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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8112)**

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FOUR RIGHTS SHARES FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE;  
(2) CLOSURE OF REGISTER OF MEMBERS;  
AND  
(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**Underwriter to the Rights Issue**



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



**PROPOSED RIGHTS ISSUE**

On 27 January 2021 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite 161,418,448 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

The Board proposed to raise gross proceeds of approximately HK\$32.58 million on the basis of four (4) Rights Shares for every one (1) Share held on the Record Date by issuing 229,418,448 Rights Shares at the Subscription Price of HK\$0.142 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be approximately HK\$30.04 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue for (i) the expansion of the Group's margin financing business; and (ii) general working capital of the Group.

### **Shareholder's Irrevocable Undertaking and Optionholder's Undertakings**

As at the date of this announcement, PCG is beneficially interested in 17,000,000 Shares, representing approximately 29.64% of the existing issued share capital of the Company. Pursuant to the Shareholder's Irrevocable Undertaking, PCG has provided an irrevocable and unconditional undertaking to the Company and the Underwriter that it, among other things, (i) shall not sell, transfer or otherwise dispose of the Shares (or any part thereof) held by it during the period from the date of the Shareholder's Irrevocable Undertaking to the close of business on the Record Date (both dates inclusive); (ii) shall accept and subscribe, and procure its nominee(s) (if applicable) to accept and subscribe, in full for all the Rights Shares in which it is beneficially entitled under the Rights Issue on and subject to the terms and conditions of the Rights Issue; and (iii) shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

As at the date of this announcement, each of the holders of the Share Options (including two Directors) has signed an Optionholder's Undertaking not to exercise the Share Options (or any part thereof) granted to him/her from the date of the Optionholder's Undertaking to the close of business on the Record Date (both dates inclusive).

Save for the Shareholder's Irrevocable Undertaking given by PCG, as at the date of this announcement, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

## **Closure of register of members**

The register of members of the Company will be closed from Monday, 15 March 2021 to Friday, 19 March 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 25 March 2021 to Wednesday, 31 March 2021 (both dates inclusive) for determining the entitlements to the Rights Issue.

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

## **GEM Listing Rules implications**

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

As at the date of this announcement, since the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. As at the date of this announcement, (i) Mr. An Xilei, an executive Director and deputy chairman of the Board, is interested in 17,000,000 Shares through his shareholding in PCG, representing approximately 29.64% of the total issued share capital of the Company; and (ii) Mr. Wong Hong Gay Patrick Jonathan, an executive Director and chief executive officer of the Company, is interested in 3,453,990 Shares through his shareholding in iMediaHouse Asia Limited, representing approximately 6.02% of the total issued share capital of the Company. For details of their interests, please refer to “Shareholding Structure of the Company” in this announcement. Accordingly, Mr. An Xilei, Mr. Wong Hong Gay Patrick Jonathan, PCG and iMediaHouse Asia Limited shall abstain from voting in favour of the proposed resolution approving the Rights Issue.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). Giraffe Capital has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Giraffe Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 26 February 2021.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 1 April 2021.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

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

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

## PROPOSED RIGHTS ISSUE

The Board proposed to raise gross proceeds of approximately HK\$32.58 million on the basis of four (4) Rights Shares for every one (1) Share held on the Record Date by issuing 229,418,448 Rights Shares at the Subscription Price of HK\$0.142 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 27 January 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

### Issue statistics

Basis of the Rights Issue	:	Four (4) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.142 per Rights Share
Number of Shares in issue as at the date of this announcement	:	57,354,612 Shares
Number of Rights Shares	:	229,418,448 Rights Shares with an aggregate nominal value of HK\$2,294,184.48, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	286,773,060 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Gross proceeds to be raised	:	Approximately HK\$32.58 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are (i) 25,688 outstanding Share Options granted on 30 June 2011 under the Pre-IPO Share Option Scheme, which are exercisable during the period from 28 July 2011 to 27 July 2021 at the exercise price of HK\$55.160 each; and (ii) 18,848 outstanding Share Options granted on 20 December 2011 under the Share Option Scheme, which are exercisable during the period from 20 December 2011 to 19 December 2021 at the exercise price of HK\$55.540 each.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 400.0% of the Company's issued share capital as at the date of this announcement and approximately 80.0% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

### **Qualifying Shareholders**

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

In order to be registered as members of the Company at the close of business on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (together with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 March 2021.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 March 2021.

