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CLSA Premium Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6877)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of CLSA Premium Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) presents the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 (the “**2022 Interim Period**”), together with the comparative figures for the corresponding period in 2021 (the “**2021 Interim Period**”). The condensed consolidated interim financial information have not been audited but were reviewed by the Company’s audit committee (the “**Audit Committee**”) and approved by the Board.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$’000	<i>HK\$’000</i>
Sales of goods	2	7,601	–
Leveraged foreign exchange and other trading income	2	618	1,290
Fee and commission income	2	23	28
Other income	2, 3	333	2,484
		<hr/>	<hr/>
Total income		8,575	3,802
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Cost of sales		(5,328)	–
Referral expenses and other charges		(1,325)	(427)
Staff costs		(10,114)	(12,382)
Depreciation – property, plant and equipment		(445)	(1,192)
Depreciation – right-of-use assets	8	(1,388)	(5,904)
Other operating expenses	4	(7,079)	(15,133)
Total expenses		<u>(25,679)</u>	<u>(35,038)</u>
Operating loss		(17,104)	(31,236)
Finance cost		(166)	(130)
Loss before tax		(17,270)	(31,366)
Income tax (expense)/credit	5	(225)	1,385
Loss for the period		<u>(17,495)</u>	<u>(29,981)</u>
Other comprehensive expense			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation difference		(5,740)	(6,008)
Other comprehensive expense for the period, net of tax		<u>(5,740)</u>	<u>(6,008)</u>
Total comprehensive expense for the period		<u>(23,235)</u>	<u>(35,989)</u>
Loss per share for loss attributable to the equity holders of the Company for the period			
– Basic and diluted (HK cents per share)		<u>(0.86)</u>	<u>(1.47)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		1,174	1,656
Intangible assets		–	–
Right-of-use assets	8	507	9,494
Deposit	11	701	701
		<hr/>	<hr/>
Total non-current assets		2,382	11,851
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories	9	4,126	–
Trade receivables	10	6,515	–
Other receivables, prepayments and deposits	11	4,825	6,527
Tax prepayment		4	4
Derivative financial instruments	12	3,502	4,579
Balances due from agents		17,444	33,963
Cash and bank balances and client trust bank balances	13	245,302	273,692
		<hr/>	<hr/>
Total current assets		281,718	318,765
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		284,100	330,616
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EQUITY AND LIABILITIES			
Equity			
Share capital	16	20,333	20,333
Reserves		225,189	248,424
		<hr/>	<hr/>
Total equity		245,522	268,757
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		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Lease liabilities	<i>14</i>	554	3,399
Tax payable		225	–
Trade and other payables	<i>15</i>	15,140	9,496
Derivative financial instruments	<i>12</i>	865	458
Clients' balances		21,794	42,266
		<hr/>	<hr/>
Total current liabilities		38,578	55,619
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Non-current liabilities			
Lease liabilities	<i>14</i>	–	6,240
		<hr/>	<hr/>
Total non-current liabilities		–	6,240
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		38,578	61,859
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		284,100	330,616
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

Except as described below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the critical accounting estimates and judgements were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

New Business

In May 2022, the Group has launched its healthcare product business. As such, the following accounting policies are relevant to the Group for the financial year beginning 1 January 2022.

The following policies are additional to the other existing accounting policies in the Annual Report for 2021.

Revenue recognition

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled. Sales of goods are recognised when the goods are delivered to the customers and the customers has accepted the related risks and rewards of ownership.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the First-In-First-Out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

2 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors and senior management of the Group. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Board of Directors considers the business from a product perspective.

Summary details of the business segments are as follows:

- (a) the healthcare product segment engages in the sales of healthcare related products;
- (b) the margin dealing segment engages in the provision of leveraged foreign exchange, commodity and index trading services in Australia, Hong Kong and New Zealand; and
- (c) unallocated segment engages in the provision of services other than margin dealing and healthcare product businesses, and the operations of the investment holding companies.

