
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Cornerstone Financial Holdings Limited**, you should at once hand this Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES” in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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 in the Rights Shares 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. You should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor for details of the settlement arrangements and how such arrangements may affect your rights and interests.



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

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

Financial advisor to the Company



Underwriter to the Rights Issue



Capitalised terms used in this cover page have the same meanings as defined in this Prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Thursday, 21 April 2022. The procedures for acceptance and payment or transfer of the Rights Shares and application and payment for excess Rights Shares are set out on pages 18 to 22 of this Prospectus.

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Rights Issue having become unconditional and the Underwriter not having terminated or rescinded (as the case may be) the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “TERMINATION OF THE UNDERWRITING AGREEMENT” of this Prospectus). Accordingly, the Rights Issue may or may not proceed.

4 April 2022

CHARACTERISTICS OF GEM

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

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

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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. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Prospectus shall refer to Hong Kong local time and dates.

Event	Date (Hong Kong time) 2022
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 7 April
Latest time for splitting of PAL	4:30 p.m. on Monday, 11 April
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Thursday, 14 April
Latest time for acceptance of and payment for the Rights Issue and application for and payment for the excess Rights Shares	4:00 p.m. on Thursday, 21 April
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 22 April
Announcement of the results of the Rights Issue	Monday, 25 April
Despatch of certificates for the fully-paid Rights Shares or refund cheques if the Rights Issue is terminated/ unsuccessful applications for excess Rights Shares	Tuesday, 26 April
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 27 April

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

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

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

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

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

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the meanings as set out below:

“Announcement”	the announcement of the Company dated 21 January 2022 in relation to, among other things, the Rights Issue
“associate(s)”	has the same meaning ascribed thereto 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
“Circular”	the circular of the Company dated 3 March 2022 in respect of, among others, the Rights Issue
“Company”	Cornerstone Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8112)
“Company (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“CSL”	Cornerstone Securities Limited, which is indirectly owned as to 91.19% by the Company

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares in such usual form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company convened and held on 22 March 2022 at which, among others, the Rights Issue and the transactions contemplated thereunder were approved by the Independent Shareholders
“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 Rules”	Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)
“GCL Group”	Glory Creator Limited, an indirect wholly-owned subsidiary of the Company, together with its subsidiaries
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), 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 Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules

DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) who is (are) third party(ies) independent of the Company and connected persons of the Company
“Last Trading Day”	21 January 2022, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	30 March 2022, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 21 April 2022 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 22 April 2022 or such other time as may be agreed between the Company and the Underwriter, being the latest time for the termination of the Underwriting Agreement
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) shown on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“PRC”	the People’s Republic of China, which for the purpose of this Prospectus shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“Prospectus”	this prospectus dated 4 April 2022 issued by the Company in relation to the Rights Issue
“Prospectus Documents”	collectively, this Prospectus, PAL and EAF

DEFINITIONS

“Prospectus Posting Date”	Monday, 4 April 2022 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Sunday, 3 April 2022 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited, the branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	the new Share(s) to be allotted and issued under the proposed Rights Issue
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“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

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.38 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed to it under the GEM
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriter”	Koala Securities Limited, a corporation licensed to carry out businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 21 January 2022 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	172,063,836 Rights Shares, being the total number of the Rights Shares
“US”	the United States of America
“%”	per cent.

In case of inconsistency, the English text of this Prospectus shall prevail over its Chinese text.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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

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

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

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

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

Executive Directors:

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

Independent non-executive Directors:

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

Registered office:

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

Principal place of business in

Hong Kong:

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

4 April 2022

*To the Qualifying Shareholders and,
for information only, the Excluded Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement and the Circular in relation to, among other things, the Rights Issue. On 21 January 2022, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$65.38 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 172,063,836 Rights Shares at the Subscription Price of HK\$0.38 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

LETTER FROM THE BOARD

At the EGM convened and held on 22 March 2022, the necessary resolution for approving, among other things, the Rights Issue including the Underwriting Agreement and the transactions contemplated respectively thereunder was duly passed by the Independent Shareholders. Mr. An Xilei, the deputy chairman of the Board and an executive Director, was interested in 6,800,000 Shares (representing approximately 11.86% of the issued share capital of the Company) as at the date of the EGM and was required to abstain from voting in favour of the proposed resolution approving the Rights Issue. He abstained from voting of the relevant resolution at the EGM accordingly.

Pursuant to the Underwriting Agreement, the Underwritten Shares are fully underwritten by the Underwriter on the terms and subject to the conditions set out therein.

The purpose of this Prospectus is to provide you with further details of the Rights Issue including information on dealings in, transfer and acceptance of the Rights Shares and certain financial and other information in respect of the Group.