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

## **Closure of register of members**

The register of members of the Company will be closed from Monday, 15 March 2021 to Friday, 19 March 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 25 March 2021 to Wednesday, 31 March 2021 (both dates inclusive) for determining the entitlements to the Rights Issue.

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

## **Basis of provisional allotments**

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

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

## **Rights of Overseas Shareholders (if any)**

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

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

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



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

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

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

### **Subscription Price**

The Subscription Price for the Rights Shares is HK\$0.142 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 21.11% to the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 5.33% to the theoretical ex-rights price of approximately HK\$0.150 per Share based on the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 22.57%, represented by the theoretical diluted price of approximately HK\$0.153 per Share to the theoretical benchmarked price of HK\$0.198 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.180 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.198 per Share);



- (d) a discount of approximately 25.26% to the average of the closing prices of approximately HK\$0.190 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 27.55% to the average of the closing prices of HK\$0.196 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 96.67% to the audited net asset value per Share of approximately HK\$4.258 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$244,229,882 as at 31 December 2019 as disclosed in the annual report of the Company for the year ended 31 December 2019 and 57,354,612 Shares in issue as at the date of this announcement); and
- (g) a discount of approximately 96.44% to the unaudited net asset value per Share of approximately HK\$3.985 (based on the latest published consolidated net asset value of the Group of approximately HK\$228,575,338 as at 30 June 2020 as disclosed in the interim report of the Company for the six months ended 30 June 2020 and 57,354,612 Shares in issue as at the date of this announcement).

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising possible dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.

Considering the cost and benefit of different fund raising methods, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by Giraffe Capital) believe that the proposed size of the Rights Issue is appropriate given the small market capitalisation of the Company. Given that a rights issue would unavoidably incur fixed costs, in particular professional fees which are estimated to be approximately HK\$2.54 million, representing not less than 5% of the gross proceeds from the Rights Issue, a lower fund raising amount would result in a higher percentage of costs while a higher fund raising amount would lead to a higher dilutive effect on the shareholdings of the Shareholders. As the market capitalisation of the Company is low, the Directors would like to optimise the scale of the rights issue by issuing four (4) Rights Shares for every one (1) existing Share to raise approximately HK\$30.04 million, subject to final determination of the Subscription Price.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by Giraffe Capital) are mindful of the deep discount of the Subscription Price to the net asset value per Share as at 30 June 2020. However, the closing price of the Share has been maintaining at the level of around HK\$0.2 per Share since April 2020, representing a deep discount to the net asset value of the Company, which the Directors have also taken into consideration of when determining the Subscription Price. In order to make the Rights Issue attractive to the Shareholders and the Underwriter for them to participate in it, the Directors have decided to set the Subscription Price at HK\$0.142 per Rights Share.

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

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 80%. The theoretical dilution effect of the Rights Issue is approximately 22.57% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by Giraffe Capital) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.131.

### **Status of Rights Shares**

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

## **Fractions of the Rights Shares**

On the basis of four (4) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlement will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

## **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on Wednesday, 28 April 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Wednesday, 28 April 2021 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

## **Application for excess Rights Shares**

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

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Tuesday, 20 April 2021.

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

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

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

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

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

### **Application for listing of the Right Shares**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

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

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

### **Stamp duty and other applicable fees**

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

### **Taxation**

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

## THE UNDERWRITING AGREEMENT

On 27 January 2021 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement.

Date : 27 January 2021 (after trading hours)

Underwriter : Yuzhou Financial Holdings Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.

