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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Cornerstone Financial Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2018 was approximately HK$45.5 million, representing an increase of approximately 4% over the corresponding period of the previous year.

- The Group's gross profit for the six months ended 30 June 2018 was approximately HK$26.4 million, representing an increase of approximately 1% over the corresponding period of the previous year.

- The Group's administrative expenses for the six months ended 30 June 2018 was approximately HK$56.1 million, representing an increase of approximately 49% over the corresponding period of the previous year.

- The Group recognised a provision for impairment loss on film deposits and rights amounted to approximately HK$42 million for the Reporting Period due to the delay in the production of films.

- The Group's negative EBITDA amounted to approximately HK$10.4 million for the six months ended 30 June 2018 as compared to the Group's negative EBITDA amounted to approximately HK$7.5 million for the corresponding period of the previous year.

- The Group recorded a loss attributable to owners of the Company of approximately HK$56.7 million for the six months ended 30 June 2018 as compared to a loss attributable to owners of the Company of approximately HK$11.4 million for the corresponding period of the previous year.

- Loss per share for the six months ended 30 June 2018 was HK cents 4.95 as compared to loss per share of HK cents 4.71 (as restated) for the corresponding period of the previous year.

- The Board does not recommend the payment of any dividend for the six months ended 30 June 2018.

UNAUDITED INTERIM RESULTS

The board of directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 together with comparative unaudited figures for the corresponding period ended 30 June 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Note	***HK$***	*HK$*	***HK$***	*HK$*
Revenue	*3*	**24,502,540**	24,196,704	**45,502,520**	43,709,447
Cost of sales		**(10,179,313)**	(9,429,787)	**(19,064,947)**	(17,499,113)
Gross profit		**14,323,227**	14,766,917	**26,437,573**	26,210,334
Other income		**4,292,977**	561,045	**4,567,480**	670,279
Provision for impairment loss on film deposits and rights		**(42,053,131)**	–	**(42,053,131)**	–
Administrative expenses		**(28,646,410)**	(20,382,443)	**(56,058,676)**	(37,520,115)
Operating loss		**(52,083,337)**	(5,054,481)	**(67,106,754)**	(10,639,502)
Finance costs	*4*	**–**	(819,726)	**–**	(819,726)
Share of loss of an associate		**–**	(116,733)	**–**	(116,733)
Loss before income tax	*5*	**(52,083,337)**	(5,990,940)	**(67,106,754)**	(11,575,961)
Income tax expenses	*6*	**–**	–	**–**	–
Loss for the period		**(52,083,337)**	(5,990,940)	**(67,106,754)**	(11,575,961)
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Currency translation differences		**(750,290)**	466,251	**(270,104)**	1,148,037
Total comprehensive loss for the period		**(52,833,627)**	(5,524,689)	**(67,376,858)**	(10,427,924)
Loss for the period attributable to:					
Owners of the Company		**(41,606,108)**	(5,855,020)	**(56,727,494)**	(11,372,340)
Non-controlling interests		**(10,477,229)**	(135,920)	**(10,379,260)**	(203,621)
		(52,083,337)	(5,990,940)	**(67,106,754)**	(11,575,961)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(42,356,116)**	(5,388,656)	**(56,997,010)**	(10,224,247)
Non-controlling interests		**(10,477,511)**	(136,033)	**(10,379,848)**	(203,677)
		(52,833,627)	(5,524,689)	**(67,376,858)**	(10,427,924)
Loss per share attributable to owners of the Company	*8*		As restated		As restated
Basic and diluted (HK cents)		**(3.63)**	(2.43)	**(4.95)**	(4.71)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 (Unaudited)** *HK$*	31 December 2017 (Audited) *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**8,703,897**	8,663,974
Intangible assets	*9*	**2,933,231**	3,081,045
Film deposits and rights	*10*	**60,000,000**	102,000,000
Financial asset at fair value through other comprehensive income		**3,000,000**	–
Available-for-sale financial asset		**–**	3,000,000
Deposits and prepayments	*11*	**5,876,148**	5,837,908
Pledged bank deposits		**932,398**	585,000
Interest in an associate		**145,107**	145,107
Total non-current assets		**81,590,781**	123,313,034
Current assets			
Inventories		**945,315**	1,645,868
Margin loans receivable		**180,428,511**	152,022,021
Trade and other receivables	*11*	**40,605,019**	29,619,111
Financial asset at fair value through profit or loss		**6,396,400**	–
Amount due from non-controlling interests		**64,277**	–
Pledged bank deposits		**–**	311,255
Cash held on behalf of brokerage clients		**38,487,590**	5,309,334
Cash and cash equivalents		**62,469,052**	134,737,011
Total current assets		**329,396,164**	323,644,600
Total assets		**410,986,945**	446,957,634
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**114,709,224**	114,709,224
Share premium	*13*	**552,932,232**	552,932,232
Other reserves		**(176,042,681)**	(175,773,165)
Accumulated losses		**(191,802,402)**	(135,074,908)
Equity attributable to owners of the Company		**299,796,373**	356,793,383
Non-controlling interests		**50,613,242**	60,928,813
Total equity		**350,409,615**	417,722,196