As mentioned above, the operating results from the margin dealing businesses in Australia, Hong Kong and New Zealand are combined and presented as the margin dealing segment. As such, the segment information for the six months period ended 30 June 2021 has been restated accordingly.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June 2022 and 2021.

The segment information provided to the management for the reportable segments for the six months period ended 30 June 2022 and 2021 is as follows:

For the six months ended 30 June 2022 (Unaudited)

	Healthcare product HK\$'000	Margin dealing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue from external customers	7,601	641	–	8,242
Other income	–	175	158	333
Total revenue and other income	<u>7,601</u>	<u>816</u>	<u>158</u>	<u>8,575</u>
Segment profit/(loss)	<u>1,189</u>	<u>(12,181)</u>	<u>(6,278)</u>	<u>(17,270)</u>
Loss before tax				(17,270)
Income tax expense				<u>(225)</u>
Loss for the period				<u>(17,495)</u>
Other segment information:				
Depreciation	–	943	890	1,833
Lease payments	–	528	144	672
Finance cost	–	31	135	166

For the six months ended 30 June 2021 (Unaudited)

	Healthcare product <i>HK\$'000</i>	Margin dealing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	–	1,318	–	1,318
Other income	–	262	2,222	2,484
Total revenue and other income	–	1,580	2,222	3,802
Segment loss	–	(18,996)	(12,370)	(31,366)
Loss before tax				(31,366)
Income tax credit				1,385
Loss for the period				(29,981)
Other segment information:				
Depreciation	–	1,665	5,431	7,096
Lease payments	–	526	22	548
Finance cost	–	57	73	130

The Company is domiciled in Hong Kong. The Group's major income from external customers is derived from its operations in Hong Kong, Australia and New Zealand.

	Unaudited Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	8,979	(1)
Australia	(768)	1,331
New Zealand	31	(12)
	8,242	1,318

None of the external customers contributes more than a majority of the Group's trading income individually in the respective period.

Information on segment assets and liabilities are not disclosed as this information is not presented to the Board of Directors as they do not assess performance of reportable segments using information on assets and liabilities.

3 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income	177	53
Government subsidies (note)	–	270
Management fee income	–	1,800
Unrealised gain from financial assets at fair value through profit and loss	–	82
Others	156	279
	<u>333</u>	<u>2,484</u>

note:

Included in profit or loss for the six months ended 30 June 2021 was HK\$270,000 of government subsidies obtained from JobKeeper Payment Scheme (the “Scheme”) launched by the Australia Government to support the payroll of the Group’s employee. Under the Scheme, the Group had to commit to spend these grants on payroll expenses for a specific period of time. The Group does not have other unfulfilled obligations relating to this program. There is no such government subsidies for the six months ended 30 June 2022.

4 OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Auditors’ remuneration		
– Audit services	1,307	1,010
– Non-audit services	26	56
Professional and consultancy fee	3,040	7,188
Insurance	2,066	407
Repair and maintenance (including system maintenance)	1,996	4,305
Marketing, advertising and promotion expenses	904	242
Short term lease payments under land and building	672	548
Information services expenses	371	604
Other office occupation expenses	316	1,180
Travelling expenses	111	135
Entertainment expenses	27	39
Staff training	24	30
Net foreign exchange gain	(4,819)	(1,674)
Others	1,038	1,063
	<u>7,079</u>	<u>15,133</u>

5 INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the respective periods at the rates of taxation prevailing in the countries in which the Group operates. The income tax expenses of the Group are charged at a tax rate of 28% (2021: 28%) in New Zealand, 30% (2021: 30%) in Australia and 25% (2021: 25%) in the People's Republic of China respectively in accordance with the local tax authorities.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax:		
Expense for the period	<u>(225)</u>	<u>–</u>
Total current tax expense	<u>(225)</u>	<u>–</u>
Deferred tax:		
Decrease in deferred tax assets	–	(853)
Decrease in deferred tax liabilities	<u>–</u>	<u>2,238</u>
Total deferred tax credit	<u>–</u>	<u>1,385</u>
Income tax (expense)/credit	<u><u>(225)</u></u>	<u><u>1,385</u></u>

