited

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Cornerstone Financial Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2021 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in page II-5 to II-6 to the circular dated 3 March 2022 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 172,063,836 rights shares at HK\$0.38 per rights shares (the “**Rights Shares**”) on the basis of three Rights Shares for every one existing share of the Company held on the rights issued record date (the “**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2021 as if the Rights Issues had taken place at 30 June 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021, on which an interim report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 (Clarified) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and

- c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Yongtuo Fuson CPA Limited

Certified Public Accountants

Fok Tat Choi

Practicing Certificate Number: P06895

Hong Kong

STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors (the “**Unaudited Pro Forma Financial Information**”) in accordance with Rule 7.31 of GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the Group’s unaudited consolidated net tangible assets attributable to the owner of the Company as if the Rights Issue had been completed on 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2021 or any further dates following the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021, as extracted from published interim report of the Company for the six months ended 30 June 2021, with adjustments described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 <i>HK\$’000</i> <i>(note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$’000</i> <i>(note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue <i>HK\$’000</i>	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue <i>HK\$</i> <i>(note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue <i>HK\$</i> <i>(note 4)</i>
Rights Issue of 172,063,836 Rights Shares	159,196	61,180	220,376	2.78	0.96

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 is extracted from the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2021 of approximately HK\$161,991,000 as adjusted by exclusion of goodwill of approximately HK\$2,795,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 has been extracted from the published interim report of the Company for the six months ended 30 June 2021.
2. The estimated net proceeds from the Rights Issue of approximately HK\$61,180,000 is calculated based on 172,063,836 Rights Shares to be issued (in the proportion of three (3) Rights Shares for every one (1) existing share held as at the Rights Issue record date) at the subscription price of HK\$0.38 per Rights Shares, after deduction of the estimated related expenses of approximately HK\$4,204,000, assuming that the Rights Issue had been completed on 30 June 2021.
3. The unaudited consolidated net tangible assets attributable to owners of the Company per share as at 30 June 2021 is approximately HK\$2.78, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$159,196,000 divided by 57,354,612 shares in issue as at 30 June 2021.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share immediately after completion of the Rights Issue is approximately HK\$0.96, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$220,376,000 divided by 229,418,448 shares, which represents 57,354,612 shares of the Company in issue as at 30 June 2021 and 172,063,836 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of three (3) Rights Shares for every one (1) existing share held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 30 June 2021.
5. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the completion of the Rights Issue are as follows:

(a) as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>500,000,000.00</u>
<i>Issued and fully paid up:</i>		
<u>57,354,612</u>	Shares in issue	<u>573,546.12</u>

(b) immediately after completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>500,000,000.00</u>
<i>Issued and fully paid up:</i>		
57,354,612	Shares in issue	573,546.12
<u>172,063,836</u>	Rights Shares	<u>1,720,638.36</u>
<u>229,418,448</u>	Total	<u>2,294,184.48</u>

Assuming no Shares are allotted and issued or repurchased by the Company on or before the completion of the Rights Issue.

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Neither part of the share capital nor any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no other outstanding convertible securities, options in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the required standard of dealings by the Directors:

Long positions in the Shares and underlying Shares in the capital of the Company

Name of Director	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company <i>(Note 2)</i>
An Xilei <i>(Note 1)</i>	Beneficial owner	6,800,000	11.86%

Notes:

- On 16 September 2021, Profit Cosmo Group Limited ("PCG") transferred 17,000,000 Shares to its beneficial owners, namely Mr. Liu Yanhong and Mr. An Xilei ("Mr. An") according to their respective shareholding percentages in PCG for nil consideration, which resulted in 6,800,000 Shares transferred to Mr. An.
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 57,354,612 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies (other than a Director or a chief executive of the Company) had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

Name of Shareholders	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company
Liu Yanhong <i>(Note 1)</i>	Beneficial owner	5,160,000	9.00% <i>(Note 3)</i>
Koala Securities Limited <i>(Note 2)</i>	Underwriter	86,031,918	37.50% <i>(Note 4)</i>
Supreme China Securities Limited <i>(Note 2)</i>	Underwriter	86,031,918	37.50% <i>(Note 4)</i>

Notes:

- On 16 September 2021, PCG transferred 17,000,000 Shares to its beneficial owners, namely Mr. Liu Yanhong (“Mr. Liu”) and Mr. An according to their respective shareholding percentages in PCG for nil consideration, which resulted in 10,200,000 Shares transferred to Mr. Liu.