	Notes	**30 June 2018 (Unaudited)** ***HK$***	31 December 2017 (Audited) *HK$*
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	**17,891,702**	19,970,450
Accounts payable to brokerage clients		**36,989,621**	5,309,305
Contract liabilities		**5,659,615**	–
Deferred revenue		**–**	3,905,233
Income tax payable		**36,392**	50,450
Total current liabilities		**60,577,330**	29,235,438
Total equity and liabilities		**410,986,945**	446,957,634
Net current assets		**268,818,834**	294,409,162
Total assets less current liabilities		**350,409,615**	417,722,196

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Share capital HK$	Share premium HK$	Capital reserve HK$	Exchange reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 31 December 2016 and 1 January 2017 (audited)	22,941,845	440,528,546	(176,467,450)	(3,192,246)	2,020,536	(81,788,809)	204,042,422	35,470,661	239,513,083
Changes in equity for the six months ended 30 June 2017									
Comprehensive loss									
Loss for the period	–	–	–	–	–	(11,372,340)	(11,372,340)	(203,621)	(11,575,961)
Other comprehensive income/(loss)									
Currency translation differences	–	–	–	1,148,093	–	–	1,148,093	(56)	1,148,037
Total comprehensive loss	–	–	–	1,148,093	–	(11,372,340)	(10,224,247)	(203,677)	(10,427,924)
Transactions with owners									
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	11,300,000	11,300,000
Total transactions with owners	–	–	–	–	–	–	–	11,300,000	11,300,000
Balance at 30 June 2017 (unaudited)	22,941,845	440,528,546	(176,467,450)	(2,044,153)	2,020,536	(93,161,149)	193,818,175	46,566,984	240,385,159
Balance at 31 December 2017 and 1 January 2018 (audited)	**114,709,224**	**552,932,232**	**(176,467,450)**	**(1,326,251)**	**2,020,536**	**(135,074,908)**	**356,793,383**	**60,928,813**	**417,722,196**
Changes in equity for the six months ended 30 June 2018									
Comprehensive loss									
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(56,727,494)**	**(56,727,494)**	**(10,379,260)**	**(67,106,754)**
Other comprehensive loss									
Currency translation differences	**–**	**–**	**–**	**(269,516)**	**–**	**–**	**(269,516)**	**(588)**	**(270,104)**
Total comprehensive loss	**–**	**–**	**–**	**(269,516)**	**–**	**(56,727,494)**	**(56,997,010)**	**(10,379,848)**	**(67,376,858)**
Transactions with owners									
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64,277**	**64,277**
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64,277**	**64,277**
Balance at 30 June 2018 (unaudited)	**114,709,224**	**552,932,232**	**(176,467,450)**	**(1,595,767)**	**2,020,536**	**(191,802,402)**	**299,796,373**	**50,613,242**	**350,409,615**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Cash flows used in operating activities	**(62,565,922)**	(69,134,669)
Cash flows from investing activities		
Payment for film deposits and rights	**–**	(38,793)
Purchase of property, plant and equipment	**(1,418,089)**	(225,549)
Pledged deposit	**(36,143)**	–
Proceeds from financial asset at fair value through profit or loss	**(7,978,510)**	–
Interest received	**9,395**	10,411
Net cash used in investing activities	**(9,423,347)**	(253,931)
Cash flows from financing activities		
Capital contribution from non-controlling interests	**–**	300,000
Proceeds from borrowings	**–**	44,000,000
Net cash generated from financing activities	**–**	44,300,000
Net decrease in cash and cash equivalents	**(71,989,269)**	(25,088,600)
Cash and cash equivalents at beginning of period	**134,737,011**	73,248,475
Exchange losses on cash and cash equivalents	**(278,690)**	(410,482)
Cash and cash equivalents at end of period	**62,469,052**	47,749,393
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**63,401,450**	48,618,070
Less: Pledged bank deposits	**(932,398)**	(868,677)
Cash and cash equivalents per unaudited condensed consolidated statement of cash flows	**62,469,052**	47,749,393

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) financial service including securities brokerage services and margin financing services, (ii) provision of out-of home advertising services, (iii) retail of skin care products, (iv) provision of early childhood education, (v) film development, production and distribution.