RIGHTS ISSUE

Issue statistics:

Basis of the Rights Issue	:	Three (3) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.38 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	57,354,612 Shares
Number of Rights Shares	:	172,063,836 Rights Shares
Number of issued shares of the Company upon completion of the Rights Issue	:	229,418,448 Shares
Gross proceeds to be raised	:	Approximately HK\$65.38 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

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

LETTER FROM THE BOARD

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

The 172,063,836 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

The Subscription Price

The Subscription Price for the Rights Shares is HK\$0.38 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renounee 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 premium of approximately 4.11% over the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 11.63% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 17.39% to the average of the closing prices of approximately HK\$0.4600 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 18.28% to the average of the closing prices of approximately HK\$0.4650 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 3.18% to the theoretical ex-rights price of approximately HK\$0.3925 per Share based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (f) a discount of approximately 87.86% to the unaudited net asset value per Share of approximately HK\$3.130 (based on the consolidated net asset value of the Group of approximately HK\$179,498,725 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 57,354,612 Shares in issue as at the Latest Practicable Date);

LETTER FROM THE BOARD

- (g) a discount of approximately 87.23% to the audited net asset value per Share of approximately HK\$2.975 (based on the latest published consolidated net asset value of the Group of approximately HK\$170,648,832 as at 31 December 2021 as disclosed in the annual report of the Company for the year ended 31 December 2021 and 57,354,612 Shares in issue as at the Latest Practicable Date); and
- (h) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 14.62%, represented by the theoretical diluted price of approximately HK0.4030 per Share to the theoretical benchmarked price of HK\$0.472 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.43 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.4720 per Share).

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

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

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

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

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

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

Status of the 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.

LETTER FROM THE BOARD

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. For the Excluded Shareholders, the Company will send copies of this Prospectus to them for their information only, but no PAL and EAF will be sent to the Excluded 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 and not be a Excluded Shareholder as at the close of business on the Record Date.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Share in issue and held by the Qualifying Shareholders 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 have not been registered under the applicable securities legislation of any jurisdiction other than Hong Kong. If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue.

As at the Latest Practicable Date, the Company had no Overseas Shareholders based on the shareholders information available from the Registrar. Since the register of members is closed from 28 March 2022 to 3 April 2022 (both days inclusive), the Company confirms that the Company will have no Overseas Shareholders as at the Record Date.

LETTER FROM THE BOARD

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus or the PAL or the EAF outside Hong Kong and wishing to take up the Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisor. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

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.

LETTER FROM THE BOARD

Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Thursday, 21 April 2022. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**CORNERSTONE FINANCIAL HOLDINGS LIMITED – RIGHTS ISSUE ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**". The benefit of any rounding adjustments will be retained by the Company.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Thursday, 21 April 2022 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE" in the section headed "EXPECTED TIMETABLE" of this Prospectus), whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company is not obliged to but may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant person at a later stage.

If a Qualifying Shareholder wishes to transfer all of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it, the Qualifying Shareholder must complete and sign the "Form of transfer and nomination" in the PAL and hand the PAL to the transferee(s) or through whom the Qualifying Shareholder are transferring his/her/its rights. The transferee(s) must then complete and sign the "Registration application form" in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Thursday, 21 April 2022 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE" in the section headed "EXPECTED TIMETABLE" of this Prospectus).

LETTER FROM THE BOARD

If a Qualifying Shareholder wishes to accept only part of the provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or transfer part/all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Monday, 11 April 2022 with the Registrar, who will cancel the original PAL and issue new PAL(s) in the denominations required. The new PAL(s) will be available for collection from the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and cashier's orders will be presented for payment immediately upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order in the payment of the Rights Shares, whether by the Qualifying Shareholder or such other person(s) to whom the rights to subscribe for the Rights Shares have been validly transferred, will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and in that event the relevant provisional allotment of Rights Shares and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply or subscribe for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will constitute a warranty and representation by such person to the Company that all registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application or subscription for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for Rights Shares will be accepted from any person who is an Excluded Shareholder.

LETTER FROM THE BOARD

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Underwriting Agreement as set out in the paragraph headed “Conditions of the Rights Issue” under the sub-section headed “THE UNDERWRITING AGREEMENT” is not fulfilled or waived (as applicable) by the Latest Time for Termination (i.e. at or before 4:00 p.m. on Friday, 22 April 2022), the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Tuesday, 26 April 2022.

No receipt will be issued in respect of any application monies received.