Mr. Liu disposed of 5,040,000 Shares in aggregate on the market on 22 October 2021 and 25 October 2021 respectively. Thereafter and up to the Latest Practicable Date, the number of Shares held by Mr. Liu was 5,160,000 as recorded in the register of interest required to be kept by the Company under Section 336 of the SFO.

- These Shares are the Underwritten Shares which Koala Securities Limited is interested under the Underwriting Agreement. Koala Securities Limited is 85% owned by Koala Financial Group Limited. As advised by the Underwriter, the Underwriter signed a sub-underwriting agreement with an independent licensed corporation, and 86,031,918 Shares have been underwritten by such sub-underwriter.
- The shareholding percentage in the Company is calculated on the basis of 57,354,612 Shares in issue as at the Latest Practicable Date.
- The shareholding percentage in the Company is calculated on the basis of 229,418,448 Shares in issue upon completion of the Rights Issue.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group which would required to be disclosed under Rule 11.04 of the GEM Listing Rules.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given their opinions and advices which are included in this circular:

Name	Qualification
Nuada Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Yongtuo Fuson CPA Limited	Certified public accountants

As at the Latest Practicable Date, each of Nuada Limited and Yongtuo Fuson CPA Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter or reports and the references to its name in the form and context in which they respectively appear.

Each of Nuada Limited and Yongtuo Fuson CPA Limited did not have any interests in any Shares or shares in any member of the Group, or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, each of Nuada Limited and Yongtuo Fuson CPA Limited did not have any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to or by any member of the Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Group.

8. LITIGATIONS

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the underwriting agreement dated 27 January 2021 and entered into between the Company and Yuzhou Financial Holdings Limited in relation to the rights issue on the basis of four rights Shares for every one Share held at the subscription price of HK\$0.142 per rights Share. The underwriting agreement lapsed on 22 March 2021;
- (ii) the placing agreement dated 30 April 2021 and entered into between the Company and ChaoShang Securities Limited as the placing agent in relation to the placing of up to 11,448,000 new Shares at the placing price of HK\$0.22 per placing Share. The placing agreement lapsed on 14 May 2021; and
- (iii) the Underwriting Agreement.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or was proposing to enter into any service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation other than statutory compensation.

11. AUDIT COMMITTEE

The Company established an audit committee (“**Audit Committee**”) with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee members as at the Latest Practicable Date were the independent non-executive Directors of the Company. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; review and supervise the financial reporting process and internal control procedures of the Company.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company’s financial reporting system and internal control procedures. It reports to the Board and has held regular meetings to review and make recommendations to improve the Group’s financial reporting process and internal controls. The Audit Committee was also delegated the authority and responsibility to review the Company’s risk management and internal control systems and to make recommendations to the Board.

12. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission and professional fees payable to financial advisers, legal advisers, reporting accountants, financial printer and other parties involved in the Rights Issue are estimated to be approximately HK\$4.20 million, which are payable by the Company.

13. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Board of Directors***Executive Directors:*Mr. Gao Ran (*Chairman*)Mr. An Xilei (*Deputy Chairman*)Mr. Wong Hong Gay Patrick Jonathan
(*Chief Executive Officer*)

Mr. Mock Wai Yin

Independent non-executive Directors:

Mr. Chan Chi Keung Alan

Ms. Lau Mei Ying

Mr. Wong Man Hong

Registered officeConyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong	Room 802, 8th Floor Lee Garden Five 18 Hysan Avenue Causeway Bay, Hong Kong
Authorised representatives	Mr. An Xilei Mr. Mock Wai Yin
Compliance officer	Mr. Mock Wai Yin a member of the corporate governance committee of the Company and a M.Sc.
Company secretary	Ms. Chan Sau Chee an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators)
Business address of Directors and authorised representatives	Room 802, 8th Floor, Lee Garden Five 18 Hysan Avenue Causeway Bay, Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law</i> Tonys Lawyers 12th Floor, Grand Building 15-18 Connaught Road Central Hong Kong <i>As to Cayman Islands law</i> Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central, Hong Kong
Auditor and reporting accountant	Yongtuo Fuson CPA Limited Unit 1020, 10th Floor, Tower B New Mandarin Plaza 14 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong

Underwriter	Koala Securities Limited Unit 1301-02, Everbright Centre 108 Gloucester Road, Wan Chai Hong Kong
Financial adviser to the Company	Get Nice Capital Limited G/F – 3/F., Cosco Tower Grand Millennium Plaza 183 Queen’s Road Central Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Nuada Limited Unit 1606, 16/F OfficePlus@Sheung Wan 93-103 Wing Lok Street Sheung Wan Hong Kong
Hong Kong Branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen’s Road Central Central, Hong Kong DBS Bank Limited 12 Marina Boulevard Marina Bay Financial Centre Tower 3 Singapore 018982 HSBC 1 Queen’s Road Central Hong Kong

HSBC
21 Collyer Quay
#06-01 HSBC Building
Singapore 049320

Hang Seng Bank Limited
83 Des Voeux Road Central
Central, Hong Kong

Stock code 8112
Website www.cs8112.com

14. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address of Directors and Senior Management

Executive Directors

Mr. Gao Ran	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Mr. An Xilei	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Mr. Wong Hong Gay Patrick Jonathan	6th Floor, 603, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong
Mr. Mock Wai Yin	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong

Independent non-executive Directors

Mr. Chan Chi Keung Alan	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Ms. Lau Mei Ying	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Mr. Wong Man Hong	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong

Senior Management

Mr. Lai Chung Cheong	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Mr. Li Chi On Andy	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Mr. Wong Sze Ip, Nick	Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong

(b) Profiles of Directors and Senior Management*Executive Directors*

Mr. GAO Ran, aged 30, was appointed as an executive Director, the chairman of the Board and the chairman of the executive committee of the Company on 4 December 2020. He is currently the chairman of 深圳市全球基金管理有限公司 (Shenzhen Global Fund Management Co., Ltd.*) and an executive director and vice chairman of Xinyang Maojian Group Limited (stock code: 362), a company listed on the main board of the Stock Exchange. He was a non-executive director of Lapco Holdings Limited (stock code: 8472), a company listed on GEM of the Stock Exchange, from 22 July 2020 to 20 November 2020. Mr. Gao has extensive experience in fund investment and asset management, corporate strategy, corporate finance and business development and management. From June 2013 to September 2015, he was the chairman of 長春市厚德房地產經紀有限公司 (Changchun Houde Real Estate Brokerage Co., Ltd.*). He also served as the Chairman of 長春市海眾房地產經紀有限公司 (Changchun Haizhong Real Estate Brokerage Co., Ltd.*) from October 2011 to May 2012. Mr. Gao was recognized as 中國金融行業十佳領軍人物 (Top Ten Leaders in China's Financial Industry*), 吉林省傑出領軍人物 (Outstanding Leader of Jilin Province*) and 吉林省十大傑出青年 (Top Ten Outstanding Youth in Jilin Province*) and 90後風險投資第一人 (First Person in Venture Capital after 90s*) by 北京鑒優品質量認證中心 (Beijing General Evaluation and Certification Center*) and 北京審信核信企業信用評估中心 (Beijing Evaluation and Assessment Center for Enterprise Creditability*) in 2017, 2018 and 2019 respectively. Mr. Gao is pursuing an executive master of business administration degree with The PBC School of Finance of Tsinghua University (清華大學五道口金融學院).

Mr. AN Xilei, aged 42, was appointed as an executive Director on 1 December 2016. At present, Mr. An is also the deputy chairman of the Board, a member of the executive committee, the chairman of the corporate governance committee and an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules) of the Company. He was the chairman of the Board from 1 December 2016 to 12 January 2018 and from 25 July 2018 to 4 December 2020 respectively. Mr. An is currently the chairman and chief executive officer of 深圳市百獸控股有限公司 (Shenzhen Baishou Holding Co., Ltd*) in the PRC. Mr. An has extensive experience in business investments in various fields including real estate, financial services and internet industries over a span of different markets like Hong Kong and the U.S.A.

