



# 基石金融控股有限公司

## CORNERSTONE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8112

# 2023

1st Quarterly Report  
第一季業績報告

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*This report, for which the directors (the “Directors”) of Cornerstone Financial Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

During the period ended 31 March 2023 (the “Reporting Period”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in the businesses of financial services and advertising and media services. The advertising and media business remained the main contributor to the Group’s revenue while the financial services continued to generate regular revenue for the Group. During the Reporting Period, the Group recorded an overall revenue of approximately HK\$14.1 million and net loss of the Group of approximately HK\$3.6 million. As for the Group’s advertising and media business, the revenue amounted to approximately HK\$11.9 million for the Reporting Period, an increase of approximately 38% over the corresponding period of last year but not yet recovered to the pre-COVID-19 pandemic level. Revenue from the financial services amounted to approximately HK\$2.1 million for the Reporting Period, an increase of approximately 6% over the corresponding period of last year.

Coupled with the impacts from the prolonged epidemic situation since the outbreak of COVID-19 pandemic began in early 2020, and more recent factors like rising interest rates tend to negatively affect the global capital market which in turn imposing challenges to the Group’s financial services business in particular, the Group has been operating under difficult business environment in the past few years and its financial performance has been affected as a result. Following the lifting of epidemic prevention restrictions, it is believed that the global economy will recover gradually. Hong Kong and Singapore, being the major markets for the Group’s advertising and media business especially, with their international competitiveness will benefit from the improvement in global economic environment after resuming to normalcy comprehensively. Going forward, the Group will continue to explore opportunities to grow and expand its business, while continuing to maintain its current operations in various businesses. The Group will continue to look for new investment opportunities in different industry sectors with growth potential for business diversification. It will also continue to review its business portfolio and make adjustments as appropriate. The management is cautiously optimistic about the business prospects of the Group in the future when the global economy makes headway in the post COVID-19 recovery. Details of Group’s business review and prospects are as follows:

### Financial Services Business

The Group’s financial services activities are mainly conducted under the brand name of “Cornerstone” and consisted of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). During the Reporting Period, the total revenue of the financial services business amounted to approximately HK\$2.1 million. Margin financing business was the key income stream for the Group’s financial services business and margin loan financing of approximately HK\$92.8 million was granted to margin account clients as at 31 March 2023 (31 December 2022: HK\$95.0 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Over the past few years, the financial services business undertaken by Cornerstone Securities Limited (“CSL”), a 91.19% indirectly owned subsidiary of the Company, has been providing regular revenue for the Group and the interest income from the margin financing business contributed more than 96% of CSL’s revenue for the Reporting Period. Fundamentally, contribution from margin financing business is significant for a securities company. CSL believed that it is important to explore opportunities to expand among others, its margin financing business, as CSL has a potential client base of high-net-worth individuals in the People’s Republic of China (the “PRC”). Accordingly, the financial services segment with focus on the margin financing business has always been part of the Company’s business development plan. However, over the past COVID-19 period, with the recent situation of increasing global economic and political complexities and the volatile market environment have led to uncertainties in operational and financial conditions in general. The Hong Kong stock market has still experienced a weak market sentiment during the Reporting Period. The Group’s securities trading business has been affected under such market environment which presented various challenges for growth including, among others, the margin financing business. To reduce negative environmental impact and maintain sustainable business development, the CSL management will continue to equip themselves with updated market information with an aim of expanding the scope of services and customer base.

### Advertising and Media Business

The Group is a well-established digital out-of-home (“OOH”) media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings as well as the residential buildings to sell advertisement. The number of venues in which the Group deployed its flat-panel displays over the corresponding period of the previous year is shown as follows:

Region	Network	Three months ended 31 March 2023	Three months ended 31 March 2022
Hong Kong	Office, Commercial and Residential Network	1,083	1,063
Singapore	Office and Commercial Network	495	501
Total number of venues		1,578	1,564

As of 31 March 2023, the Group has deployed its branded flat-panel displays at 1,578 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Following the Group's successful partnership in Singapore with Hivestack, the world's leading, independent programmatic digital out of home ad tech company, in February 2023, the Group expanded the partnership to Hong Kong and partnered exclusively with Hivestack to bring the programmatic digital out of home ("pDOOH") advertising buying experience to the next level in Hong Kong. The Group anticipates pDOOH to be a huge growth area over the next few years.