Application for the excess Rights Shares

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

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

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

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

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

LETTER FROM THE BOARD

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

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Thursday, 21 April 2022. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**CORNERSTONE FINANCIAL HOLDINGS LIMITED – EXCESS APPLICATION ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**". The benefit of any rounding adjustments will be retained by the Company. The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Friday, 25 March 2022.

The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or before Monday, 25 April 2022. If no excess Rights Shares are allotted to the Qualifying Shareholders, a cheque for the amount tendered on application is expected to be refunded in full on or before Tuesday, 26 April 2022. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the surplus application monies are also expected to be refunded to them on or before Tuesday, 26 April 2022.

LETTER FROM THE BOARD

All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection of the EAF and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty. Completion and return of the EAF with a cheque or a cashier's order will constitute a warranty by the applicant that the cheque or the cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

If the Underwriter exercises the right to terminate the Underwriting Agreement at or before the Latest Time for Termination or if the conditions of the Underwriting Agreement are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered address at their own risk on or before Tuesday, 26 April 2022.

Share certificates and refund cheques for the Rights Issue

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

Fractional entitlement to the Rights Shares

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

LETTER FROM THE BOARD

Taxation

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

None of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Rights Shares in both their nil-paid and fully-paid forms.

Application for listing of the Rights Shares

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

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

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisors 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.

LETTER FROM THE BOARD

THE UNDERWRITING AGREEMENT

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

Date : 21 January 2022 (after trading hours)

Underwriter : Koala Securities Limited, a corporation licensed to carry out businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

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

Number of Rights Shares : Up to 172,063,836 Rights Shares, being the total underwritten by the Underwriter
Underwriter : Up to 172,063,836 Rights Shares, being the total number of the Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date.

Commission : The Underwriter will receive 3.5% of the aggregate Subscription Price in respect of the total number of the Underwritten Shares as underwriting commission.

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

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

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

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

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

LETTER FROM THE BOARD

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

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

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

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

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

Conditions of the Rights Issue

The Rights Issue is conditional upon:

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

LETTER FROM THE BOARD

- (d) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (e) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (f) the compliance with and performance by the Company in all material respects of the undertakings and obligations under the Underwriting Agreement; and
- (g) there being no Specified Event occurring prior to the Latest Time for Termination.

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

As at the Latest Practicable Date, condition (a) had been fulfilled, conditions (b) and (c) above were expected to have been fulfilled on the Prospectus Posting Date while all other conditions remained unfulfilled. The Company had no intention to waive any of the conditions which are capable of being waived.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 57,354,612 Shares in issue. The table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders:

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

Notes:

- 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.
- Mr. An Xilei is the deputy chairman of the Board and an executive Director.

LETTER FROM THE BOARD

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

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

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

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

As disclosed in the third quarterly report 2021 of the Company for the nine months period ended 30 September 2021 (the “**2021Q3 Period**”), which was the latest published financial information of the Group available at the time of the Board contemplating the Rights Issue, the advertising and media business remained the main contributor to the Group’s revenue while the financial services continued to generate stable revenue for the Group. The COVID-19 pandemic continues to affect business and social activities and causes economic uncertainties, which also bring impacts to the overall performance and financial results of the Group for the 2021Q3 Period.

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

Based on the Company's annual report 2021 for the year ended 31 December 2021 and annual report 2020 for the year ended 31 December 2020, the Group recorded an overall revenue of approximately HK\$56.13 million, HK\$50.97 million, HK\$92.04 million for the years ended 31 December 2021, 2020 and 2019 respectively, whereas the advertising and media business contributed revenue of approximately HK\$43.41 million, HK\$37.58 million, HK\$77.61 million and the financial services business contributed revenue of approximately HK\$12.72 million, HK\$13.39 million, HK\$14.43 million for the corresponding periods. As for the financial service business, the revenue from margin loan interest amounted to approximately HK\$9.73 million, HK\$13.03 million, HK\$13.81 million for the corresponding periods. The advertising and media business remained the main contributor to the Group's revenue and the financial services continued to generate a relatively stable revenue for the Group. It was observed that the revenue of the advertising and media business segment for the financial year 2021 was higher than 2020 but it had not yet recovered to the pre-COVID-19 pandemic level of HK\$77.61 million in 2019. On the other hand, as for the financial services business, by comparing the segment revenue of HK\$12.72 million in 2021 and HK\$13.39 million in 2020 which showed that despite the impact of pandemic to the general economic environment, the local stock trading activities had not weakened to a significantly deteriorated level as well as with a view to the potential benefits of enlarging the capital base of the margin financing business, the Board believes that it is justifiable to maintain their views on the reasons on the Rights Issue and proposed uses of proceeds as mentioned above.