Mr. WONG Hong Gay Patrick Jonathan, aged 57, co-founded Focus Media Network Limited (re-named as Cornerstone Financial Holdings Limited in January 2018) (the “**Company**”) in April 2004 and led its listing on the Stock Exchange in July 2011. He was appointed a Director on 24 March 2011 and designated as an executive Director on 9 June 2011. At listing he assumed the roles of the chairman of the Board and a member of the remuneration committee of the Company, and subsequently the chairman of each of the nomination committee and the corporate governance committee of the Company until 1 December 2016. Mr. Wong currently serves as the chief executive officer of the Company and has been chief executive officer of the Company since its founding. He is also a director of certain subsidiaries of the Company. Apart from charting the Company’s vision and mission and meeting the Company’s overall business objectives, Mr. Wong is also responsible for key client/partnership development and new business initiatives and overall management of advertising sales and business development functions. Mr. Wong is an entrepreneur with over three decades of start-up and operational experience with a wide range of global and regional media and entertainment, broadcasting, mobile and satellite telecommunications, internet and digital out-of-home ventures. After completing six years of military service in Singapore, Mr. Wong started his career in publishing and in 1991 joined the founding team that launched Star TV. He went on to establish the regional satellite broadcaster’s regional office in Singapore and served as its regional director, advertising sales for the Southeast Asia region. A year after the network was acquired by News Corporation, Mr. Wong was invited to rejoin the founders of Star TV to work on the launch of Pacific Century Group’s Corporate Access where he served as the satellite-based corporate communications services provider’s vice president for sales and advertising & promotions. When Corporate Access was acquired by Hutchison Whampoa, Mr. Wong was transferred to Hutchison Telecommunications where he served as its vice president, business development for the Asia region. While at Hutchison Telecommunications, Mr. Wong developed the desire to join the race to provide the world’s first global mobile personal

communications service or GMPCS. That led to his joining of Silicon Valley-based Local Space & Communications' Globalstar where he subsequently established the constellation's regional office in Hong Kong and served as its regional director for the Southeast Asia region. In 1999, Mr. Wong embraced the Asian Internet boom and became the founding managing director for 24/7 Media Asia, one of the three founding business units of Chinadotcom. At 24/7 Media Asia, Mr. Wong built a pan-Asian interactive advertising sales network that stretches across nine Asian countries within its first year of operations. Shortly afterwards, Mr. Wong founded the AdSociety Group, a venture that eventually became a part of the PCCW Group. As founder and group CEO, Mr. Wong established offices across nine major cities and formed joint ventures with Tokyu Agency Inc. (a member of Tokyu Corporation), LG Advertising Inc. (a member of LG Group) and the People's Daily Group, in Japan, South Korea and China, respectively, and worked with numerous sales and technology partners in the United States and Europe to establish a global advertising sales network and provided integrated online, broadband and mobile advertising, marketing and sales services to a diverse spectrum of premium online media properties. Following the burst of the technology bubble and the events of September 11, the Internet and mobile advertising venture was divested by PCCW on 3 October 2001. Soon afterwards, Mr. Wong was invited to rejoin the founders of PCCW to serve as the CEO of NOW Satellite TV.

Mr. MOCK Wai Yin, aged 49, was appointed as an Executive Director on 27 November 2015. Currently, he is also an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules), the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) and a member of the corporate governance committee of the Company. Mr. Mock holds a Master of Philosophy degree in Biochemistry from The Chinese University of Hong Kong and a Master of Science degree in Hazard Analysis and Critical Control Point from University of Salford. He also holds a Postgraduate Diploma in Professional Accounting. Mr. Mock has over 15 years of experience in research analysis and over three years of world-wide experience in natural resources, project investment and property development as well as project valuation and budget management. He was an executive director of Boill Healthcare Holdings Limited (a company listed on the Stock Exchange with stock code: 1246) from July 2015 to December 2018, and of South East Group Limited (now known as DIT Group Limited, a company listed on the Stock Exchange with stock code: 726) from December 2013 to February 2015.

