
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Cornerstone Financial Holdings Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CAPITAL REDUCTION OF
ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 3 June 2020 at 10:30 a.m. is set out on pages 18 to 21 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of posting and on the website of the Company at www.cs8112.com.

7 May 2020

CHARACTERISTICS OF GEM

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

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

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	4
LETTER FROM THE BOARD	6
NOTICE OF EXTRAORDINARY GENERAL MEETING	18

DEFINITIONS

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

“Articles”	the amended and restated articles of association of the Company, as amended from time to time
“Board”	the board of directors of the Company
“Business Day(s)”	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the nominal value of each of the issued Consolidated Shares will be reduced from HK\$2.00 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$1.99 on each issued Consolidated Share
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time
“Company”	Cornerstone Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on GEM
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), of the Cayman Islands as consolidated and revised
“Consolidated Share(s)”	the ordinary share(s) of par value HK\$2.00 each in the share capital of the Company upon the Share Consolidation becoming effective
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Capital Reduction and the Share Sub-division shall become effective

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 3 June 2020 at 10:30 a.m., the notice of which is set out on pages 18 to 21 of this circular
“Existing Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company before the Share Consolidation becoming effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	collectively, the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	4 May 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular prior to its publication
“Memorandum”	the memorandum of association of the Company, as amended from time to time
“New Share(s)”	the ordinary share(s) of par value HK\$0.01 each in the issued and unissued share capital of the Company upon the Capital Reduction and the Share Sub-division becoming effective

DEFINITIONS

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s) and/or the New Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Existing Shares of par value HK\$0.10 each in the share capital of the Company into one (1) Consolidated Share of par value HK\$2.00 each
“Share Option Schemes”	the pre-IPO share option scheme and the share option scheme of the Company both adopted on 26 March 2011
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Consolidated Share of par value HK\$2.00 each into two hundred (200) New Shares of par value HK\$0.01 each
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Capital Reduction and the Share Sub-division is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation, the Capital Reduction and the Share Sub-division and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Date

Latest date and time for lodging transfer documents in
order to qualify for attending and voting at the EGM . . . 4:30 p.m. on Thursday, 28 May 2020

Closure of register of members for determining
the entitlement to attend and vote at the EGM
(both dates inclusive) Friday, 29 May 2020 to
Wednesday, 3 June 2020

Latest date and time for lodging the proxy form
for the EGM 10:30 a.m. on Monday, 1 June 2020

Record date for EGM Wednesday, 3 June 2020

Date and time of the EGM 10:30 a.m. on Wednesday, 3 June 2020

Announcement of results of the EGM Wednesday, 3 June 2020

The following events are conditional upon the results of the EGM and therefore the dates are tentative only.

Effective date of the Share Consolidation Friday, 5 June 2020

First day of free exchange of existing share certificates
into new share certificates for Consolidated Shares Friday, 5 June 2020

Dealings in Consolidated Shares commence. 9:00 a.m. on Friday, 5 June 2020

Original counter for trading in Shares in board lots of
24,000 Existing Shares (in the form of existing share
certificates) temporarily closes 9:00 a.m. on Friday, 5 June 2020

Temporary counter for trading in Consolidated Shares in
temporary board lot of 1,200 Consolidated Shares
(in the form of existing share certificates) opens 9:00 a.m. on Friday, 5 June 2020

EXPECTED TIMETABLE

Original counter for trading in Consolidated Shares in
board lot of 24,000 Consolidated Shares
(in the form of new share certificates for
Consolidated Shares) re-opens 9:00 a.m. on Friday, 19 June 2020

Parallel trading in the Shares and Consolidated Shares
(in the form of existing share certificates and
new share certificates) commences 9:00 a.m. on Friday, 19 June 2020

Designated broker starts to stand in the market to
provide matching services for sale and purchase of
odd lots of Consolidated Shares 9:00 a.m. on Friday, 19 June 2020

Temporary counter for trading in Consolidated Shares in
temporary board lot of 1,200 Consolidated Shares
(in the form of existing share certificates) closes 4:10 p.m. on Monday, 13 July 2020

Parallel trading in Consolidated Shares (in the form of
new share certificates for Consolidated Shares and
existing share certificates) ends 4:10 p.m. on Monday, 13 July 2020

Designated broker ceases to stand in the market to
provide matching services for sale and purchase of
odd lots of Consolidated Shares 4:10 p.m. on Monday, 13 July 2020