Number of Underwritten Shares : 161,418,448 Rights Shares, being the maximum number of the Rights Shares not taken up by the Qualifying Shareholders other than those Rights Shares to be taken up under the Shareholder's Irrevocable Undertaking assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date.

Commission : The Underwriter will receive 3.0% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission.

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

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by Giraffe Capital) are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **The Shareholder's Irrevocable Undertaking**

As at the date of this announcement, PCG is beneficially interested in 17,000,000 Shares, representing approximately 29.64% of the existing issued share capital of the Company. Pursuant to the Shareholder's Irrevocable Undertaking, PCG has provided an irrevocable and unconditional undertaking to the Company and the Underwriter that it, among other things, (i) shall not sell, transfer or otherwise dispose of the Shares (or any part thereof) held by it during the period from the date of the Shareholder's Irrevocable Undertaking to the close of business on the Record Date (both dates inclusive); (ii) shall accept and subscribe, and procure its nominee(s) (if applicable) to accept and subscribe, in full for all the Rights Shares in which it is beneficially entitled under the Rights Issue on and subject to the terms and conditions of the Rights Issue; and (iii) shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

Save for the Shareholder's Irrevocable Undertaking given by PCG, as at the date of this announcement, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

### **The Optionholder's Undertakings**

As at the date of this announcement, each of the holders of the Share Options (including two Directors) has signed an Optionholder's Undertaking not to exercise the Share Options (or any part thereof) granted to him/her from the date of the Optionholder's Undertaking to the close of business on the Record Date (both dates inclusive).

## Termination of the Underwriting Agreement

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

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

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



The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

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

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

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

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

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

- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (e) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (f) the execution and delivery of the Shareholder's Irrevocable Undertaking and Optionholder's Undertakings on or before the date of the Underwriting Agreement;
- (g) the compliance with and performance by the Company in all material respects of the undertakings and obligations under the Underwriting Agreement; and
- (h) there being no Specified Event occurring prior to the Latest Time for Termination.

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

## EXPECTED TIMETABLE

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

Event	2021
Announcement of the Rights Issue .....	Wednesday, 27 January
Expected despatch date of circular with notice and form of proxy for the EGM .....	on or before Friday, 26 February
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM .....	4:30 p.m. on Friday, 12 March

Closure of register of members of the Company for attending and voting at the EGM (both days inclusive) . . . . .	Monday, 15 March to Friday, 19 March
Latest time for lodging forms of proxy for the purpose of the EGM . . . . .	11:00 a.m. on Wednesday, 17 March
Record date for determining attendance and voting at the EGM . . . . .	Friday, 19 March
<b>Expected date and time of the EGM . . . . .</b>	<b>11:00 a.m. on Friday, 19 March</b>
<b>Announcement of poll results of the EGM. . . . .</b>	<b>Friday, 19 March</b>
Register of members of the Company re-open. . . . .	Monday, 22 March
Last day of dealings in Shares on a cum-rights basis . . . . .	Monday, 22 March
First day of dealings in Shares on an ex-rights basis. . . . .	Tuesday, 23 March
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue. . . . .	4:30 p.m. on Wednesday, 24 March
Closure of register of members of the Company for the Rights Issue (both dates inclusive) . . . . .	Thursday, 25 March to Wednesday, 31 March
Record Date for determining entitlements to the Rights Issue. . . . .	Wednesday, 31 March
Register of members of the Company re-opens . . . . .	Thursday, 1 April
Despatch of Prospectus Documents. . . . .	Thursday, 1 April
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Thursday, 8 April
Latest time for splitting the PAL(s). . . . .	4:30 p.m. on Monday, 12 April
Last day of dealings in nil-paid Rights Shares . . . . .	Thursday, 15 April

**Latest time for acceptance of, and payment for,  
the Rights Shares and application for and  
payment for excess Rights Shares. . . . . 4:00 p.m. on Tuesday, 20 April**