The Group continued to upgrade the flat-panel displays in Singapore to pDOOH to meet the demand from advertisers to have the flexibility, efficiency and audience targeting capabilities. Programmatic advertising refers to any sort of digital advertising bought via an automated media buying platform such as Hivestack and Vistar, rather than traditional media buying process. This initiative now opens up the buying of airtime under specified conditions, allowing buyers to bid for airtime based on key criteria, like views, clicks, or footfall. The Group will continue to upgrade the network in Singapore progressively and anticipate pDOOH to be a huge growth area over the next few years.

In addition to the flat-panel displays, the Group's OOH large format media network in Hong Kong consists of eight sites of which seven are large LED panels and one is billboard; together with its well-established office, commercial and residential networks; the Group offers a well-rounded platform for advertisers to reach their audience at home, at work and at shopping, leisure & entertainment venues.

Capitalizing on the Group's success in operating digital media panels, the Group has a total of seven large LED panels situated in four strategic locations in Causeway Bay, Tsim Sha Tsui, Mongkok and Kwun Tong.

The Group maintained the exclusive advertising sales rights of three LED panels namely 3 Matheson Street in Causeway Bay, 53 Carnarvon Road in Tsim Sha Tsui and Le Diamant in Mongkok. Causeway Bay, Tsim Sha Tsui and Mongkok are amongst the busiest shopping and dining districts in Hong Kong.

The large LED panels at 3 Matheson Street is a combo of G-Glass LED building wrap at the top with multi-layers LED panels at the bottom, where advertisers can deliver their messages creatively in naked eye 3D format. It is strategically located between Times Square and Lee Theatre.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group also maintained the exclusive advertising sales right of the LED panel at the prestigious office building named One Pacific Centre. It is located at 414 Kwun Tong Road in Kwun Tong, right next to the high traffic APM Shopping Mall and in between Millennium City 5 and 6 office towers. It is situated in the heart of Kwun Tong capturing people from the working level, leisure shoppers as well as residents in the neighborhood.

As well, the Group maintained the exclusive advertising sales right of the Hilton Towers LED panel. It is located at 96 Granville Road, Tsim Sha Tsui East, facing the renowned “Water Fountain at Tsim Sha Tsui East” (Urban Council Centenary Garden) surrounded by well-known office buildings such as East Ocean Centre, New Mandarin Plaza, South Seas Centre and Peninsular Centre, etc. This strategic location captures high traffic of eyeballs generated from the office buildings nearby.

In addition, the Group also maintained the exclusive advertising sales right of the 655 Nathan Road LED panel, Mongkok. The LED panel is situated right next to Mongkok MTR station with white collars and shoppers coming in and out. It is facing the pedestrian path between Nathan Road and Portland Street heading to Langham Place with thousands of pedestrians traffic flow everyday. It is right in the heart of Mongkok targeting both locals and tourists.

Furthermore, the Group maintained the exclusive advertising sales rights of the Hung To Centre LED panel in Kwun Tong. Hung To Centre is located at 94-96 How Ming Street, Kwun Tong, the Kowloon East CBD district. Kwun Tong was once Hong Kong’s industrial district and it is now the up-and-coming business district with prestigious office towers and F&B outlets. The LED panel is only a block away from Millennium City and is facing the busy intersection of Hung To Road and How Ming Street with vehicles and pedestrians coming from all directions.

Under its OOH large format media network in Singapore, the Group maintained its current OOH sites as well as adding new ones making it a total twelve strategically located OOH sites. Within the Raffles Green area which are just above the Raffles Place MRT station, located right in the heart of Singapore’s financial district, the Group dominates the vicinity with two prominent sites, one illuminated large static billboard site The Arcade and one LED screen at CIMB Plaza (previously known as Chevron House). We have also expanded our partnership with CIMB Plaza and 30 Raffles Place to market all their OOH spaces within the building.