The Company's share are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM on the Stock Exchange (the "GEM Listing Rules").

These unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2017.

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

2.1 Changes in accounting policy and disclosures

(a) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2018. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 28 (Amendments)	Investments in associates and joint ventures
HKAS 40 (Amendments)	Transfers of investment property
HKFRS 1 (Amendments)	First time adoption of HKFRS
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK (IFRIC)-Int 22	Foreign currency transactions and advance consideration

(b) The following new and amended standards and interpretations have been published but are not yet effective for the period ended 30 June 2018 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Annual Improvements to HKFRSs	Annual improvements 2015–2017 cycle	1 January 2019
Hong Kong (IFRIC) Int 23	Uncertainty over income and tax treatments	1 January 2019

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

3. REVENUE AND SEGMENT INFORMATION

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

Management regularly reviews the operating results from a perspective of different activities. Management assesses the performance of the following operating segments:

— Advertising and media

— Retail of skin care products

— Provision of early childhood education

— Film development, production and distribution

— Financial services, mainly include securities brokerage business and margin financing business

Management assesses the performance of the operating segments based on a measure of gross profits.

The segment information provided to the CODM for the reportable segments for six months ended 30 June 2018 and 2017 is as follows:

	Advertising and media (Unaudited) *HK$*	Retail of skin care products (Unaudited) *HK$*	Provision of early childhood education (Unaudited) *HK$*	Film development, production and distribution (Unaudited) *HK$*	Financial services (Unaudited) *HK$*	Total (Unaudited) *HK$*
For the six months ended 30 June 2018						
Segment revenue	**37,441,836**	**3,056,963**	**1,337,701**	**–**	**6,979,508**	**48,816,008**
Inter-segment revenue	**(3,313,488)**	**–**	**–**	**–**	**–**	**(3,313,488)**
Revenue (from external customers)	**34,128,348**	**3,056,963**	**1,337,701**	**–**	**6,979,508**	**45,502,520**
Segment results	**17,218,355**	**1,298,269**	**941,441**	**–**	**6,979,508**	**26,437,573**
For the six months ended 30 June 2017						
Segment revenue	37,690,633	3,820,967	1,025,499	–	3,572,654	46,109,753
Inter-segment revenue	(2,400,306)	–	–	–	–	(2,400,306)
Revenue (from external customers)	35,290,327	3,820,967	1,025,499	–	3,572,654	43,709,447
Segment results	19,697,230	1,955,982	984,468	–	3,572,654	26,210,334

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Segment results	**26,437,573**	26,210,334
Other income	**4,567,480**	670,279
Provision for impairment loss on film deposits and rights	**(42,053,131)**	–
Administrative expenses	**(56,058,676)**	(37,520,115)
Operating loss	**(67,106,754)**	(10,639,502)
Finance costs	**–**	(819,726)
Share of loss of an associate	**–**	(116,733)
Loss before income tax	**(67,106,754)**	(11,575,961)

The total non-current assets by the reportable segments as at 30 June 2018 and 31 December 2017 are as follows:

	Advertising and media *HK$*	Retail of skin care products *HK$*	Provision of early childhood education *HK$*	Film development, production and distribution *HK$*	Financial services *HK$*	Unallocated non-current assets *HK$*	Total *HK$*
As at 30 June 2018							
Non-current assets (Unaudited)	**13,317,365**	**1,160,949**	**293,593**	**60,000,000**	**5,139,689**	**1,679,185**	**81,590,781**
As at 31 December 2017							
Non-current assets (Audited)	14,847,118	126,208	26,093	102,000,000	4,474,145	1,839,470	123,313,034

Geographical information

The Group's operations are located in Hong Kong, Singapore and the United States.

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets by geographical location of the assets are detailed below:

	Hong Kong (Unaudited) *HK$*	**Singapore** (Unaudited) *HK$*	**United States** (Unaudited) *HK$*	**Total** (Unaudited) *HK$*
For the six months ended 30 June 2018				
Segment revenue	**25,514,000**	**23,302,008**	**–**	**48,816,008**
Inter-segment revenue	**(43,251)**	**(3,270,237)**	**–**	**(3,313,488)**
Revenue (from external customers)	**25,470,749**	**20,031,771**	**–**	**45,502,520**
Segment results	**15,831,983**	**10,605,590**	**–**	**26,437,573**
For the six months ended 30 June 2017				
Segment revenue	22,859,658	23,250,095	–	46,109,753
Inter-segment revenue	(150,000)	(2,250,306)	–	(2,400,306)
Revenue (from external customers)	22,709,658	20,999,789	–	43,709,447
Segment results	12,978,168	13,232,166	–	26,210,334

As at 30 June 2018, the total non-current assets located in Hong Kong, Singapore and the United States are HK$15,132,299 (31 December 2017: HK$16,779,553), HK$6,458,482 (31 December 2017: HK$4,533,481) and HK$60,000,000 (31 December 2017: HK$102,000,000) respectively.