6 DIVIDENDS

The Board has resolved not to declare any payment of dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

7 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	<u><u>(17,495)</u></u>	<u><u>(29,981)</u></u>

	Unaudited	
	Six months ended 30 June	
	2022	2021
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares in issue	<u>2,033,290,000</u>	<u>2,033,290,000</u>
Basic and diluted loss per share (HK cents)	<u><u>(0.86)</u></u>	<u><u>(1.47)</u></u>

For the six months ended 30 June 2022 and 2021, basis loss per share is the same as diluted loss per share.

8 RIGHT-OF-USE ASSETS

(i) Amount recognised in the consolidated statement of financial position

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Right-of-use assets		
Buildings	<u>507</u>	<u>9,494</u>
Lease liabilities		
Current	<u>554</u>	<u>3,399</u>
Non-current	<u>–</u>	<u>6,240</u>
	<u><u>554</u></u>	<u><u>9,639</u></u>

During the six months ended 30 June 2022, right-of-use assets of HK\$7,567,000 was disposed (for the six months ended 30 June 2021: nil). There is no additions to the right-of-use assets during the six months ended 30 June of 2022 and 2021.

(ii) Amount recognised in the consolidated interim statement of comprehensive income

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets		
Buildings	<u>1,388</u>	<u>5,904</u>
Interest expense (included in finance cost)	<u>157</u>	<u>130</u>
Expense relating to short-term leases (included in other operating expenses)	<u><u>672</u></u>	<u><u>548</u></u>

The total cash outflow for leases for the period ended 30 June 2022 was HK\$1,531,000 (for the period ended 30 June 2021: HK\$6,133,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouse. Rental contracts are typically made for fixed periods of 2 to 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

9 INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Goods for sale	4,126	–

10 TRADE RECEIVABLES

An ageing analysis of trade receivables by invoice date as at the end of the reporting period is as follows:

	Unaudited		Audited	
	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
	HK\$'000	%	HK\$'000	%
Current	6,515	100.0	–	–
Less than 3 months past due	–	–	–	–
3-6 months past due	–	–	–	–
Over 6 months past due	–	–	–	–
Total	6,515	100.0	–	–

Trade receivables past due but not impaired represents balance that the Group considered to be fully recoverable based on the past experience. As at 30 June 2022, none of the trade receivables (31 December 2021: nil) were impaired and the expected credit losses for the trade receivables balance are not significant. No provision was made as at 30 June 2022 (31 December 2021: nil).

The maximum exposure to credit risk as at 30 June 2022 and 31 December 2021 is the carrying value as disclosed above.

11 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Prepayments	3,794	3,191
Other receivables	988	168
Rental and utility deposits	744	3,869
	<u> </u>	<u> </u>
Total	<u><u>5,526</u></u>	<u><u>7,228</u></u>

The carrying amounts of the Group's other receivables and deposits approximate to their fair values.

12 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Current assets		
Derivative contracts	3,502	4,579
Current liabilities		
Derivative contracts	(865)	(458)
	<u> </u>	<u> </u>
Total	<u><u>2,637</u></u>	<u><u>4,121</u></u>

The Group trades in foreign currencies, commodities and other products through its margin trading business. In order to protect against their exposures to fluctuations in foreign exchange rates and commodity prices, the Group has entered into a number of derivative contracts with the Group's counterparties in the normal course of business.

The notional principal amounts of the outstanding forward foreign exchange contracts as at 30 June 2022 and 31 December 2021 are HK\$155,613,000 and HK\$311,937,000 respectively.