The Group’s other OOH large static format which targets SMEs includes exclusive partnerships with AZ @ Paya Lebar and Ark @ KB. AZ @ Paya Lebar building is centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore. It faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500 meters away. This billboard also targets foot-traffic flowing in and out of MacPherson MRT station, which is directly opposite of AZ @ Paya Lebar building. Another site reaching out to SMEs is ARK @ KB where the crowd are similar as of AZ building, where the site is visible across the flyover leading to the Kaki Bukit industrial area. The Group has added exclusive partnership with 18 Tai Seng for various sites within the building as well as MRT underpass. This building serves as a retail and F&B hub choices as well as connector to MRT station for their surrounding SMEs and light industrial buildings.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

The Group expanded its exclusive partnership with the 13-storey HarbourFront Centre (HFC) which is a thriving mixed use development comprising of office and retail space, F&B outlets and an international cruise centre and now markets its various advertising format comprising of façade billboard to in-malls static site.

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

With the trends of malls located in the central region losing their traffic to suburban malls, the Group has expanded to secure exclusive advertising sales right for various static sites with The Clementi Mall which is strategically located in Clementi town with accessibility to integrated transport amenities like the Clementi MRT station and bus interchange. Positioned as a contemporary and mid-market mall, The Clementi Mall enjoys a good catchment from Holland Village, Bukit Timah and West Coast, where key tertiary institutions such as National University of Singapore, Ngee Ann Polytechnic, Singapore Polytechnic, and UniSIM are located.

The Group’s expansion to the East at the “heart” of Changi Business Park, One@Changi City, is part of a 4.7 hectares integrated development comprising Changi City Point mall and Capri by Fraser hotel residences. It is linked to the East-West MRT line as well as the Downtown MRT line, making it highly accessible. The Group holds the exclusive rights to sell their gigantic LED Display located at the drop off area which wraps 90 degrees around the corner of both ends, in a seamless fashion to ensure audiences from all sides gets to view the screen.

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static/LED OOH sites under its OOH large format media network.

The performance of the Group’s advertising and media business has gradually picked up with Covid-19 restrictions being lifted in both Hong Kong and Singapore. The Group believes that advertisers’ advertising spending will continue to increase in 2023.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

	Three months ended 31 March		% Change
	2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	
<b>Revenue</b>	<b>14,053,034</b>	10,657,918	32%
<b>Gross profit</b>	<b>9,617,826</b>	6,770,098	42%
<b>EBITDA</b> <sup>(Note)</sup>	<b>(5,198,577)</b>	(3,790,659)	N/A
<b>Net loss</b>	<b>(3,634,956)</b>	(6,754,636)	N/A

Note: EBITDA represents profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment and right-of-use assets, fair value gain/(loss) on equity investments at fair value through profit or loss and the profit/(loss) for the period attributable to non-controlling interests. While EBITDA is commonly used as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's revenue for the three months ended 31 March 2023 was approximately HK\$14.1 million (three months ended 31 March 2022: HK\$10.7 million), representing an increase of approximately 32% over the corresponding period of last year. The Group's revenue from the advertising and media business increased by approximately 38% or HK\$3.3 million to HK\$11.9 million (three months ended 31 March 2022: HK\$8.6 million) as compared to the corresponding period of last year and has not yet recovered to the pre-COVID-19 pandemic level. Improvement in revenue generated from the advertising and media business was due to the lifting of the Covid-19 restrictions in Hong Kong and Singapore and the economic and social activities gradually resume to normal. As for the Group's financial services business, the revenue slightly increased by approximately 6% or HK\$0.1 million to HK\$2.1 million (three months ended 31 March 2022: HK\$2.0 million) as compared to the corresponding period of last year. Performance of this segment was overwhelmed by the weak sentiment under the financial market volatility in the first quarter of 2023. It was observed that the clients of this segment were cautious with their investment.