Latest time to terminate the Underwriting Agreement  
and for the Rights Issue to become unconditional . . . . . 4:00 p.m. on Wednesday, 21 April

Announcement of results of the Rights Issue . . . . . Tuesday, 27 April

Refund cheques, if any, to be despatched (if the  
Rights Issue is terminated and in respect of  
unsuccessful or partially successful application for  
excess Rights Shares) . . . . . Wednesday, 28 April

Share certificates for fully paid Rights Shares to be despatched . . . . . Wednesday, 28 April

Commencement of dealings in fully-paid  
Rights Shares . . . . . 9:00 a.m. on Thursday, 29 April

All time and dates in this announcement refer to Hong Kong local time and dates.

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

## SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those to be taken up under the Shareholder's Irrevocable Undertaking	
	<i>Number of Shares</i>	<i>Approx. % (note 1)</i>	<i>Number of Shares</i>	<i>Approx. % (note 1)</i>	<i>Number of Shares</i>	<i>Approx. % (note 1)</i>
PCG <i>(Note 2)</i>	17,000,000	29.64	85,000,000	29.64	85,000,000	29.64
iMediaHouse Asia Limited <i>(Note 3)</i>	3,453,990	6.02	17,269,950	6.02	3,453,990	1.20
Public Shareholders	36,900,622	64.34	184,503,110	64.34	36,900,622	12.87
Underwriter <i>(Note 4)</i>	—	—	—	—	161,418,448	56.29
Total	57,354,612	100.00	286,773,060	100.00	286,773,060	100.00

### Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. PCG is owned as to 60% by Mr. Liu Yanhong (“**Mr. Liu**”). Mr. Liu is therefore deemed to be interested in these Shares by virtue of the SFO. The remaining 40% interest in PCG is held by Mr. An Xilei, an executive Director.

3. iMediaHouse Asia Limited (“**iMHA**”) is owned as to approximately 67.09% by iMediaHouse.com Limited (“**iMH**”) which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan (“**Mr. Wong**”), an executive Director. The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong, iMH and therefore, Mr. Wong are therefore deemed to be interested in these Shares by virtue of the SFO.
4. This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to its underwriting/sub-underwriting obligations, (i) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder; (ii) it shall ensure that the public float requirement under Rule 11.23 of the GEM Listing Rules is fulfilled by the Company upon completion of the Rights Issue; (iii) it shall and shall cause its sub-underwriters to use its best endeavours to ensure that each of the subscribers of the Rights Shares procured by it shall be an Independent Third Party not acting in concert (within the meaning of the Takeovers Code) with the Company, the Directors, the chief executive or the Substantial Shareholders of the Company or its subsidiaries or any of their respective associates; and (iv) none of the persons to be procured by it and its sub-underwriters to subscribe for the Shares not taken up by the Qualifying Shareholders will be holding 9.9% or more of the total issued share capital of the Company immediately after completion of the Rights Issue.

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

## **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

In 2016, the Group commenced its financial services business through the acquisition of GCL Group which included CSL. Initially, CSL was a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO. The Company considered it to be crucial for CSL to improve its profitability by focusing on financial products and services which would provide a higher profit margin rather than traditional securities brokerage services. In order to achieve this business objective, CSL commenced the margin financing business in 2017 and the GCL Group established its asset management arm in 2018. Since then, the Group’s financial services business has successfully positioned itself as one of the most prestigious financial groups in Hong Kong under the name of “Cornerstone” which provides a full range of services including Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Over the past few years, the financial services business has proven its ability to generate stable revenue for the Group and approximately 90% of the revenue of the financial services business was contributed by the margin financing business. According to the financial records of the Group, the revenue of the margin financing business for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 were approximately HK\$5.10 million, HK\$13.72 million and HK\$13.81 million, respectively. Despite considerable turbulence in 2020, particularly, the outbreak of COVID-19 and the Sino-US trade war that caused severe economic uncertainties and social unrest, the performance of the Group's margin financing business remained stable and demonstrated its potential to further develop into a reliable source of revenue. Moreover, the breakthrough in the development of vaccine against COVID-19 and the economic measures taken by various governments such as quantitative easing and stimulus packages to accelerate economic recovery are expected to have positive impact on the Group's business. Major stock markets including the Hong Kong stock market have prompted positive expectations as reflected in the high trade volumes and the number of large scale initial public offerings ("IPO(s)") starting from the second half of 2020. The Company considered it is an appropriate time to devote more funding in the margin financing business. Rights issue usually takes a few months to complete and therefore, it is better to start as soon as possible to catch the growth in business opportunities.