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Interest expense		
— Borrowings	**–**	819,726

5. LOSS BEFORE TAXATION

Loss before taxation was arrived at after charging:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Revenue sharing with landlords/owners *(Note)*	**6,730,947**	5,950,054
Cost of inventories	**1,007,471**	1,750,616
Sales commission	**2,062,179**	1,922,699
Auditor's remuneration	**295,653**	70,000
Depreciation	**2,557,070**	2,723,382
Amortisation	**147,814**	209,503
Operating lease payments	**15,748,985**	11,175,660
Employee benefit expenses	**29,608,584**	20,964,137
Marketing and promotional expenses	**3,600,558**	2,943,565
Professional fees	**714,020**	291,579

Note: There are no minimum lease payments to landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms. Revenue sharing with landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and Online Video Streaming Platforms was calculated based on the rates agreed between the Group and landlords and owners and is recognised as cost of sales when the related advertisements are telecasted.

6. INCOME TAX EXPENSES

No provision for Hong Kong, Singapore and the United States profits tax has been made in these unaudited consolidated financial statements as the Group did not derive any assessable profits during the interim period (six months ended 30 June 2017: Nil). The profits tax rates for Hong Kong, Singapore and the United States are 16.5% (2017: 16.5%), 17% (2017: 17%) and 40% (2017: 40%) respectively.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company for the six months ended 30 June 2018 of HK$56,727,494 (six months ended 30 June 2017: loss of HK$11,372,340) and on the weighted average number of 1,147,092,240 (six months ended 30 June 2017: 241,233,498) ordinary shares in issue during the period ended 30 June 2018.

The comparative figures for the basic loss per share for the six months ended 30 June 2017 are restated to take into account of the effect of the rights issue [Note] completed last year 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 six months ended 30 June 2017, the weighted average number of ordinary shares in issue was 229,418,448 before restatement.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited) (As restated)
Loss attributable to owners of the Company *(HK$)*	**(56,727,494)**	(11,372,340)
Weighted average number of ordinary shares in issue	**1,147,092,240**	241,233,498
Basic loss per share *(HK cents)*	**(4.95)**	(4.71)

Note: On 22 September 2017, the Company completed a rights issue for four rights shares of every one existing share held by shareholders of the Company on the record date of 23 August 2017 at the subscription price of HK$0.23 per rights share and a total of 917,673,792 rights shares of the Company were issued.

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the six months ended 30 June 2018 have no dilutive effect (six months ended 30 June 2017: Same).

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment *HK$*	**Intangible assets** *HK$*
As at 31 December 2017 (Audited)		
Opening net book amount	11,239,747	3,500,050
Additions	2,535,662	–
Depreciation and amortisation	(5,476,555)	(419,005)
Exchange difference on translation	365,120	–
Closing net book amount	8,663,974	3,081,045
As at 30 June 2018 (Unaudited)		
Opening net book amount	**8,663,974**	**3,081,045**
Additions	**2,642,123**	**–**
Depreciation and amortisation	**(2,557,070)**	**(147,814)**
Exchange difference on translation	**(45,130)**	**–**
Closing net book amount	**8,703,897**	**2,933,231**

10. FILM DEPOSITS AND RIGHTS

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
Opening net book amount	**102,000,000**	138,912,831
Additions	**–**	38,793
Provision for impairment	**(42,053,131)**	(37,001,600)
Exchange difference on translation	**53,131**	49,976
Closing net book amount	**60,000,000**	102,000,000
Cost	**139,054,731**	139,001,600
Accumulated amortisation and impairment losses	**(79,054,731)**	(37,001,600)
Net book amount	**60,000,000**	102,000,000

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
Trade receivables — third parties	**18,841,063**	21,359,904
Less: provision for impairment of trade receivables	**–**	–
Trade receivables — net	**18,841,063**	21,359,904
Prepayments, deposits and other receivables	**27,640,104**	14,097,115
	46,481,167	35,457,019
Less non-current portion:		
Rental deposit	**(5,376,148)**	(4,522,758)
Prepayment for acquisition of plant and equipment	**–**	(815,150)
Deposit with Hong Kong Exchanges and Clearing Limited	**(500,000)**	(500,000)
	(5,876,148)	(5,837,908)
Current portion	**40,605,019**	29,619,111