Independent non-executive Directors

Mr. CHAN Chi Keung Alan, aged 58, was appointed an independent non-executive Director on 9 June 2011. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan is a qualified solicitor admitted in England & Wales in October 1991 and in Hong Kong in February 1992 and has practiced corporate and commercial law for more than two decades. Mr. Chan is an independent non-executive director, and a member of each of the audit committee and nomination committee of Changyou Alliance Group Limited (formerly known as Fortunet e-Commerce Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1039)). He was an independent non-executive director of L & A International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8195), from September 2014 to October 2015; and was also an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of BOSA Technology Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8140) from 19 June 2018 to 29 February 2020. Previously, Mr. Chan was the senior general counsel of Imperial Pacific International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1076), which owns an exclusive casino gaming license in Saipan, Commonwealth of Northern Mariana Islands, and prior to that, he was the Vice President, Legal of NagaCorp Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3918) which owns, manages and operates the largest integrated gaming, leisure and entertainment hotel complex in the Kingdom of Cambodia, as well as the Head of Legal Services for the Hong Kong Jockey Club. Mr. Chan started his career in 1992 in Hong Kong as a corporate finance lawyer with Stephenson Harwood & Lo. He later acted as the senior assistant director, legal department, of the Land Development Corporation (now known as Urban Renewal Authority). Mr. Chan was the legal counsel for one of the leading US information technology companies, Sun Microsystems for Greater China, the Asia Pacific legal director for St. Jude Medical, and the vice president of Legal Affairs at Celestial Pictures Limited, a subsidiary of Astro All Asia Networks Plc., a Malaysian company that carries out business relating to cross media, in particular, direct-to-home television services, commercial radio and television programming. Celestial Pictures Limited is a commercial media company that owns and distributes the largest film library in Asia, including the Shaw Brothers film library, with worldwide entertainment assets in the motion picture, television, and new media industries. Mr. Chan obtained a Bachelor of Science degree in Civil Engineering from the Aston University of Birmingham, England in July 1986 and a LLB in China Law from the China University of Political Science and Law, Beijing, PRC in June 1999. He is a registered civil celebrant in Hong Kong and served as a board director (and former

chairman) of Theatre Space Foundation Limited, a theatrical drama performance charitable institution; an Honorary Legal Advisor of each of Community Careage Foundation Limited, a charitable organization with objectives to relief sickness, physical and mental disability of poor elderlies in the community; and Tong Sam Charity Association with objectives to build schools and provide other educational support to children in need. Mr. Chan is a Council Member of the China Overseas Friendship Association, Beijing, China; legal advisor of the Hong Kong Chiu Chow Community Organizations Limited and the Overseas Teo Chew Entrepreneurs Association Limited.

Ms. LAU Mei Ying, aged 39, was appointed as an independent non-executive Director on 27 November 2015. Currently, she is also a member of each of the audit committee, the nomination committee, the remuneration committee and the corporate governance committee of the Company. Ms. Lau graduated from The Chinese University of Hong Kong with a bachelor degree of Social Science in Economics. Ms. Lau has extensive experiences in the financial market and insurance underwriting. She has been a fellow member of Life Management Institute issued by Life Office Management Association since November 2008. Ms. Lau was an executive director of PacRay International Holdings Limited (stock code: 1010) from 31 August 2017 to 15 April 2021; and an independent non-executive director of Boill Healthcare Holdings Limited (stock code: 1246) from 15 July 2015 to 17 July 2017.

Mr. WONG Man Hong, aged 36, was appointed as an independent non-executive Director, the chairman of each of the audit committee, remuneration committee and nomination committee of the Company on 16 July 2021. Mr. Wong graduated from the City University of Hong Kong with a Bachelor's degree of Business Administration in Accounting. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 2011. Mr. Wong has extensive experience in the fields of accounting, auditing and financing. He started his career and served as a manager in PricewaterhouseCoopers, and has been taking up senior positions in various companies listed on the Main Board of the Stock Exchange engaging in operation of P2P internet financing platform, securities trading, money lending and new energy business. He is currently the financial controller of DeTai New Energy Group Limited (stock code: 559). He was an independent non-executive director of Asia Pacific Silk Road Investment Company Limited (now known as Zhong Ji Longevity Science Group Limited, stock code: 767) from 23 June 2020 to 31 December 2020.