13 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Cash and bank balances	221,276	195,487
Fixed deposits with banks	–	38,980
Client trust bank balances	<u>24,026</u>	<u>39,225</u>
	<u><u>245,302</u></u>	<u><u>273,692</u></u>

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group is not allowed to use the clients' monies to settle its own obligations in the ordinary course of business, and therefore they are not included as cash and cash equivalents in the condensed consolidated interim statement of cash flows.

As at 30 June 2022 and 31 December 2021, no bank balances are pledged to banks for banking facilities. No overdraft facility was utilised by the Group as at 30 June 2022 and 31 December 2021. None of the bank deposits are placed with market makers as collateral as at 30 June 2022 and 31 December 2021.

For the purposes of the condensed consolidated interim statement of cash flows, cash and cash equivalents comprises of the followings:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Cash and bank balances	221,276	195,487
Fixed deposits with bank with original maturity within three months	<u>–</u>	<u>38,980</u>
	<u><u>221,276</u></u>	<u><u>234,467</u></u>

14 LEASE LIABILITIES

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in Hong Kong and Australia. Under the property lease, the periodic rents are fixed over the lease term. The values in the table below reflect the current proportions of lease payments that are fixed.

30 June 2022	Lease contracts Number	Fixed payments per month HK\$'000
Properties lease with fixed payments	<u>2</u>	<u>325</u>

The movements in lease liabilities:

	<i>HK\$'000</i>
Balance as at 1 January 2021	10,699
Additions	8,891
Interest expense	288
Lease payments	(10,143)
Exchange adjustment	<u>(96)</u>
Balance as at 31 December 2021 (audited) and 1 January 2022	9,639
Interest expense	157
Lease payments	(1,531)
Disposal	(7,675)
Exchange adjustment	<u>(36)</u>
Balance as at 30 June 2022 (unaudited)	<u><u>554</u></u>

Future lease payments are due as follows:

	Future lease payments	Interest	Present value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2021 (Audited)			
Not later than one year	3,796	(397)	3,399
Later than one year and not later than two years	2,504	(261)	2,243
Later than two years and not later than five years	<u>4,174</u>	<u>(177)</u>	<u>3,997</u>
	<u>10,474</u>	<u>(835)</u>	<u>9,639</u>
As at 30 June 2022 (Unaudited)			
Not later than one year	<u>559</u>	<u>(5)</u>	<u>554</u>
	<u><u>559</u></u>	<u><u>(5)</u></u>	<u><u>554</u></u>

The present value of future lease payments are analysed as:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Current liabilities	554	3,399
Non-current liabilities	—	6,240
	<u>554</u>	<u>9,639</u>

15 TRADE AND OTHER PAYABLES

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>notes</i>	HK\$'000	HK\$'000
Trade payables		8,949	—
Accrued audit fees		1,250	2,422
Other accruals		2,166	4,482
Commission payable		268	226
Employee entitlements		1,460	2,021
Other payables	<i>(b)</i>	<u>1,047</u>	<u>345</u>
	<i>(a)</i>	<u>15,140</u>	<u>9,496</u>

Included in trade and other payables are the following trade payables by invoice date:

	Unaudited		Audited	
	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
	HK\$'000	%	HK\$'000	%
Current	8,949	100.0	—	—
Less than 3 months past due	—	—	—	—
3-6 months past due	—	—	—	—
Over 6 months past due	—	—	—	—
Total	<u>8,949</u>	<u>100.0</u>	<u>—</u>	<u>—</u>

notes:

- (a) The carrying amounts of the Group's trade and other payables approximate to their fair values.
- (b) As at 1 January 2021, other payables included approximately HK\$5.6 million of provision for penalty imposed by Financial Markets Authority due to breach of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 in New Zealand.