Last day for free exchange of existing share certificates
into new share certificates for Consolidated Shares Wednesday, 15 July 2020

***The following events are conditional upon the results of the EGM and the confirmation
of the Court on the Capital Reduction and therefore the dates are tentative only.***

Effective time of the Capital Reduction and
the Share Sub-division Before 9:00 a.m. on Monday, 3 August 2020

Commencement of dealing in the New Shares. 9:00 a.m. on Monday, 3 August 2020

First day of free exchange of existing share certificates for
the Consolidated Shares into new share certificates for
New Shares Monday, 3 August 2020

Last day of free exchange of existing share certificates for the
Consolidated Shares into new share certificates for
New Shares Thursday, 3 September 2020

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

Executive Directors:

An Xilei (Chairman)
Wong Hong Gay Patrick Jonathan
Mock Wai Yin
Wang Jun

Independent Non-executive Directors:

Chan Chi Keung Alan
Lee Chi Hwa Joshua
Lau Mei Ying

Registered Office:

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

*Head office and principal place of
business in Hong Kong:*

Room 2703, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

7 May 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CAPITAL REDUCTION OF
ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 April 2020 (the “**Announcement**”) in respect of the proposed share consolidation and the proposed capital reduction of issued shares and sub-division of unissued shares. The purpose of this circular is to provide you with, among other things, details of (i) the Share Consolidation; (ii) the Capital Reduction and the Share Sub-division; and (iii) the notice of the EGM to be convened.

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

The Board proposes that every twenty (20) issued and unissued Existing Shares of par value HK\$0.10 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value HK\$2.00 each in the share capital of the Company.

EFFECT OF THE SHARE CONSOLIDATION

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.10 each of which 1,147,092,240 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective, and assuming no further Existing Shares will be issued or repurchased from the Latest Practicable Date up to and including the effective date of the Share Consolidation, the authorised share capital of the Company shall be HK\$500,000,000 divided into 250,000,000 Consolidated Shares of par value HK\$2.00 each, of which 57,354,612 Consolidated Shares will have been issued and will be fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, all the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and the Articles.

The implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

1. the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
3. the compliance with the relevant procedures and requirements under the GEM Listing Rules to effect the Share Consolidation.

LETTER FROM THE BOARD

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on 5 June 2020, being one clear Business Day immediately after the date of the EGM.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Reasons for the Share Consolidation

Pursuant to Rule 17.76 of GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities.

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has stated that market price of the Shares at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules.

Taking into account of the closing price of HK\$0.010 per Share on 4 May 2020 (being the Latest Practicable Date), the Share Consolidation would enable the Company to comply with the trading requirements under the GEM Listing Rules.

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2019		
April	0.069	0.054
May	0.054	0.042
June	0.046	0.035
July	0.064	0.040
August	0.067	0.045
September	0.058	0.046
October	0.055	0.043
November	0.110	0.022
December	0.150	0.025
2020		
January	0.058	0.025
February	0.038	0.025
March	0.025	0.014
April	0.015	0.010
May (up to and including the Latest Practicable Date)	0.010	0.010

LETTER FROM THE BOARD

The Share Consolidation will increase the nominal value of the Shares and will reduce the total number of Shares currently in issue. The board lot size of the Shares will remain as 24,000 subsequent to the Share Consolidation, the Capital Reduction and the Share Sub-division. Therefore, subsequent to the Share Consolidation, the Capital Reduction and the Share Sub-division and taking into account the basic transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

The proposed consolidation ratio of the Share Consolidation (i.e. every twenty (20) issued and unissued Existing Shares consolidated into one (1) Consolidated Share) was primarily determined by the Board to allow sufficient margin above the extremity of HK\$0.1 per share as set out in the abovementioned “Guide on Trading Arrangements for Selected Types of Corporate Actions”. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange and the Board believes that this will make investing in the Shares more attractive to a broader range of Investors by enhancing the Company’s corporate image and reducing the transaction and handling costs as a proportion of the market value of each board lot since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

As at the Latest Practicable Date, the Company had no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board may conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company had not entered into formal contractual agreement in such connection as at the Latest Practicable Date. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Application for the listing of the Consolidated Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

LETTER FROM THE BOARD

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Exchange of share certificates for the Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be on 5 June 2020, being one clear Business Day immediately after the date of the EGM, Shareholders may between 9:00 a.m. and 4:30 p.m. on any Business Day during the period from 5 June 2020 to 15 July 2020 (both days inclusive), submit share certificates for the Existing Shares (in light pink colour) to the Registrar at Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Consolidated Shares (in light green colour) at the expense of the Company. **Due to an inadvertent typographical error, the Company wishes to clarify that the last day of the prescribed period for free exchange of share certificates for the Consolidated Shares as stated on page 5 of the Announcement should be 15 July 2020 instead of 14 July 2020.**

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 each (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates involved is higher.