As reported by the responsible officers of CSL, due to the bullish market in the past few months, they received requests from clients and other securities firms for the granting of margin financing for stock trading activities, including but not limited to, IPO loans. However, the amount of margin financing was limited by the scale of CSL's capital base as governed by the Financial Resources Rules against corporations licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO on the liquid capital. Therefore, CSL failed to meet the demand for margin financing credit from some margin clients, including high net-worth clients and much worse, this casted doubt on the financial strength and the credibility of the business. The management of CSL considered it necessary to strengthen the capital base of CSL and to expand the margin financing business in order to reap the opportunities arising from the economic recovery and the increased number of giant companies listed in Hong Kong in the future. The management of CSL believes that there will be much room for expanding the margin financing business as the CSL has a potential client base of high-worth individuals in the PRC. It is expected that once the border restrictions are uplifted or relaxed when COVID-19 is under control, there will be an influx of potential investors from the PRC. The Company therefore needs to act proactively to get hold of such opportunity.

The Company is of the view that without additional funding, CSL would not be able to meet the demands for margin financing credit from clients. The Company had been closely monitoring the utilisation rate of margin financing of CSL, and noted that the utilisation rate of the margin financing business has almost reached the ceiling of the requirements under the Financial Resources Rules. It is a fact that the contribution from margin financing income is the core component for a securities company, and the Directors anticipated that with more capital, more interest income and brokerage commission would be generated.



The Directors had considered alternative ways of fund raising, including but not limited to bank loans and placing of new Shares.

Given the provision of margin financing services requires high capital input, the lack of traditional assets to pledge to the banks, for instance land and buildings, are obstacles for the Company to negotiate with banks for meaningful financing. Accordingly, CSL requires financial support from its shareholders to ensure that CSL has sufficient funds under the Financial Resources Rules to expand its margin financing business.

The Board also considers that based on the current market capitalisation of the Company of around HK\$10.32 million, a placement of new Shares under the Company's general mandate of 20% of the number of issued Shares would only raise approximately HK\$2.06 million, which is insufficient and insignificant for the expansion of the margin financing business of the Group. In addition, the Directors noted that placements will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise.

Therefore, the Company proposes to raise equity capital by the Rights Issue to expand its margin financing business. It is estimated that the Company will raise a gross proceeds of approximately HK\$32.58 million from the Rights Issue and the relevant expenses would be approximately HK\$2.54 million, which include underwriting commission and professional fees payable to financial advisers, legal advisers, reporting accountants, financial printer and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$30.04 million (equivalent to a net price of approximately HK\$0.131 per Rights Share), which is expected to be fully utilised within 2021. In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:–

- (i) approximately HK\$25.00 million (or approximately 83.22% of the total net proceeds) for the expansion of the Group's margin financing business; and
- (ii) approximately HK\$5.04 million (or approximately 16.78% of the total net proceeds) for general working capital of the Group.

The Board considers that the Rights Issue provides a good opportunity for the Group to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro-rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

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

The Company has not conducted any fund raising activities involving issue of its securities in the past 12 months immediately preceding the date of this announcement.