In 2021, a pecuniary penalty of New Zealand Dollar ("NZD") 770,000 had been imposed and settled. Over provision for penalty of NZD230,000 (equivalent to approximately HK\$1,266,000) had been reversed and recognised as "other income" in the consolidated statement of comprehensive income for the year ended 31 December 2021.

16 SHARE CAPITAL AND RESERVES

(a) Share capital

	Unaudited 30 June 2022		Audited 31 December 2021	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each (2021: same)	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:				
At beginning and end of the reporting period	<u>2,033,290,000</u>	<u>20,333</u>	<u>2,033,290,000</u>	<u>20,333</u>

(b) Reserves

Reserves includes capital reserves which represents the difference between the book value of the net assets of CLSA Premium New Zealand Limited, CLSA Premium Pty Limited and CLSA Premium International (HK) Limited over the par value of the shares issued by LXL Capital II Limited, LXL Capital III Limited and LXL Capital IV Limited in exchange for these subsidiaries as part of the reorganisation completed in 2012.

17 LITIGATIONS AND CONTINGENT LIABILITIES

Contingent liabilities from litigations with Banclogix System Co., Limited

On 6 May 2020, the Company received a writ of summons together with an indorsement of claim dated 6 May 2020 issued in the High Court of The Hong Kong Special Administrative Region by Banclogix System Co., Limited (“Banclogix”, the Group’s then IT service provider) against the Company and claims (i) that the termination of the IT service agreement by the Company was wrongful; (ii) alleged termination payment of HK\$2.5 million, software maintenance fee of approximately HK\$450,000 and IT infrastructure fee of HK\$1.5 million; and (iii) alleged loss and damages to be assessed.

The above proceedings was heard together with the High Court legal action started in 2019 by the Company (joined subsequently by its three licensed subsidiaries as plaintiffs) against Banclogix claiming for, among others, repudiatory breach of the IT service agreement by Banclogix; return of the plaintiffs’ data, costs and damages. The Company and Banclogix had a mediation on 23 June 2021. The parties did not reach an agreement.

These two legal proceedings with Banclogix are still ongoing at the end of the reporting period and as at the date of this announcement, and while the outcome and the potential financial impact are subject to uncertainties and are not practically able to be estimated, the Company’s directors consider that no provision is required at this stage of the proceedings as the legal adviser of the Company is cautiously optimistic about the outcome of the two cases with Banclogix. The Company has been contesting the claims made by Banclogix.

18 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified, to conform with the current year’s presentation and disclosures. The Company’s directors consider that such presentation would better reflect the financial performance and position of the Group. For details, please refer to Note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Significant financial information for the period ended 30 June

Consolidated profit and loss analysis

Items	Six months	Six months	Percentage
	ended 30 June	ended 30 June	changes
	2022	2021	over the
	<i>HK\$'000</i>	<i>HK\$'000</i>	corresponding
			period of
			last year
Operating results			
Total income	8,575	3,802	126%
Total expenses	(25,679)	(35,038)	-27%
Loss before tax	(17,270)	(31,366)	-45%
Loss for the period attributable to shareholders of the Company and holders of other equity instruments	(17,495)	(29,981)	-42%
Net cash used in operating activities	(7,543)	(21,927)	-66%
Loss per share (HK cents/share)			
Basic and diluted loss per share ^{note}	<u>(0.86)</u>	<u>(1.47)</u>	<u>-42%</u>

Consolidated financial position analysis

Items	30 June 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>	Percentage changes over the end of last year
Financial position			
Total assets	284,100	330,616	-14%
Total equity	245,522	268,757	-9%
Total equity attributable to equity holders of the Company	245,522	268,757	-9%
Total issued share capital (in thousand shares)	2,033,290	2,033,290	–
Net assets attributable to equity holders of the Company per share (HK\$/share) ^{note}	0.12	0.13	-8%
Gearing ratio	<u>0.2%</u>	<u>3.6%</u>	<u>-94%</u>

note: The denominator is the weighted average number of the Company's ordinary shares in issue.