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

The majority of the Group's sales are mainly on average credit terms of 30 days. As of 30 June 2018, trade receivables of HK$11,276,211 (31 December 2017: HK$15,407,785) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
Neither past due nor impaired	**7,564,852**	5,952,119
0–30 days past due	**5,577,633**	7,503,011
31–60 days past due	**3,017,729**	3,390,452
Over 60 days past due	**2,680,849**	4,514,322
Past due but not impaired	**11,276,211**	15,407,785
	18,841,063	21,359,904

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, the management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
HK$	**30,097,394**	18,723,576
Singapore dollars ("SG$")	**16,383,773**	16,642,857
United Stated dollars ("US$")	**–**	90,586
	46,481,167	35,457,019

12. TRADE AND OTHER PAYABLES

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
Trade payables	**81,000**	242,560
Licence fee payable	**338,712**	338,712
Other payables	**4,237,800**	1,290,912
Accruals	**13,234,190**	18,098,266
	17,891,702	19,970,450

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

Payment terms granted by suppliers ranged from 60 to 90 days after the end of the month in which the relevant purchase occurred.

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

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
Current	**47,000**	242,560
1–30 days past due	**–**	–
Over 60 days past due	**34,000**	–
	81,000	242,560

The carrying amounts of the trade and other payables are denominated in the following currencies:

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
HK$	**7,843,713**	10,264,421
SG$	**5,992,106**	5,666,486
US$	**4,053,263**	4,034,241
RMB	**2,620**	5,302
	17,891,702	19,970,450

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	**Share Capital** *HK$*	**Share premium** *HK$*	**Total** *HK$*
Authorised:				
Ordinary share of HK$0.1 each				
At 31 December 2017 and 30 June 2018	**5,000,000,000**	**500,000,000**	**–**	**500,000,000**
Issued and fully paid:				
At 1 January 2017	229,418,448	22,941,845	440,528,546	463,470,391
Issue of shares under Rights Issue *(Note)*	917,673,792	91,767,379	112,403,686	204,171,065
At 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	**1,147,092,240**	**114,709,224**	**552,932,232**	**667,641,456**

Note: On 22 September 2017, the Company completed a rights issue of four rights shares for every one existing share held by qualifying shareholders at a subscription price of HK$0.23 per rights share ("Rights Issue"), resulting in the allotment and issue of 917,673,792 rights shares. Accordingly, the number of shares of the Company in issue changed from 229,418,448 shares of HK$0.1 each to 1,147,092,240 shares of HK$0.1 each. The net proceeds from the Rights Issue, after deducting directly attributable costs, amounted to approximately HK$204.2 million.

14. COMMITMENTS

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of its office buildings and outdoor billboard spaces are as follows:

	30 June 2018 (Unaudited) *HK$*	31 December 2017 (Audited) *HK$*
No later than 1 year	**26,298,943**	19,709,912
Later than 1 year and no later than 5 years	**12,034,519**	14,325,686
	38,333,462	34,035,598

15. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

16. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, there is no transactions carried out with related parties during the six months ended 30 June 2018 (the six months ended 30 June 2017: Nil).

17. SUBSEQUENT EVENTS

On 7 August 2018, the Group entered into a conditional sale and purchase agreement to acquire 7.66% equity interests in both Cornerstone Securities Limited and Cornerstone Strategic Holding Limited for an aggregated consideration of HK$25 million. For details of the transaction, please refer to the Company's announcement dated 7 August 2018.

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 10 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the period ended 30 June 2018 (the "Reporting Period"), the Company and its subsidiaries (collectively the "Group") were principally engaged in (i) financial services including securities brokerage services and margin financing services; (ii) provision of out-of-home ("OOH") advertising services; and (iii) film development, production and distribution. The Group was also engaged in the retail of skin care products and the provision of early childhood education. For the Reporting Period, the advertising and media business remained the main contributor to the Group's revenue, accounted for approximately 75% of the Group's consolidated revenue. Meanwhile, the financial services business has experienced a significant growth in turnover which reached approximately HK$7 million during the Reporting Period (2017: HK$3.6 million). The details of the Group's principal businesses are as follows:

Financial Services

On 26 November 2016, the Group acquired Glory Creator Limited ("GCL") and its non-wholly owned subsidiary, Cornerstone Securities Limited ("CSL" and together with GCL, the "GCL Group") (the "Acquisition"). CSL is a corporation licensed by the Securities and Futures Commission (the "SFC") to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). During the Reporting Period, CSL was principally engaged in the provision of securities brokerage and margin financing services, with a focus on securities listed on the Stock Exchange for trading.

After completion of the Acquisition in November 2016, the Company began to develop the financial services business operated by CSL. Following the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it was expected that the securities market in Hong Kong would benefit from such mutual market access schemes which would facilitate inflow of capital into the securities market in Hong Kong and have a positive impact on the stock market turnover in the long run. The Group was aware of the opportunities offered by such schemes, and invested substantial capital and resources in developing CSL's securities brokerage business so it would be in a position to benefit from the expected increase in turnover in the stock market.