Senior Management

Mr. Lai Chung Cheong, a Responsible Officer, joined the Group in November 2020 as an executive director of each of CSL and Cornerstone Asset Management Limited, an indirect subsidiary owned as to 91.19% by the Company, and assumed the role as the head of financial services business division of the Group. Mr. Lai has extensive experience in the financial industry. Immediately prior to joining the Group, he was the Senior Vice President of Asia Consultants International Limited, and was responsible for initiating and supervising fund-raising projects. Before that, Mr. Lai was the Head of Sales and Responsible Officer of Type 3 regulated activity at Rakuten Securities HK Limited. Earlier on, he held senior positions and as Responsible Officer at various financial institutions namely ADS Securities HK Limited and Saxo Capital Markets HK Limited.

Mr. Li Chi On Andy, a Responsible Officer, joined the Group in November 2016 as Director of Equities Business of CSL and is in charge of the business department of the company. Mr. Li has 15 years of experience in securities brokerage business of which over 10 years in supervising and managerial functions as well as about 10 years margin financing experience. In November 2003, he was formally accredited as a responsible officer when he was with Berich Brokerage Limited (“**Berich**”), where his main responsibilities included handling and monitoring client and sales orders and ensuring all dealing transactions were being completed in proper order. In addition, he had to implement the credit control procedures to make sure all cash and margin clients were following the company policies. Prior to joining Berich, he had been a dealing manager and back office management of Mayfair Securities Limited that involving dealing control, and margin financing.

Mr. Wong Sze Ip Nick, joined CSL as Responsible Officer in May 2017, and is mainly responsible for business development of CSL. Prior to joining CSL, Mr. Wong had extensive experience in margin financing, in particular, during his more than seven years employment with Huarong International Securities Limited (“**Huarong**”) as its responsible officer, where his main duties were responsible for managing daily securities dealing operation and exploring securities related business opportunities, ensuring the operation procedures adhering to internal policies and regulatory guidelines, as well as involving in margin financing business. Before joining Huarong, he worked for two years at CASH Financial Services Group as dealer. Mr. Wong has been a holder of the SFC’s RA1 (dealing in securities), RA2 (dealing in futures contracts) and RA9 (asset management) licenses.

* *The English name of the PRC entity/title is for information purpose only. In case of any inconsistency, the Chinese name shall prevail*

15. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

16. DOCUMENTS ON DISPLAY

The following documents will be available on (i) the website of the Company (www.cs8112.com) and (ii) the website of the Stock Exchange (www.hkexnews.hk) during a period of 14 days from the date of this circular (both days inclusive):

- (a) the letter from the Independent Financial Adviser, the text of which is set out on pages 35 to 58 of this circular;
- (b) the report from Yongtuo Fuson CPA Limited in respect of the unaudited pro forma financial information of the Group, the text of which as set out in appendix II of this circular;
- (c) the written consents referred to in the paragraph headed “Qualifications and Consents of Experts” in this appendix; and
- (d) the material contracts referred to in the section headed “Material Contracts” in this appendix.

As required by the GEM Listing Rules, the following are the particulars of the Director proposed to be re-elected at the EGM:

Mr. WONG Man Hong (“**Mr Wong**”), aged 36, was appointed as an independent non-executive Director, the chairman of each of the audit committee, remuneration committee and nomination committee of the Company on 16 July 2021. Mr. Wong graduated from the City University of Hong Kong with a Bachelor’s degree of Business Administration in Accounting. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 2011. Mr. Wong has extensive experience in the fields of accounting, auditing and financing. He started his career and served as a manager in PricewaterhouseCoopers, and has been taking up senior positions in various companies listed on the Main Board of the Stock Exchange engaging in operation of P2P internet financing platform, securities trading, money lending and new energy business. He is currently the financial controller of DeTai New Energy Group Limited (stock code: 559). He was an independent non-executive director of Asia Pacific Silk Road Investment Company Limited (now known as Zhong Ji Longevity Science Group Limited, stock code: 767) from 23 June 2020 to 31 December 2020.