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

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

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

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

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

Save as disclosed above, the Company had not conducted any fund raising activities involving issue of securities in the past 12 months immediately preceding the Latest Practicable Date. The Rights Issue does not result in a theoretical dilution effect of 25% or more.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

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

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Prospectus. In case of any inconsistency between the English and Chinese versions of this Prospectus, the English version will prevail.

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

1. FINANCIAL INFORMATION OF THE GROUP

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

- annual report of the Company for the year ended 31 December 2019 published on 30 March 2020 (pages 57 to 144);

(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000588.pdf>);

- annual report of the Company for the year ended 31 December 2020 published on 30 March 2021 (pages 67 to 164);

(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000602.pdf>);

- annual report of the Company for the year ended 31 December 2021 published on 29 March 2022 (pages 73 to 162);

(<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0329/2022032902429.pdf>)

2. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

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

The Group recorded an overall revenue of approximately HK\$56.13 million, HK\$50.97 million, HK\$92.04 million for the years ended 31 December 2021, 2020 and 2019 respectively, whereas the advertising and media business contributed revenue of approximately HK\$43.41 million, HK\$37.58 million, HK\$77.61 million and the financial services business contributed revenue of approximately HK\$12.72 million, HK\$13.39 million, HK\$14.43 million for the corresponding periods. The above business results showed that, while the financial services business generated a relatively stable level of revenue, the advertising and media business has been more severely affected by the outbreak of COVID 19 since 2019. The management was cautiously optimistic that the economy would eventually progress positively after measures implemented by different countries to manage and control pandemic. Despite the adverse global economic condition, the local stock trading activities remained energetic and had not been weakened to a significant deteriorating level. The Company considered that it is an appropriate time to get hold of this opportunity to expand its financial services business, in particular, the margin financing business.

3. FOREIGN EXCHANGE

For the year ended 31 December 2021, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2021, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

4. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 28 February 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group had the following outstanding borrowing:

	As at 28 February 2022 HK\$
Other borrowings, unsecured and unguaranteed	<u>1,616,000</u>

As at 28 February 2022, the Group has other borrowings of approximately HK\$1.6 million due to Mr. An Xilei, a director of the Company. The loan is interest-free, unguaranteed, unsecured and the maturity date will be on 14 November 2022.

Saved as disclosed above, the Company had no other outstanding borrowings as at 28 February 2022.

Lease liabilities

The Group entered into several lease agreements for leasing of carpark and outdoor billboard space and offices located in Hong Kong and Singapore recognised right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to approximately HK\$27.9 million as at 28 February 2022, which were classified as to approximately HK\$10.3 million as current liabilities and approximately HK\$17.6 million as non-current liabilities.

Contingent liabilities

As at the close of business on 28 February 2022, the Group did not have any contingent liabilities.

Save as disclosed above, and apart from normal trade payables in the ordinary course of business, as at the close of business on 28 February 2022, there were no other: (i) debt securities of the Group issued and outstanding, and authorized or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing of the Group (including bank overdrafts and liabilities under acceptances) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) mortgages and charges of the Group; and (iv) any contingent liabilities or guarantees of the Group.

5. COMMITMENTS

As at the close of business on 28 February 2022, the Group had no commitment or other commitment contracted but not provided for.

6. WORKING CAPITAL

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

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



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

To the directors of Cornerstone Financial Holdings Limited

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2021 and related notes (the “Unaudited Pro Forma Financial Information”) as set out in page II-5 to II-6 to the prospectus dated 4 April 2022 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 172,063,836 rights shares at HK\$0.38 per rights shares (the “Rights Shares”) on the basis of three Rights Shares for every one existing share of the Company held on the rights issued record date (the “Rights Issue”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 as if the Rights Issues had taken place at 31 December 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 December 2021, on which an auditor’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2021 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

Yours faithfully,

Yongtuo Fuson CPA Limited

Certified Public Accountants

Fok Tat Choi

Practicing Certificate Number: P06895

Hong Kong

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

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors (the “Unaudited Pro Forma Financial Information”) in accordance with Rule 7.31 of GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the Group’s unaudited consolidated net tangible assets attributable to the owner of the Company as if the Rights Issue had been completed on 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2021 or any further dates following the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of financial position of the Group as at 31 December 2021, as extracted from published annual report of the Company for the year ended 31 December 2021, with adjustments described below.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2021 HK\$'000 (note 1)	Unaudited estimated net proceeds from the Rights Issue HK\$'000 (note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue HK\$'000	Consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 December 2021 HK\$ (note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue HK\$ (note 4)
Rights Issue of 172,063,836 Rights Shares	149,535	61,180	210,715	2.61	0.92

Notes:

- The consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 is extracted from the consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2021 of approximately HK\$152,315,000 as adjusted by exclusion of goodwill of approximately HK\$2,780,000 as shown on the consolidated statement of financial position of the Group as at 31 December 2021 has been extracted from the published annual report of the Company for the year ended 31 December 2021.