Analysis on changes in owner's equity

Items	2022 <i>HK\$'000</i>
Balance at 1 January	268,757
Loss for the period	(17,495)
Other comprehensive expense	<u>(5,740)</u>
Total equity balance as at 30 June	<u><u>245,522</u></u>

The 2022 Interim Period compared with the 2021 Interim Period

Total Income

The total income of the Group increased by approximately 126% to HK\$8.58 million for the 2022 Interim Period from HK\$3.80 million for the 2021 Interim Period.

A. *Sales of goods*

The sales of goods of the Group was approximately HK\$7.60 million for the 2022 Interim Period, mainly driven by the expansion of the healthcare product business of the Group.

B. *Leveraged foreign exchange and other trading income*

The leveraged foreign exchange and other trading income of the Group decreased by approximately 52% to HK\$0.62 million for the 2022 Interim Period from HK\$1.29 million for the 2021 Interim Period. The bullion trading business has recorded approximately HK\$1.38 million of trading income in Hong Kong, offset by approximately HK\$0.77 million of trading loss in Australia.

C. *Fee and commission income*

The fee and commission income of the Group decreased by approximately 18% to HK\$23,000 for the 2022 Interim Period from HK\$28,000 for the 2021 Interim Period, mainly due to decreased stock trading volume in New Zealand.

D. *Other income*

The other income of the Group decreased by approximately 87% to HK\$0.33 million for the 2022 Interim Period from HK\$2.48 million for the 2021 Interim Period. In particular, management fee income previously derived from services provided to a related party has ceased from October 2021 so management fee income is nil for the 2022 Interim Period (the 2021 Interim Period: HK\$1.80 million). Furthermore, government subsidies is nil for the 2022 Interim Period (the 2021 Interim Period: HK\$0.27 million as the JobKeeper Payment Scheme launched by the Australian Government has ended in April 2021). See Note 3 to the interim financial information for more details.

Cost of sales

The cost of sales of the Group was HK\$5.33 million for the 2022 Interim Period, mainly including the cost of sales of the healthcare products.

Referral expenses and other charges

The referral expenses and other charges of the Group increased to HK\$1.33 million for the 2022 Interim Period from HK\$0.43 million for the 2021 Interim Period. The increase was mainly due to the increase in trading volume referred by business partners and rewards to clients.

Staff costs

The staff costs of the Group decreased by approximately 18% to HK\$10.11 million for the 2022 Interim Period from HK\$12.38 million for the 2021 Interim Period. The decrease was mainly driven by the redundancy of staff following the suspension of the New Zealand operation.

Depreciation – property, plant and equipment

Depreciation of property, plant and equipment decreased to approximately HK\$0.45 million for the 2022 Interim Period from approximately HK\$1.19 million for the 2021 Interim Period. The depreciation expense in the 2022 Interim Period is less than that of the 2021 Interim Period as some of the assets became fully depreciated in 2021.

Depreciation – right-of-use assets

Depreciation for right of use of assets decreased to approximately HK\$1.39 million for the 2022 Interim Period from approximately HK\$5.90 million for the 2021 Interim Period. The decrease was mainly due to the office relocation in 2022 and 2021.

Other operating expenses

The other operating expenses of the Group decreased by approximately 53% to HK\$7.08 million for the 2022 Interim Period from HK\$15.13 million for the 2021 Interim Period. This was mainly due to the combined effect of the decrease of professional and consultancy fees of HK\$4.15 million, the decrease of repair and maintenance (including system maintenance) fee of HK\$2.31 million and the increase of net foreign exchange gain of HK\$3.15 million, offset by the increase in insurance of HK\$1.66 million.

Net loss

For the reasons set forth above, the Group had a net loss of HK\$17.50 million for the 2022 Interim Period, compared with a net loss of HK\$29.98 million for the 2021 Interim Period.