CSL was granted authorisation from the SFC to provide margin financing services in March 2017, and thereafter began to roll out its margin financing business with the Group's internal resources.

For the Reporting Period, the total revenue from the securities brokerage business amounted to approximately HK$7 million (2017: HK$3.6 million) including interest income from margin financing totalling approximately HK$6.3 million. GCL Group recorded an encouraging result of approximately HK$1.1 million in net profit (2017: HK$0.3 million in net loss) for the Reporting Period. As at 30 June 2018, the total net assets of CSL's client accounts amounted to approximately HK$1,809 million, comprising net assets for margin account clients and cash account clients of approximately HK$799 million and HK$1,010 million respectively. Margin loan financing totalling approximately HK$180 million was granted to margin account clients with aggregate net assets of approximately HK$460 million in their respective securities accounts.

The management of the Group (the "Management") believes that CSL has an excellent client base with sound financial knowledge and experience in financial investments, as well as appetite for investment products with steady capital appreciation and medium to high risk financial products. This would allow CSL to not only further develop its margin financing business, but potentially introduce financial products other than listed securities such as investment funds, to its clients. CSL has also assembled a strong team of seasoned financial services professionals with solid experience in securities trading and advising. The proceeds from the rights issue (the "Rights Issue") of the Company completed in September 2017 provided CSL with the capital resources needed to develop the margin financing business further. In addition, the Group was granted Type 4 (advising on securities) and Type 9 (asset management) licenses by SFC in February 2018 and August 2018, respectively.

With the above in mind, the Management's plan for the remainder of the year 2018 is to realise CSL's full potential, in the manner elaborated under the heading "Future Prospects" below.

With the Group being backed by an experienced management team and its sound reputation in the industry, the Directors are optimistic that the Group's securities brokerage and margin financing business will continue to widen its customer base through its extensive business platform and will enlarge its presence in the industry with advantage synergies aiming to optimize returns to the Company and its shareholders (the "Shareholders").

Advertising and media business

The Group is a well-established digital OOH media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisement. In terms of the number of venues in which the Group deploys its digital flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore. As of 30 June 2018, the Group has deployed its flat-panel displays in 1,653 venues in Hong Kong and Singapore.

During the six months ended 30 June 2018, the number of venues in which the Group deployed its flat-panel displays over the corresponding period of the previous year is shown as follows:

Region	Network	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Hong Kong	Office and Commercial Network	**601**	601
Hong Kong	In-store Network (Mannings)	**234**	235
Hong Kong	Residential Network	**298**	240
Singapore	Office and Commercial Network	**520**	512
Total number of venues		**1,653**	1,588

As of 30 June 2018, the Group has deployed its branded flat-panel displays at 1,121 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, and at 234 Mannings retail chain-stores in Hong Kong under its In-store digital OOH media network.

Further leveraging on the existing infrastructure and its relationships with Hong Kong's leading real-estate developers, the Group expanded its digital OOH media network to major private residential complexes (Residential digital OOH media network) in Hong Kong. As of 30 June 2018, the Group has deployed its branded flat-panel displays at 298 major private residential complexes in Hong Kong under its Residential digital OOH media network.

Under its OOH Billboard media network in Hong Kong, the Group continues to hold the exclusive advertising sales rights to both the Tsim Sha Tsui ("TST") Interchange Subways and the Middle Road Subway (in total three subways); this underground transport hub beneath one of the busiest tourists and business districts in Hong Kong connects the TST MTR station and the East TST MTR station. In addition, the Group continues to hold the exclusive advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at TST. Knutsford Terrace has been dubbed the "Lan Kwai Fong" of Kowloon, a popular dining/nightlife place and an entertainment hub in the heart of TST, with a strip of international/local restaurants and bars catering to both locals and tourists.

The Group also holds the exclusive advertising sales rights to a billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This billboard is located right next to the iconic Mandarin Oriental Hotel at the heart of the Central District, the financial hub of Hong Kong; it faces all vehicle traffic passing through Central towards the east and west side of Hong Kong island.

Under its OOH Billboard media network in Singapore, the Group continues to hold the exclusive advertising partnership for a large format illuminated billboard at Clifford Centre. This site faces the busy Raffles Green, just above Raffles MRT station, located right in the heart of Singapore's financial district. It is located just beside the Group's existing large format LED illuminated billboard at The Arcade and opposite the Group's mega-size LED screen at One Raffles Place.

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

In addition, the Group continues to hold the exclusive advertising sales rights to a billboard at AZ @ Paya Lebar building; 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.