After 4:10 p.m. on 13 July 2020, trading will only be in Consolidated Shares which share certificates will be issued in light green colour. Existing share certificates in light pink colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Arrangement on odd lot trading

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed an agent to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Shareholders who wish to take advantage of this facility should contact Ms. Carmen Wong of One China Securities Limited at 2/F., Cheong K. Building, 86 Des Voeux Road Central., Central, Hong Kong (telephone number: (852) 3188 2676 and facsimile number: (852) 3188 9984) from 9:00 a.m. on Friday, 19 June 2020 to 4:10 p.m. on Monday, 13 July 2020. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

LETTER FROM THE BOARD

PROPOSED CAPITAL REDUCTION AND SHARE SUB-DIVISION

The Board further proposes that immediately following the Share Consolidation becoming effective, the Capital Reduction and the Share Sub-division be implemented in the following manner:

- (i) the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK\$1.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01;
- (ii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares with par value of HK\$2.00 each be sub-divided into two hundred (200) New Shares of par value HK\$0.01 each; and
- (iii) each of the New Shares arising from the Capital Reduction and the Share Sub-division shall rank *pari passu* in all respects with each other each in accordance with the Memorandum and the Articles and have rights and privileges and be subject to the restrictions as contained in the Memorandum and the Articles.

Effect of the Capital Reduction and the Share Sub-division

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.10 each, of which 1,147,092,240 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective and assuming no further Existing Shares and no Consolidated Shares will be issued or repurchased from the Latest Practicable Date up to and including the Effective Date, the authorised share capital of the Company shall be HK\$500,000,000 divided into 50,000,000,000 New Shares of par value HK\$0.01 each, of which 57,354,612 New Shares have been issued as fully paid or credited as fully paid.

Based on the 1,147,092,240 Existing Shares in issue as at the Latest Practicable Date or (as the case may be) 57,354,612 Consolidated Shares in issue as at the date on which the Share Consolidation becomes effective, and assuming no further Existing Shares or Consolidated Shares will be issued or repurchased prior to the Effective Date, a credit amounting to approximately HK\$114,135,678 will arise as a result of the Capital Reduction. It is proposed that the credit arising from the Capital Reduction will be credited to the distributable reserve account of the Company, which will be utilised by the Company in such manner as the Board may deem fit and permitted under all applicable laws, the Memorandum and the Articles.

LETTER FROM THE BOARD

Assuming that there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date on which the Share Consolidation, the Capital Reduction and the Share Sub-division become effective, the share capital structure of the Company will be as follows:

	As of the Latest Practicable Date	Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective	Immediately upon the Capital Reduction and the Share Sub-division becoming effective
Par value	HK\$0.10 per Existing Share	HK\$2.00 per Consolidated Share	HK\$0.01 per New Share
Amount of authorised share capital	HK\$500,000,000	HK\$500,000,000	HK\$500,000,000
Number of authorised shares	5,000,000,000 Existing Shares	250,000,000 Consolidated Shares	50,000,000,000 New Shares
Number of issued shares	1,147,092,240 Existing Shares	57,354,612 Consolidated Shares	57,354,612 New Shares
Amount of the issued share capital	HK\$114,709,224	HK\$114,709,224	HK\$573,546

Upon the Capital Reduction and the Share Sub-division becoming effective, the size of each board lot of the New Shares will remain the same as that of the Consolidated Shares, being 24,000 New Shares per board lot and the New Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and the Articles.

