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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8112)

DISCLOSEABLE TRANSACTION

THE DISPOSAL

On 10 January 2024 (after trading hours), the Company entered into the Agreement with the Purchaser, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing 1% of the issued share capital of the Target Company at the Consideration of HK\$6,600,000. Following Completion, the Group will cease to have any interest in the Target Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 10 January 2024 (after trading hours), the Company entered into the Agreement with the Purchaser, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing 1% of the issued share capital of the Target Company at the Consideration of HK\$6,600,000.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

10 January 2024

Parties

(a) the Company; and

(b) the Purchaser.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party.

Assets to be disposed of

At Completion, the Company shall sell, and the Purchaser shall purchase, the Sale Shares, representing 1% of the issued share capital of the Target Company as at the date of the Agreement.

The Sale Shares were acquired by the Company on 14 July 2022 at a total consideration of HK\$6,500,000 (the "**Acquisition**"). The major asset of the Target Company is an investment in the form of equity capital in a PRC company which is currently principally engaging in the research and development of the technologies in Acellular Cartilage Matrix which can be applied to surgeries for tackling the disease of cataract (the "**Project Company**"). No revenue from the Target Company has been recorded since the Acquisition.

Following Completion, the Group will cease to hold any interest in the Target Company.

Consideration

The Consideration for the Sale Shares is HK\$6,600,000, will be payable by the Purchaser in cash to the Company on the Completion Date.

The Consideration was determined after arm's length negotiations and on normal commercial terms between the Company and the Purchaser taking into account of, among others, (i) the financial and operational performance and future prospect of the Target Group; and (ii) the actual amount of funds that the Company has invested into the Target Company and (iii) the valuation (the "**Valuation**", as detailed below) of the Sale Shares at approximately HK\$6,500,000 as appraised by independent valuer, Weisi Limited (the "**Valuer**"), as at 31 December 2023 (the "**Valuation Date**") under the income approach.

Completion

Pursuant to the Agreement, Completion is not subject to any condition precedent. Completion will take place on which the Consideration will be fully settled by the Purchaser and the Company will immediately transfer the Sale Shares to the Purchaser on the Completion Date.

The Valuation

Valuation approach and methodology

The fair value of the Project Company of HK\$1,650,000,000 as at the Valuation Date is determined by the Valuer using the income approach with reference to the International Valuation Standards issued by the International Valuation Standards Committee.

As the 100% enterprise value of the Project Company is valued as HK\$1,650,000,000, the value of 39.6% equity interest held by the Target Company in the Project Company would be approximately HK\$650,000,000 and the value attributable to the Sale Shares (being 1% equity interest in the Target Company) would therefore be approximately HK\$6,500,000.

The Valuer has also considered the market approach and cost approach. However, according to the Valuer, the market approach was not adopted due to the Project Company was not earning profit as at the Valuation Date and was difficult to find comparable assets. They also considered the cost approach inappropriate as it does not directly incorporate information about the economic benefits contributed by the Project Company. The Valuer therefore adopted the income approach in their valuation as it took the future growth potential and firm-specific issues into consideration.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows.

In the valuation exercise, the value of the Project Company was developed through the application of income approach with reference to the sales, costs and profit forecast of the Project Company. By adopting this approach, yield and discount rate are derived from market and financial data of listed companies having the business and business model similar to that of the Project Company. Since sufficient market data on public companies with similar business are available for the analysis and estimation of an appropriate yield and discount rate for the Project Company, the Valuer believe that it is appropriate to use this method in their valuation exercise. They have undertaken the discount cash flow analysis on a yearly basis over a 10-year horizon (i.e. sale and costs forecast as provided). The net income in the year 10 is capitalized at an appropriate yield for an assuming perpetual term of operation.

The following main parameters were used for the valuation:

Capitalization Rate: 12.33%

Discount Rate: 27.592%

The Project Company is an emerging high-tech biomedical enterprise focusing on the research and development and application of high-tech tissue engineering and regenerative medicine. It is committed to the research and development and application of technologies, equipment and products such as decellularized biological tissues and organs, as well as the research and development of innovative drugs and biological products. The company has independent intellectual property rights for a series of safe and efficient new acellular technologies for various tissues, and this key technology is in an international leading position in acellular bioengineering technology and product applications.