As well, the Group continues to hold the exclusive operating and advertising sales rights to the mega-size LED screen at One Raffles Place ("ORP"), fronting Raffles Green; ORP is one of the three tallest buildings in Singapore and is a beacon in the heart of Singapore's financial district. Moreover, 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 also holds the exclusive advertising sales rights to a billboard at Fortune Center in Singapore; it is located in the middle of the bustling Bugis District and faces all vehicle traffic at the cross junction of Middle Road and Waterloo Street. The Group also holds the exclusive advertising sales rights to a large format LED illuminated billboard at The Arcade in Singapore as well as the exclusive sales rights to the venue for event marketing. The Arcade faces the busy Raffles Green, just above the Raffles MRT station, located right in the heart of Singapore's financial district.

Furthermore, the Group continues to hold the exclusive advertising sales rights to a billboard on the facade of Furama City Centre Hotel in Singapore. This site is located in the heart of vibrant Chinatown, with a rich culture and longstanding history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

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

Film development, production and distribution

In August 2015, the Group completed the acquisition of Ricco Media Investments Limited ("RMI") which indirectly held 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). SLGE was engaged in the business of film development, production and distribution and held intellectual property rights for motion picture development in the form of concept, treatment and/or film script.

As of the end of the Reporting Period, the Group owned intellectual property rights in three films in the script development phase, namely Realm, The Annihilator and Replicator & Antilight. Since completion of acquisition of the rights in these films, the Group has been actively seeking collaborating partners among studios in Hollywood and/or China to co-finance the funding necessary for the production of the films. Among the potential investors with whom the Group had initiated contact, one China-based group showed interest in collaborating with the Group in developing one or two of the films in the form of a co-financing arrangement. As at the end of the Reporting Period, the Group has not yet entered into any formal contractual agreement in relation to the production of these films since the co-financer required the Group to contribute part of the production cost in the form of an equity co-financing arrangement. Due to the scale of the funding required to participate in the film production, the Group would be required to raise funds through equity financing or debt financing to fund the film production. The Group is still considering different fund raising methods to finance its contribution to the film production, accordingly, there was no significant further progress in negotiation with the co-financer. In view of the above, the Group anticipated a delay in the production of these films and recorded an impairment of approximately HK$42 million for the Reporting Period. The Management will continue to identify potential investors to participate in the production of these films, and will review the business strategy of this segment to optimize the financial resources of the Group.

Future Prospect

The Management believes the financial services segment of the Group has tremendous potential to develop into a sizeable financial corporation providing a wider range of financial products and services. While the Management will continue to operate and develop the advertising and media business, and continue the negotiation with potential investors to finance the production of the films in which the Group owns rights, the Group will in the meantime focus on expanding CSL's financial services business and fully realising its potentials in the year 2018.

The Management considers it is crucial for CSL to improve its profitability by focusing on financial products and services which provide a higher profit margin rather than traditional securities brokerage services. The Management plans to implement a range of measures to improve client services and build customer loyalty to the "Cornerstone" brand, expand the client base further, aggressively promote CSL's margin financing services, and to start a new line of asset management services.

In January 2018, the Company completed the change of its name to Cornerstone Financial Holdings Limited in order to increase exposure of the "Cornerstone" brand name to the financial markets and potential clients in Hong Kong and China.

The Management is of the view that solely relying on securities trading and related services (including advisory and margin financing) for the financial services segment of the Group would expose the segment to fluctuations in the Hong Kong stock market, and yet the business scale and potentials are limited to the capital and financial resources of the Group. To manage such risks, the Management has been working to start a new line of asset management business, which is expected to bring relatively stable management fee and performance fee income to the Group upon its launch.

In August 2018, Cornerstone Asset Management Limited ("CAML") a subsidiary of the Group, has been granted approval from SFC to conduct Type 9 (asset management) regulated activity. The Group has employed qualified staff to conduct Type 9 (asset management) regulated activity through CAML. The Management is confident that the newly set-up asset management business would contribute positive results to the Group in the long run. Furthermore, Target Charm Limited, a wholly owned subsidiary of the Group obtained the Money Lenders License in August 2018 which enabled the Group to offer a more comprehensive range of financial services to its clients. In the meantime, the Management would also further develop the new "Cornerstone" brand name and strengthen its position as a premium financial service provider.