LETTER FROM THE BOARD

Other than the expenses to be incurred in relation to the Share Consolidation, the Capital Reduction and the Share Sub-division which are expected to be insignificant in the context of the net asset value of the Company, the implementation of the Share Consolidation, the Capital Reduction and the Share Sub-division will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors are of the view that the Share Consolidation, the Capital Reduction and the Share Sub-division will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

Conditions of the Capital Reduction and the Share Sub-division

The Capital Reduction and the Share Sub-division are conditional upon the following conditions:

1. the Share Consolidation has become effective;
2. the passing of a special resolution by the Shareholders to approve the Capital Reduction and the Share Sub-division at the EGM;
3. the Court granting an order confirming the Capital Reduction;
4. compliance with any conditions which the Court may impose in relation to the Capital Reduction;
5. registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction; and
6. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Share Sub-division.

The Capital Reduction and the Share Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Share Consolidation, the Capital Reduction and the Share Sub-division at the EGM, the legal advisors to the Company (as to Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) will be made by the Company on the preliminary timetable as soon as the Court hearing dates are confirmed.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

LETTER FROM THE BOARD

Reasons for the Capital Reduction and Share Sub-division

Under the Companies Law, a company may not issue shares at a discount to the nominal value of such shares. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction and the Share Sub-division, the nominal value of the Consolidated Shares will be HK\$2.00 per Consolidated Share. The Capital Reduction and the Share Sub-division will keep the nominal value of the New Shares at a lower level of HK\$0.01 per New Share, which allows greater flexibility in the pricing for any issue of new Shares in the future. The credit in the distributable reserve account arising from the Capital Reduction will enable the Company to set off its accumulated loss and may be applied in future for distribution to the Shareholders or in any manner permitted by applicable laws, the Memorandum and the Articles. The Board considers that the Capital Reduction and the Share Sub-division is beneficial to and in the interests of the Company and the Shareholders as a whole.

Application for the listing of the New Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

Exchange of share certificates for the New Shares

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Share Sub-division is not ascertainable at present. Should the Capital Reduction and the Share Sub-division becoming effective, Shareholders may submit share certificates for the Consolidated Shares (in light green colour) to the Registrar at Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the New Shares (in light blue colour) at the expense of the Company within the relevant free exchange period from the Effective Date. Details of such free exchange of share certificates will be announced as soon as the Effective Date is ascertained.

LETTER FROM THE BOARD

The Company will publish announcement(s) to update the Shareholders when the Court hearing dates, the effective date of the Capital Reduction and the Share Sub-division, and the period when the Shareholders can submit share certificates for the Consolidated Shares to exchange for new share certificates for the New Shares is/are ascertained and/or updated.

All existing certificates of the Consolidated Shares or (as the case may be) the Existing Shares will continue to be evidence of title to such Shares but all existing certificate of Existing Shares will cease to be valid for trading and settlement purpose.

ADJUSTMENTS TO OUTSTANDING SHARE OPTIONS

According to the rules of the Share Option Schemes, if there is any alteration in the capital structure of the Company whether by way of, among others, consolidation, subdivision or reduction of the share capital of the Company, while any options remains exercisable, corresponding alteration shall be made to the subscription price of the options. The aforementioned alteration is conditional on the confirmation in writing by the auditors of the Company or the independent financial adviser appointed by the Company that the alteration is made on the basis that the proportion of the issued share capital of the Company to which a participant of the Share Option Schemes is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being decreased.

As at the Latest Practicable Date, there were outstanding options granted under the Share Option Schemes to subscribe for 890,737 Existing Shares. The Directors will determine, according to the rules of the Share Option Schemes, the adjustments (if any) required to be made in respect of the outstanding options as a result of the Share Consolidation, the Capital Reduction and the Share Sub-division. As the adjustments to the outstanding options are subject to the Share Consolidation, the Capital Reduction and the Share Sub-division taking effect and the written confirmation by the auditors of the Company or the independent financial advisers appointed by the Company, the Company cannot determine the adjustments to be made as at the Latest Practicable Date. The Company will make further announcements regarding the adjustments in accordance with the GEM Listing Rules in due course.

Save as aforesaid, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares, Consolidated Shares or New Shares, as at the Latest Practicable Date.

LETTER FROM THE BOARD

NO COMPETING INTEREST

As at the Latest Practicable Date and to the best of the Directors' knowledge, none of the Directors, controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) 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.

EGM

The notice convening the EGM is set out on pages 18 to 21 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish and in such event, the proxy form shall be deemed to be revoked.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all proposed resolutions put to vote at the EGM shall be taken by way of poll.