The Group's gross profit for the three months ended 31 March 2023 was approximately HK\$9.6 million (three months ended 31 March 2022: HK\$6.8 million), representing an increase of approximately 42% over the corresponding period of previous year. The Group's gross profit margin increased approximately from 64% to 68% due to the rise in revenue from the advertising and media business during the Reporting Period.

The Group's administrative expenses for the three months ended 31 March 2023 was approximately HK\$18.7 million (three months ended 31 March 2022: HK\$13.0 million), representing an increase of approximately 44% over the corresponding period of previous year. The increase in administrative expenses was mainly due to the gradual increase in business activities which led to an increase in marketing expenses as well as professional service fees for the operations and development of business as needed by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's negative EBITDA amounted to approximately HK\$5.2 million for the three months ended 31 March 2023 as compared to the Group's negative EBITDA amounted to approximately HK\$3.8 million for the corresponding period of last year. The increase of the Group's negative EBITDA was due to the rise in expenses during the reporting period.

Loss per share for the three months ended 31 March 2023 was approximately HK cents 1.53 as compared to a loss per share of HK cents 11.94 (as restated by the adjustment of exercise the rights issue on 26 April 2022) for the corresponding period of previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$3.5 million for the three months ended 31 March 2023 as compared to a loss attributable to owners of the Company of approximately HK\$6.9 million for the corresponding period of previous year.

### LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its daily operations from internally generated resources. As at 31 March 2023, the Group had net current assets of approximately HK\$176 million (31 December 2022: HK\$180 million) and cash and cash equivalents of approximately HK\$108 million (31 December 2022: HK\$116 million).

### GEARING RATIO

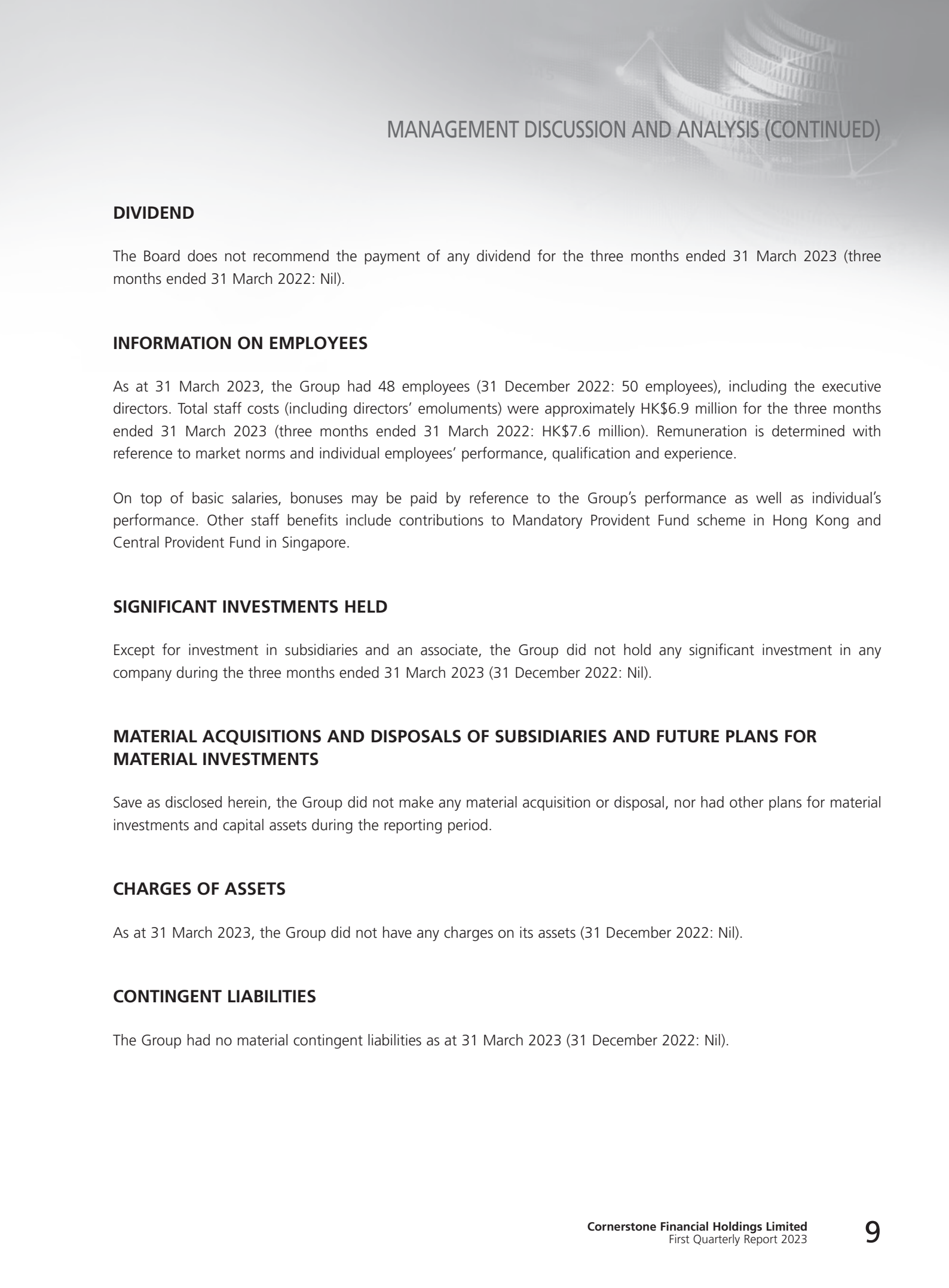
The gearing ratio of the Group, calculated as total debt over total capital, was approximately 1.8% as at 31 March 2023 (31 December 2022: 1.9%).