Significant investments, material acquisitions and disposals of subsidiaries

During the 2022 Interim Period, the Group did not have any significant investments held, material acquisitions and disposals.

Liquidity and financial resources

During the 2022 Interim Period, the operations of the Group were financed principally by equity capital, cash generated by the Group's business operations and cash and bank deposits.

As at 30 June 2022, cash and bank balances held by the Group amounted to HK\$221.28 million (as at 31 December 2021: HK\$195.49 million).

Gearing ratio

The gearing ratio calculated on the basis of net debts (financial lease obligation) over the total shareholders' equity as at 30 June 2022 was approximately 0.2% (as at 31 December 2021: approximately 3.6%).

Foreign currency exposure

During the 2022 Interim Period, the Group recorded an exchange gain of HK\$4.82 million (the 2021 Interim Period: gain of HK\$1.67 million). This was mainly due to the half year end translation of monetary assets denominated in foreign currency into local reporting currency by the Company's subsidiaries in Australia and New Zealand. The foreign currency risk is managed proactively by regular review of the currency positions in the basket of currency mix. To minimise the risk exposure, the Group has a hedge strategy based on prevailing market conditions and working capital requirements of subsidiaries.

Capital Structure

During the 2022 Interim Period, the Group's capital structure consisted of equity attributable to owners of the Company, comprising issued share capital and reserves.

New products and services

During the 2022 Interim Period, save as disclosed under Business Review section, no other new products or services was launched.

Charges on the Group's assets

As at 30 June 2022, there were no charge on the Group's assets (as at 31 December 2021: nil).

Contingent liabilities

Details of the Group's contingent liabilities as at 30 June 2022 are set out in Note 17 to the interim financial information.

Employees and remuneration policies

As at 30 June 2022, the Group engaged a total of 18 employees (as at 31 December 2021: a total of 35). Total staff costs including Directors' remuneration but excluding pension scheme contributions for the 2022 Interim Period amounting to approximately HK\$9.69 million (the 2021 Interim Period: HK\$11.92 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides retirement benefits in accordance with the relevant laws and regulations in the place where the staff is employed. The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate.

BUSINESS REVIEW

In the past years, the Group's business performance has been adversely affected by the legacy issues and further impacted by the prolonged COVID-19 pandemic. To restore profitability and improve the Group's overall financial position, the management has been striving to reconstruct the margin dealing business and explore new business opportunities in the "new normal" environment. In the 2022 Interim Period, the management has decided to (i) explore business opportunities in the healthcare industry, (ii) suspend the operation in New Zealand and (iii) continue the cost reduction measures. These combined efforts have simultaneously increased the total income and decreased total expenses, reducing the net loss by 42% as compared with the 2021 Interim Period.

In the second quarter of 2022, after conducting a detailed market analysis, the management considered a penetration in the healthcare industry could diversify the Group's revenue sources and therefore launched an initial exploration into the healthcare market. In May 2022, after hiring a team with significant experience in healthcare products, the Group launched its healthcare product business via various channels. The healthcare product segment has successfully achieved approximately HK\$7.60 million of total sales revenue in the months of May and June 2022.

In the 2022 Interim Period, the margin dealing segment has achieved a 115% growth in overall client trading volume compared with the 2021 Interim Period. In particular, despite the challenges from regulatory reforms and social distancing measures, Australian client trading volume has increased by 14% compared with the 2021 Interim Period. The new bullion trading business also posted steady growth with a 47% share of total trading volume and approximately HK\$1.38 million of total trading income in the 2022 Interim Period.

Regarding the New Zealand operation, as announced previously, the Group has decided to suspend the operation due to the uncertainty of the removal of the additional licence conditions imposed by the Financial Market Authority, and the operational and financial challenges faced by the New Zealand entity. This suspension has significantly reduced the operating expenses, including an estimated HK\$4.61 million reduction in staff costs in 2022 as compared with 2021.