CLOSURE OF REGISTER OF MEMBERS FOR THE EGM

The Company's register of members will be closed for transfer of the Shares to determine the rights to attend and vote at the EGM from 29 May 2020 to 3 June 2020 (both dates inclusive). No transfer of Shares will be registered during this book closure period. In order to qualify for attending and voting at the EGM, all transfers of Shares, accompanied by the relevant Share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 May 2020.

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed Share Consolidation, Capital Reduction and Share Sub-division are in the best interests of the Company and the Shareholders as a whole, the Directors therefore recommend Shareholders to vote in favour of such relevant resolutions to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board
Cornerstone Financial Holdings Limited
An Xilei
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Cornerstone Financial Holdings Limited (the “**Company**”) will be held at Room 2703, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 3 June 2020 at 10:30 a.m. for the following purposes:

ORDINARY RESOLUTION

1. “That subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below) upon the Share Consolidation (as defined below) becoming effective; and (ii) the compliance with the relevant procedures and requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange to effect the Share Consolidation (as defined below) with effect from the second business day (as defined in the articles of association of the Company) immediately following the date on which this resolution is passed or the conditions are fulfilled (whichever is the later):
 - (A) every twenty (20) issued and unissued ordinary share(s) of par value HK\$0.10 each in the share capital of the Company be consolidated into one (1) ordinary share(s) of par value HK\$2.00 each (the “**Consolidated Share(s)**”) in the share capital of the Company (the “**Share Consolidation**”); and
 - (B) the directors of the Company (the “**Directors**”) be and are hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to the foregoing arrangements in connection with the Share Consolidation.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

SPECIAL RESOLUTION

2. “That subject to and conditional upon (i) the Share Consolidation becoming effective; (ii) the Grand Court of the Cayman Islands (the “**Court**”) granting an order confirming the Capital Reduction (as defined below); (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction (as defined below); (iv) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction (as defined below) and the minute approved by the Court containing the particulars required under the Companies Law, Cap. 22 (Law 3 of 1961), of the Cayman Islands (as consolidated and revised) with respect to the Capital Reduction (as defined below); and (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares (as defined below) arising from the Capital Reduction (as defined below) and the Share Sub-division (as defined below):
- (A) the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK\$1.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01 (the “**Capital Reduction**”);
- (B) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company which may be utilized by the Directors in accordance with the memorandum and articles of association of the Company and all applicable laws, including, without limitation, eliminating or setting off any accumulated losses of the Company from time to time;
- (C) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares with par value of HK\$2.00 each be sub-divided into two hundred (200) new ordinary shares of par value HK\$0.01 each (the “**New Share(s)**”) in the issued and unissued share capital of the Company (the “**Share Sub-division**”);
- (D) each of the New Shares arising from the Capital Reduction and the Share Sub-division shall rank *pari passu* in all respects with each other each in accordance with the memorandum of association of the Company (as amended from time to time) (the “**Memorandum**”) and the articles of association of the Company (as amended from time to time) (the “**Articles**”) and have rights and privileges and be subject to the restrictions as contained in the Memorandum and the Articles; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (E) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Capital Reduction and the Sub-division and of administrative nature, on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to the Capital Reduction and the Sub-division.”

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

Hong Kong, 7 May 2020

Notes:

- i. A member entitled to attend and vote at the meeting convened is entitled to appoint another person(s) as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- ii. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he so wish.
- iii. The Register of Members of the Company will be closed from 29 May 2020 to 3 June 2020 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 28 May 2020.
- iv. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 8:00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement to notify Shareholders of the date, time and place of the rescheduled meeting on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.cs8112.com.
- v. Taking into account of the recent development of the epidemic caused by Coronavirus Disease (“COVID-19”), the Company will implement the following prevention and control measures at the meeting against the epidemic to protect the Shareholders from the risk of infection:
 - (a) Temperature measurement will be conducted for every Shareholder or proxy before allowing them to enter the building. Any person with fever will be prohibited from entering into the venue;
 - (b) Every Shareholder or proxy is required to wear surgical facial mask throughout the meeting;

NOTICE OF EXTRAORDINARY GENERAL MEETING

(c) No refreshment will be served; and

(d) there will be alternative seating so that social distancing seating plans will be implemented.

Furthermore, the Company wishes to advise the Shareholders, particularly the Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the meeting as a proxy to vote on the resolutions, instead of attending the meeting in person.

As at the date of this notice, 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.