### FOREIGN EXCHANGE

For the reporting period ended 31 March 2023, 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 Reporting Period, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

### CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 31 March 2023, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each (the "Share(s)"), and the issued share capital was HK\$2,294,184 divided into 229,418,448 Shares as fully paid.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **DIVIDEND**

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

### **INFORMATION ON EMPLOYEES**

As at 31 March 2023, the Group had 48 employees (31 December 2022: 50 employees), including the executive directors. Total staff costs (including directors' emoluments) were approximately HK\$6.9 million for the three months ended 31 March 2023 (three months ended 31 March 2022: HK\$7.6 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore.

### **SIGNIFICANT INVESTMENTS HELD**

Except for investment in subsidiaries and an associate, the Group did not hold any significant investment in any company during the three months ended 31 March 2023 (31 December 2022: Nil).

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS**

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

### **CHARGES OF ASSETS**

As at 31 March 2023, the Group did not have any charges on its assets (31 December 2022: Nil).

### **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2023 (31 December 2022: Nil).

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

FOR THE THREE MONTHS ENDED 31 MARCH 2023

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 together with comparative unaudited figures for the corresponding period ended 31 March 2022 as follows:

	Note	Three months ended 31 March	
		2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
<b>Revenue</b>	3	<b>14,053,034</b>	10,657,918
Cost of services		<b>(4,435,208)</b>	(3,887,820)
<b>Gross profit</b>		<b>9,617,826</b>	6,770,098
Other income		<b>791,610</b>	114,606
Other gains and losses		<b>5,231,663</b>	(85,800)
Administrative expenses		<b>(18,681,793)</b>	(13,004,620)
Finance costs		<b>(465,989)</b>	(344,444)
<b>Loss before tax</b>		<b>(3,506,683)</b>	(6,550,160)
Income tax expenses	4	<b>(128,273)</b>	(204,476)
<b>Loss for the period</b>		<b>(3,634,956)</b>	(6,754,636)
<b>Other comprehensive income/(expenses):</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>84,610</b>	26,273
<b>Other comprehensive income for the period, net of tax</b>		<b>84,610</b>	26,273
<b>Total comprehensive expenses for the period</b>		<b>(3,550,346)</b>	(6,728,363)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Note	Three months ended 31 March	
		2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company		<b>(3,499,861)</b>	(6,913,730)
Non-controlling interests		<b>(135,095)</b>	159,094
		<b>(3,634,956)</b>	(6,754,636)
<b>Total comprehensive (expenses)/income for the period attributable to:</b>			
Owners of the Company		<b>(3,403,595)</b>	(6,887,190)
Non-controlling interests		<b>(146,751)</b>	158,827
		<b>(3,550,346)</b>	(6,728,363)
<b>Loss per share</b>			
Basic and diluted (HK cents)	6	<b>(1.53)</b>	restated (11.94)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company						Non-controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Sub-total HK\$		
At 31 December 2021 and 1 January 2022 (audited)	573,546	552,932,232	(176,467,450)	(1,357,963)	(223,365,595)	152,314,770	18,334,062	170,648,832
(Loss)/Profit for the period	-	-	-	-	(6,913,730)	(6,913,730)	159,094	(6,754,636)