## **POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS**

Pursuant to the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the Pre-IPO Share Option Scheme and Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

## **GEM LISTING RULES IMPLICATIONS**

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

As at the date of this announcement, since the Company has no controlling Shareholder the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. As at the date of this announcement, (i) Mr. An Xilei, an executive Director and deputy chairman of the Board, is interested in 17,000,000 Shares through his shareholding in PCG, representing approximately 29.64% of the total issued share capital of the Company; and (ii) Mr. Wong Hong Gay Patrick Jonathan, an executive Director and chief executive officer of the Company, is interested in 3,453,990 Shares through his shareholding in iMediaHouse Asia Limited, representing approximately 6.02% of the total issued share capital of the Company. For details of their interests, please refer to “Shareholding Structure of the Company” in this announcement. Accordingly, Mr. An Xilei, Mr. Wong Hong Gay Patrick Jonathan, PCG and iMediaHouse Asia Limited shall abstain from voting in favour of the proposed resolution approving the Rights Issue.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). Giraffe Capital has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Giraffe Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 26 February 2021.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 1 April 2021.

## **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES**

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

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 23 March 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 8 April 2021 to Thursday, 15 April 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

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

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

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“CSL”	Cornerstone Securities Limited, which is indirectly owned as to 91.19% by the Company
“Company”	Cornerstone Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8112)
“Company (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Financial Resources Rule”	Securities and Futures (Financial Resources) Rules (Chapter 574N of the Laws of Hong Kong)

“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“GCL Group”	Glory Creator Limited, an indirect wholly-owned subsidiary of the Company, together with its subsidiaries
“Giraffe Capital”	Giraffe Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Last Trading Day”	27 January 2021, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 20 April 2021 (or such other time as the Stock Exchange may consent to), being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Wednesday, 21 April 2021 (or such later date as the Stock Exchange may consent to), being the latest time for the termination of the Underwriting Agreement

“Optionholder’s Undertaking(s)”	the undertaking(s) dated 25 January 2021 executed by the holders of the Share Options, whereby each of such Share Option holders unconditionally and irrevocably undertake to the Company and the Underwriter, among other things, that he/she will not exercise such Share Options (or any part thereof) granted to him/her from the date of such undertaking to the close of business on the Record Date (both dates inclusive)
“Overseas Letter”	a letter from the Company to the Excluded Shareholders, if any, explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PCG”	Profit Cosmo Group Limited, a company incorporated in the British Virgin Islands and owned as to 60% by Mr. Liu Yanhong and 40% by Mr. An Xilei, an executive Director. PCG is a Substantial Shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company adopted on 26 March 2011
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	Thursday, 1 April 2021, or such other date as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents



“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Wednesday, 31 March 2021 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of four (4) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	229,418,448 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 26 March 2011
“Share Options”	the share options granted by the Company pursuant to the Pre-IPO Share Option Scheme and/or the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Irrevocable Undertaking”	the irrevocable undertaking, referred to in the subsection headed “The Shareholder’s Irrevocable Undertaking” under the section headed “The Underwriting Agreement”, dated 26 January 2021 and executed by PCG in favour of the Company and the Underwriter

“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.142 per Rights Share
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Yuzhou Financial
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 27 January 2021 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	161,418,448 Rights Shares, being the maximum number of the Rights Shares not taken up by Qualifying Shareholders other than those Rights Shares to be taken up under the Shareholder’s Irrevocable Undertaking assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“US”	the United States of America
“Yuzhou Financial”	Yuzhou Financial Holdings Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO

“%”

per cent

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

Hong Kong, 27 January 2021

*As at the date of this announcement, the Board comprises eight Directors, including five executive Directors, namely, Mr. Gao Ran, Mr. An Xilei, Mr. Wong Hong Gay Patrick Jonathan, Mr. Mock Wai Yin and Mr. Wang Jun and three independent non-executive Directors, namely, Mr. Chan Chi Keung Alan, Ms. Lau Mei Ying and Mr. Lee Chi Hwa Joshua.*

*This announcement, 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 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.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at [www.cs8112.com](http://www.cs8112.com).*