2. The estimated net proceeds from the Rights Issue of approximately HK\$61,180,000 is calculated based on 172,063,836 Rights Shares to be issued (in the proportion of three (3) Rights Shares for every one (1) existing share held as at the Rights Issue record date) at the subscription price of HK\$0.38 per Rights Shares, after deduction of the estimated related expenses of approximately HK\$4,204,000, assuming that the Rights Issue had been completed on 31 December 2021.
3. The consolidated net tangible assets attributable to owners of the Company per share as at 31 December 2021 is approximately HK\$2.61, which is calculated based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2021 of approximately HK\$149,535,000 divided by 57,354,612 shares in issue as at 31 December 2021.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share immediately after completion of the Rights Issue is approximately HK\$0.92, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$210,715,000 divided by 229,418,448 shares, which represents 57,354,612 shares of the Company in issue as at 31 December 2021 and 172,063,836 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of three (3) Rights Shares for every one (1) existing share held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 31 December 2021.
5. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL OF THE COMPANY

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

(a) as at the Latest Practicable Date

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

(b) immediately after completion of the Rights Issue

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

Long positions in the Shares and underlying Shares

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

Notes:

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

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

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

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. COMPETING INTEREST

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

7. LITIGATION

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

8. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion, letter or advice included in this Prospectus:

Name	Qualifications
Yongtuo Fuson CPA Limited	Certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with copies of its letter and/or report and the references to its name included in this Prospectus in the forms and contexts in which they are respectively included. The above expert confirmed that as at the Latest Practicable Date:

- (i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

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

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

10. SERVICE CONTRACTS

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

11. AUDIT COMMITTEE

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

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

12. EXPENSES

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

13. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	<i>Executive Directors:</i> Mr. Gao Ran (<i>Chairman</i>) Mr. An Xilei (<i>Deputy Chairman</i>) Mr. Wong Hong Gay Patrick Jonathan (<i>Chief Executive Officer</i>) Mr. Mock Wai Yin <i>Independent non-executive Directors:</i> Mr. Chan Chi Keung Alan Ms. Lau Mei Ying Mr. Wong Man Hong
Registered office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Room 802, 8th Floor Lee Garden Five 18 Hysan Avenue Causeway Bay, Hong Kong
Authorised representatives	Mr. An Xilei Mr. Mock Wai Yin
Compliance officer	Mr. Mock Wai Yin a member of the corporate governance committee of the Company and a M.Sc.
Company secretary	Ms. Chan Sau Chee an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators)

Business address of Directors and authorised representatives	Room 802, 8th Floor, Lee Garden Five 18 Hysan Avenue Causeway Bay, Hong Kong
Legal advisors to the Company	<i>As to Hong Kong law</i> Tonys Lawyers 12th Floor, Grand Building 15-18 Connaught Road Central Hong Kong <i>As to Cayman Islands law</i> Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central, Hong Kong
Auditor and reporting accountant	Yongtuo Fuson CPA Limited Unit 1020, 10th Floor, Tower B New Mandarin Plaza 14 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong
Underwriter	Koala Securities Limited Unit 1301-02, Everbright Centre 108 Gloucester Road, Wan Chai Hong Kong
Financial advisor to the Company	Get Nice Capital Limited G/F – 3/F., Cosco Tower Grand Millennium Plaza 183 Queen’s Road Central Hong Kong
Hong Kong Branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong

Principal bankers

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Central, Hong Kong

DBS Bank Limited
12 Marina
Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

HSBC
1 Queen's Road Central
Hong Kong

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

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

Stock code

8112

Website

www.cs8112.com

14. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT**(a) Name and address of Directors and Senior Management*****Executive Directors***

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

Independent non-executive Directors

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

Senior Management

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

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

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

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

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

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

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

Independent non-executive Directors

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

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

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

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

Senior Management

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

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

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

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

15. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to the paragraph headed “8. EXPERT AND CONSENT” in this Appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

17. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

18. DOCUMENTS ON DISPLAY

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

- (a) the report from Yongtuo Fuson CPA Limited in respect of the unaudited pro forma financial information of the Group, the text of which as set out in appendix II of this circular;
- (b) the written consents referred to in the paragraph headed “8. EXPERT AND CONSENT” in this appendix; and
- (c) the material contracts referred to in the section headed “Material Contracts” in this appendix.