Other comprehensive (expense)/income for the period								
Exchange difference arising on translating of foreign operations	-	-	-	26,540	-	26,540	(267)	26,273
<b>Total comprehensive (expenses)/income for the period</b>	-	-	-	26,540	(6,913,730)	(6,887,190)	158,827	(6,728,363)
At 31 March 2022 (unaudited)	573,546	552,932,232	(176,467,450)	(1,331,423)	(230,279,325)	145,427,580	18,492,889	163,920,469
<b>At 31 December 2022 and 1 January 2023 (audited)</b>	<b>2,294,184</b>	<b>612,827,938</b>	<b>(176,467,450)</b>	<b>(1,279,537)</b>	<b>(255,351,310)</b>	<b>182,023,825</b>	<b>17,716,705</b>	<b>199,740,530</b>
Loss for the period	-	-	-	-	(3,499,861)	(3,499,861)	(135,095)	(3,634,956)
<b>Other comprehensive (expense)/income for the period</b>								
Exchange difference arising on translating of foreign operations	-	-	-	96,266	-	96,266	(11,656)	84,610
<b>Total comprehensive (expenses)/income for the period</b>	-	-	-	96,266	(3,499,861)	(3,403,595)	(146,751)	(3,550,346)
At 31 March 2023 (unaudited)	2,294,184	612,827,938	(176,467,450)	(1,183,271)	(258,851,171)	178,620,230	17,569,954	196,190,184

# NOTES TO THE FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2023

## 1 GENERAL INFORMATION

Cornerstone Financial Holdings Limited was incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) provision of financial services, mainly including securities dealings and brokerage services and margin financing services, (ii) provision of advertising and media services, including film development, production and distribution and (iii) retail of skin care products (ceased business during the year ended 31 December 2019 and remains inactive subsequently).

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

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial information for the three months ended 31 March 2023 (the "First Quarterly Financial Information") has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

The First Quarterly Financial Information should be read in conjunction with the annual report of the Group for the year ended 31 December 2022.

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

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning 1 January 2023.

In the current period, the Group has applied all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The adoption of new and amended HKFRSs do not have material impact on the First Quarterly Financial Information.

The Group has not early applied any new and amended HKFRSs and interpretations that have been issued but are not yet effective for the current accounting period.

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2023

### 3 REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Three months ended 31 March	
	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)
Revenue from contract with customers	11,964,236	8,744,580
Revenue from other sources		
– Interest income from margin financing	2,088,798	1,913,338
	<b>14,053,034</b>	10,657,918

#### Geographical information

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

	Three months ended 31 March					
	2023			2022		
	Segment revenue HK\$ (unaudited)	Intersegment sales HK\$ (unaudited)	Sales to external customers HK\$ (unaudited)	Segment revenue HK\$ (unaudited)	Intersegment sales HK\$ (unaudited)	Sales to external customers HK\$ (unaudited)
Hong Kong	8,411,472	–	8,411,472	5,723,303	–	5,723,303
Singapore	9,105,226	(3,463,664)	5,641,562	4,934,615	–	4,934,615
	<b>17,516,698</b>	<b>(3,463,664)</b>	<b>14,053,034</b>	10,657,918	–	10,657,918



## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2023

### 3 REVENUE AND SEGMENT INFORMATION (Continued)

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a perspective of different activities and assesses the performance of each operating segment. During the period ended 31 March 2023 and 2022, the Group had the following operating segments:

- Advertising and media
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Retail of skin care products (ceased business during the year ended 31 December 2019 and remains inactive subsequently)

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The segment results are measured at Group’s loss before tax except that other income, other gains and losses, finance cost as well as head office and corporate expenses.

The segment information provided to the CODM for the reportable segments for the three months ended 31 March 2023 is as follows:

	Advertising and media HK\$ (Unaudited)	Financial services HK\$ (Unaudited)	Retail of skin care products HK\$ (Unaudited)	Unallocated HK\$ (Unaudited)	Total HK\$ (Unaudited)
<b>Three months ended 31 March 2023</b>					
<b>Segment revenue</b>	<b>11,887,585</b>	<b>2,165,449</b>	<b>–</b>	<b>–</b>	<b>14,053,034</b>
<b>Segment results</b>	<b>(336,095)</b>	<b>(435,032)</b>	<b>(12,309)</b>	<b>–</b>	<b>(783,436)</b>
Corporate and unallocated income					6,023,273
Corporate and unallocated expenses					(8,746,520)
<b>Loss before tax</b>					<b>(3,506,683)</b>
<b>Other segment information:</b>					
Depreciation of property, plant and equipment	(178,878)	(6,931)	–	–	(185,809)
Depreciation of right-of-use assets	(1,813,531)	(222,332)	–	(717,013)	(2,752,876)
Fair value gain on equity investment at fair value through profit or loss	–	–	–	5,231,663	5,231,663
Capital expenditure	(64,000)	–	–	–	(64,000)

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2023

### 3 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the three months ended 31 March 2022 is as follows:

	Advertising and media HK\$ (Unaudited)	Financial services HK\$ (Unaudited)	Retail of skin care products HK\$ (Unaudited)	Unallocated HK\$ (Unaudited)	Total HK\$ (Unaudited)
Three months ended 31 March 2022					
Segment revenue	8,614,294	2,043,624	–	–	10,657,918
Segment results	(2,321,160)	(22,313)	(12,011)	–	(2,355,484)
Corporate and unallocated income					114,606
Corporate and unallocated expenses					(4,309,282)
Loss before tax					(6,550,160)
Other segment information:					
Depreciation of property, plant and equipment	(228,094)	(6,675)	–	–	(234,769)
Depreciation of right-of-use assets	(1,748,055)	(246,666)	–	(258,862)	(2,253,583)
Fair value loss on equity investment at fair value through profit or loss	–	(85,800)	–	–	(85,800)
Capital expenditure	(29,965)	(24,399)	–	–	(54,364)

### 4 INCOME TAX EXPENSES

The provision for Hong Kong profits tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits, except for one subsidiary of the group which is a qualifying corporation under the two-tiered profits tax rate regime.

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

The provision for Hong Kong profits tax of HK\$128,273 has been made in these unaudited condensed consolidated accounts for the three months ended 31 March 2023 (three months ended 31 March 2022: HK\$204,476).

## NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2023

### 5 DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

### 6 LOSS PER SHARE

#### (a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2023 of HK\$3,499,861 (three months ended 31 March 2022: loss of HK\$6,913,730) and the weighted average of 229,418,448 ordinary shares (three months ended 31 March 2022: 57,916,687) in issue during the three months ended 31 March 2023.

The comparative figures for the basic loss per share for the three months ended 31 March 2022 are restated to take into account of the effect of the Rights Issue <sup>Note</sup> completed during the period as if they had been taken place since the beginning of the comparative period. The weighted average number of ordinary shares outstanding was retrospectively increased to reflect the discount in the Rights Issue. For the three months ended 31 March 2022, the weighted average number of ordinary shares in issue was 57,354,612 before restatement.