Taking into account of the Valuation and having considered the independence of the Valuer, the Board is of the view that the Valuation and the consideration basis for the Disposal are fair and reasonable.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated under the laws of the British Virgin Islands with limited liability and its principal activity is investment holding. The Group held 1% equity interest in the Target Company (which the Sale Shares represent), which is accounted for as financial assets measured at fair value through profit or loss of the Company in the financial statements of the Group. Save for the Sale Shares, the Group does not have any other interest in the Target Company.

Set out below is the financial information of the Target Company for the two years ended 31 December 2023, based on information available to the Company in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2022 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2023 <i>HK\$'000</i> (unaudited)
Loss before taxation	5,942	7,449
Loss after taxation	5,942	7,449

The unaudited net assets of the Target Company as at 31 December 2023 amounted to approximately HK\$8,692,000.

The aforesaid unaudited financial information of the Target Company is for illustration purposes only.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is principally engaged in (i) financial services including securities brokerage services and margin financing services; and (ii) advertising and media services.

The Purchaser is a merchant with PRC nationality and is an Independent Third Party to the best of the Directors' knowledge, information and belief having made all reasonable enquiry as at the date of this announcement.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Group will recognise a gain of approximately HK\$100,000 from the Disposal before expenses, which is calculated with reference to the difference between the Consideration receivable by the Group upon Completion and the carrying value of the Sale Shares in the amount of HK\$6,500,000.

The actual amount of gain or loss in connection with the Disposal is subject to audit and may be different from the above. Following Completion, the Group will cease to hold any interest in the Target Company. As a result of the Disposal, the Group will not be required to remeasure the fair value of the relevant unlisted equity securities on the respective financial reporting period end dates with effect from Completion.

It is intended that the net proceeds from the Disposal will be used for general working capital of the Group and its future capital needs for its business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

It is the Group's strategy to invest in different industry sectors with growth potential for business diversification. However, recent situation of increasing global economic and political complexities and the volatile market environment have led to uncertainties in operational and financial conditions. The Group's financial services business particularly has been impacted by the weak investment sentiment and the fluctuated financial markets amid the prevailing market conditions and the increasingly challenging operating environment. Adjustment to the business strategy of the Group is considered appropriate in this context.

It is believed that the entering into of the Agreement and the Disposal as contemplated thereunder would (i) offer an opportunity for the Group to dispose of its interest in the Target Company to better utilize its management and financial resources to maintain its current operations in various business; (ii) generate immediate cash inflow to the Group, which would in turn improve the liquidity of the Group and facilitate the Group to meet its working capital requirements and for the future capital needs for its business development, including existing and new business opportunities; and (iii) the Disposal is in line with the business strategy of the Group, as it will conserve financial resources for projects with better return while the Group continues to explore business opportunities with growth potential.

In light of the above reasons, the Directors are of the view that the terms of the Agreement and the Disposal as contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Agreement”	the share transfer agreement dated 9 January 2024 entered into between the Company and the Purchaser
“Board”	the board of Directors
“Company”	Cornerstone Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the GEM of the Stock Exchange (stock code: 8112)
“Completion”	completion of the Disposal pursuant to the terms of the Agreement
“Completion Date”	the date of Completion, in any event no later than 90 days from the date of the Agreement, or such other later date as the parties to the Agreement may agree in writing
“Consideration”	HK\$6,600,000, being the total amount to be paid by the Purchaser to the Company for the Sale Shares in the manner as set out in the Agreement
“Director(s)”	directors of the Company
“Disposal”	the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms of the Agreement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third party(ies) independent of the Company and its connected persons in accordance with the GEM Listing Rules
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“PRC”	The People’s Republic of China
“Purchaser”	Mr. Liu Daochun
“Sale Shares”	500 ordinary shares of US\$1 each in the Target Company, representing 1% of issued share capital of the Target Company held by the Company as at the date of the Agreement
“Shareholder(s)”	registered holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Handerland Development Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.

By Order of the Board
CORNERSTONE FINANCIAL HOLDINGS LIMITED
An Xilei
Chairman and Executive Director

Hong Kong, 10 January 2024

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

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

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.cs8112.com.