Financial Review

	Six months ended 30 June		
	2018	2017	
	HK$	*HK$*	*% Change*
	(unaudited)	(unaudited)	
Revenue	**45,502,520**	43,709,447	4%
Gross profit	**26,437,573**	26,210,334	1%
EBITDA *Note*	**(10,387,368)**	(7,502,996)	N/A
Net loss	**(67,106,754)**	(11,575,961)	N/A

Note: EBITDA represents earnings before finance costs, profits tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profit/(loss) of an associate, impairment of interest in an associate, impairment of property, plant and equipment, provision for impairment of film deposits and rights, fair value gain/(loss) on financial asset at fair value through profit or loss, amortisation of intangible assets and net of the total comprehensive loss for the period attributable to non-controlling interests. While EBITDA is commonly used in the advertising and media industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the 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 six months ended 30 June 2018 was approximately HK$45.5 million, representing an increase of approximately 4% over the corresponding period of the previous year. The increase in revenue was mainly due to the increase in revenue from financial services segment.

The Group's gross profit for the six months ended 30 June 2018 was approximately HK$26.4 million, representing an increase of approximately 1% over the corresponding period of the previous year. The Group's gross profit margin decreased approximately from 60% to 58% due to the higher cost of sales in the advertising and media business as well as the provision of early childhood education.

The Group's administrative expenses for the six months ended 30 June 2018 was approximately HK$56.1 million, representing an increase of approximately 49% over the corresponding period of the previous year. The significant increase in administrative expenses was mainly due to office rental and remuneration of employees as well as the other operating expenses to cope with the business development of the Group. Owing to the delay in the production of films, the fair value of the film deposits and rights dropped and the provision for impairment loss of approximately HK$42 million was recognised for the Reporting Period.

The Group's negative EBITDA amounted to approximately HK$10.4 million for the six months ended 30 June 2018 as compared to the Group's negative EBITDA amounted to approximately HK$7.5 million for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK$56.7 million for the six months ended 30 June 2018 as compared to a loss attributable to owners of the Company of approximately HK$11.4 million for the corresponding period of the previous year.

Liquidity and financial resources

During the Reporting Period, the Group financed its daily operations with both internally generated resources and the net proceeds from the Rights Issue completed in 2017. As at 30 June 2018, the Group had net current assets of approximately HK$269 million (31 December 2017: net current assets of HK$294 million) and cash and cash equivalents of approximately HK$62 million (31 December 2017: HK$135 million). The Group had no borrowings outstanding as at 30 June 2018.

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over Shareholders' fund, was nil as at 30 June 2018 (31 December 2017: Nil).

Foreign exchange

For the six months ended 30 June 2018, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. Despite most of RMI Group's business transactions, assets and liabilities were denominated in US dollars, the foreign currency risk associated with RMI Group was not significant due to the linked exchange rate system. The Group will monitor its foreign currency exposure closely. During the period under review, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company have been listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 30 June 2018, the Company had 1,147,092,240 shares of HK$0.10 each in issue. Please refer to Note 13 of the notes to the unaudited condensed consolidated interim financial information for details of the share capital and share premium.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Information on employees

As at 30 June 2018, the Group had 119 employees (30 June 2017: 104), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the six months ended 30 June 2018 were approximately HK$30 million (six months ended 30 June 2017: HK$21 million). Remuneration was determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. For the six months ended 30 June 2018, no bonus was accrued to any of the Directors and employees. Other staff benefits included contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options and attending professional training courses at the Company's expenses.

Significant investments held

Except for investment in its subsidiaries and an associate, the Group did not hold any significant investment in equity interest in any company during the six months ended 30 June 2018.

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

Save as disclosed herein, the Group did not make any material acquisition or disposal during the Reporting Period.

Charges on assets

As at 30 June 2018, the Group did not have any charges on its assets (31 December 2017: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

OTHER INFORMATION

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

During the six months ended 30 June 2018, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

Competition and Conflict of Interests

During the six months ended 30 June 2018, none of the Directors, the Management or the substantial shareholders of the Company or any of their respective associates engaged in any business that competes or may compete with the business of the Group or had any other conflict of interests with the Group.

Code of Conduct for Securities Transactions By Directors

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors, having made specific enquiries of all the Directors, the Company was not aware of any non-compliance with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 June 2018.

Corporate Governance Practices

During the six months ended 30 June 2018, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules.

Audit Committee

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

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2018 have not been audited by the Company's auditor, PricewaterhouseCoopers, but have been reviewed by the Audit Committee, which is of the opinion that the interim financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board
Cornerstone Financial Holdings Limited
An Xilei
Chairman

Hong Kong, 10 August 2018

As at the date of this announcement, the Board comprises Mr. An Xilei (Chairman), Mr. Wong Hong Gay Patrick Jonathan, Mr. Mock Wai Yin and Mr. Wang Jun as executive Directors; and Mr. Chan Chi Keung Alan, Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying as independent non-executive Directors.

This announcement will remain on the ''Latest Company Announcements'' page of the GEM's website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.cs8112.com.