Note: On 26 April 2022, the Company completed the Rights Issue for three rights shares for every one existing share held by shareholders of the Company on the record date of 3 April 2022 at the subscription price of HK\$0.38 per rights share and a total of 172,063,836 rights shares of the Company were issued.

#### (b) Diluted

No diluted loss per share has been presented as there was no dilutive ordinary shares outstanding during the three months ended 31 March 2023 and 2022.

### 7 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL INFORMATION

The unaudited condensed consolidated first quarterly financial information was approved by the Board on 15 May 2023.

## OTHER INFORMATION

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31 March 2023, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

#### **Long positions in the ordinary shares of HK\$0.01 each in the Company (the "Shares"), underlying Shares and debentures of the Company as at 31 March 2023**

Name of Directors	Nature of interests	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholding in the Company
Mr. An Xilei	Beneficial owner	6,800,000	–	6,800,000	2.96%

Note: For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 Shares in issue as at 31 March 2023.

Save as disclosed above, as at 31 March 2023, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

### **SHARE OPTION SCHEMES**

Since the expiration of the then share option schemes of the Company in March 2021, the Company has not adopted any new share option scheme. Further, all outstanding and unexercised options granted under the expired share option schemes lapsed and were cancelled in 2021 in accordance with the terms and conditions of the respective schemes. Accordingly, the Company had neither any share option scheme nor any outstanding share options as at 31 March 2023 up to the date of this report. At no time during the Reporting Period was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 March 2023, so far as was known to the Directors, no other persons or companies (other than a Director or a chief executive of the Company) had interests of 5% or more in the shares or underlying shares and/or short positions in the shares or underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 31 March 2023, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

## **COMPETITION AND CONFLICT OF INTERESTS**

During the three months ended 31 March 2023, none of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors, having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31 March 2023.

## **CORPORATE GOVERNANCE PRACTICES**

During the three months ended 31 March 2023, the Company has complied with the code provisions (the "Code Provision(s)") as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules which became effective on 1 January 2022, except as stated otherwise below.

## OTHER INFORMATION (CONTINUED)

Pursuant to Code Provision D.1.2 of the CG Code, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. During the Reporting Period, instead of monthly updates, the management has provided to the Board quarterly updates containing consolidated financial statements with summaries of key events and outlook of the Group for the pertaining period for review and discussion in the regular Board meetings concerned. In addition, the management will provide to the Board with updates in a timely manner if there are material events affecting the performance, position and prospects of the Company. Accordingly, it is considered that the purpose of providing regular updates on the Company's performance, position and prospects can be achieved.

Pursuant to Code Provision D.2.5 of the CG Code, the Group should have an internal audit function. There is currently no internal audit function within the Group. However, the Group will engage independent external consulting firm to review the effectiveness of the risk management and internal control systems of the Group on an annual basis. Taking into account of its size, nature and complexity of its business operations, the Group considers that the current organisation structure and management could provide adequate risk management and internal control of the Group.

Pursuant to Code Provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Gao Ran, the chairman and an executive director of the Company, was unable to attend the annual general meeting of the Company held on 11 May 2023, which was chaired by Mr. Mock Wai Yin, an executive director of the Company, accordingly.

### AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2023 have been reviewed by the Audit Committee together with the management of the Company, which is of the opinion that the first quarterly financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Cornerstone Financial Holdings Limited**  
**Gao Ran**  
*Chairman and Executive Director*

Hong Kong, 15 May 2023

*As at the date of this report, the Board comprises Mr. Gao Ran (Chairman), Mr. An Xilei (Deputy Chairman), Mr. Wong Hong Gay Patrick Jonathan and Mr. Mock Wai Yin as executive Directors; and Mr. Chan Chi Keung Alan, Ms. Lau Mei Ying and Mr. Wong Man Hong as independent non-executive Directors.*



基石金融控股有限公司

CORNERSTONE FINANCIAL HOLDINGS LIMITED