Save as disclosed above, as at the Latest Practicable Date, Mr. Wong (i) does not hold any position within the Company and other members of the Group; (ii) does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company; (iii) has not held any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas prior to the Latest Practicable Date; and (iv) has no interests in shares of the Company which are required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Upon his appointment as a Director, Mr. Wong entered into a letter of appointment with the Company for a term of one year renewable automatically for successive terms of one year until terminated by not less than three months’ notice served by either party to the other, subject to retirement by rotation and re-election pursuant to the memorandum and articles of association of the Company. Mr. Wong is entitled to receive a director’s fee of HK\$10,000 per month, which was determined by both the remuneration committee of the Company and the Board with reference to his duties and responsibilities with the Company, the remuneration policy of the Company as well as the prevailing market rates.

Save as disclosed above, there are no other matters relating to the appointment of Mr. Wong that need to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

NOTICE OF EGM



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of Cornerstone Financial Holdings Limited (the “**Company**”) will be held at Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong on Tuesday, 22 March 2022 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT** conditional upon: (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Underwriting Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:
 - (a) the issue by way of rights issue (the “**Rights Issue**”) of 172,063,836 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.38 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Excluded Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of three (3) Rights Shares for every one (1) share of the Company then held on the Record Date at the subscription price of HK\$0.38 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;

NOTICE OF EGM

- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 21 January 2022 and entered into among the Company and Koala Securities Limited (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (d) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder.”
2. “To re-elect Mr. Wong Man Hong as an independent non-executive Director.”

Yours faithfully,
For and on behalf of the Board of
Cornerstone Financial Holdings Limited
Gao Ran
Chairman

Hong Kong, 3 March 2022

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681 Grand Cayman
KY1-1111 Cayman Islands

Principal place of business in
Hong Kong:
Room 802, 8th Floor, Lee Garden Five,
18 Hysan Avenue,
Causeway Bay,
Hong Kong

NOTICE OF EGM

Notes:

- i. In view of the outbreak of the novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement special arrangements at the EGM, details of which are set out in the section headed “SPECIAL ARRANGEMENTS FOR THE EGM” on page 6 of the circular of the Company dated 3 March 2022.

All registered shareholders will be able to join the Meeting or any adjourned meeting thereof via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the Meeting or any adjourned meeting thereof if they wish.

- ii. A member entitled to attend and vote at the EGM convened is entitled to appoint another person(s) as his proxy to attend and vote, via the e-Meeting System, in his stead. A proxy need not be a member of the Company.
- iii. A form of proxy for the EGM is enclosed with the circular of the Company dated 3 March 2022 (the “**Circular**”) and published on the GEM website at www.hkgem.com and the Company’s website at www.cs8112.com. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting via the e-Meeting System at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- iv. In the case of joint holders of any share(s), only ONE PAIR of log-in username and password for the e-Meeting System will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she/it was solely entitled thereto.
- v. The register of members of the Company will be closed from 17 March 2022 to 22 March 2022 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the EGM, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 11:00 a.m. on 20 March 2022.
- vi. If “**extreme conditions**” caused by super typhoons is announced by the Government of Hong Kong or there is a tropical cyclone warning signal number 8 or above, or a “**black**” rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement to notify Shareholders of the date, time and place of the rescheduled meeting on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.cs8112.com.

NOTICE OF EGM

As at the date of this notice, the Board comprises seven Directors, including four executive Directors, namely, Mr. Gao Ran, Mr. An Xilei, Mr. Wong Hong Gay Patrick Jonathan and Mr. Mock Wai Yin and three independent non-executive Directors, namely, Mr. Chan Chi Keung Alan, Ms. Lau Mei Ying and Mr. Wong Man Hong.

This notice, for which the Directors 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 of Hong Kong Limited 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 notice 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 notice misleading.

This notice will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This notice will also be posted on the Company’s website at www.cs8112.com.