On the condition that there shall be no adverse effect on the business as a whole, the Group has continued to take actions to streamline operations and make the business more efficient. Apart from the cost savings derived from the suspension of the New Zealand operations, the Group has reduced (i) approximately HK\$5.28 million on the office rent and related expenses after relocating the Hong Kong office, (ii) approximately HK\$2.31 million on IT maintenance and support after negotiating a new agreement with IT services providers and (iii) approximately HK\$4.15 million in professional and consultancy expenses in the 2022 Interim Period compared with the 2021 Interim Period.

The abovementioned efforts have allowed the Group to significantly increase the total income and reduce the total expense in the 2022 Interim Period. As a result, the operating loss has decreased by 45% from HK\$31.24 million in the 2021 Interim Period to HK\$17.10 million in the 2022 Interim Period.

Business development update and progress on business plan

Given the overall refocusing effort, the Group has achieved initial results in both increasing revenue and reducing costs, the management will continue to examine closely existing businesses, reallocate resources if necessary and explore new opportunities.

The healthcare product business achieved an encouraging start in the 2022 Interim Period, with HK\$7.60 million in sales revenue in the months of May and June 2022. This success provides confidence to the team to further execute the business plan and grow the business. In the short term, the team will focus on the improvement of operational efficiency to enhance client experiences, and the expansion of its client base by active marketing based on the online campaign schedule of the e-commerce marketplaces. Subject to steady revenue growth, the Group will gradually broaden the product lineup by adding a variety of Chinese herbal medicines and explore different sales channels. The management will continue to monitor the business landscape and derive an overall business plan for the Group.

In the margin dealing business, the management can confirm the client satisfaction with our products and services from the growth in trading volume of both Australian and Hong Kong clients. In particular, the Group has received positive feedback from a number of clients who have previously experienced withdrawal and trade issues at other brokers. Under the volatile market, our fair and transparent trading conditions and adequate capital have allowed the Group to maintain its competitiveness among other retail brokers. However, the Group also recognised the need to review its dealing operations to restore and further enhance profitability from the increasing client transactions. Since the profit margin of this business segment is generally higher, as client trading volume increases, the dealing performance becomes more crucial to the trading income as well as the overall business performance. The management will continue to evaluate closely the prospects of the margin dealing business and to take appropriate actions if needed to maintain the competitiveness of the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of dividend for the 2022 Interim Period (for the 2021 Interim Period: nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the 2022 Interim Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited throughout the 2022 Interim Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Group was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the 2022 Interim Period or at any time during such period.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

Since 1 June 2022, Mr. Xu Jianqiang has been appointed as the Head of Asset Management of CLSA.

On 27 June 2022, Mr. Yuan Feng, Mr. Christopher Wesley Satterfield, Mr. Wu Jianfeng and Ms. Hu Zhaoxia have renewed the director's service contract with the Company accordingly under the same terms and conditions of the one which expired on 26 June 2022.

The basis for determining the Directors' emoluments (including bonus payments) remained unchanged during the six months ended 30 June 2022.

Save as disclosed, during the six months ended 30 June 2022, there were no other changes to the Directors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Hu Zhaoxia, Mr. Wu Jianfeng and Mr. Christopher Wesley Satterfield. Ms. Hu Zhaoxia is the chairman of the Audit Committee. The Audit Committee had reviewed and expressed no disagreement with the accounting treatment adopted by the Company in preparing the unaudited condensed consolidated interim results of the Group for the 2022 Interim Period and has provided advice and comments thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding transactions in the Company’s securities by the Directors and the directors or employees of the Company’s subsidiaries who are likely to possess the Group’s inside information.

Having made specific enquiry, all the Directors confirmed that they had complied with the Model Code during the 2022 Interim Period. Besides, no incident of non-compliance of the Model Code by the employees was noted by the Company.

By Order of the Board
CLSA Premium Limited
Yuan Feng
Executive Director

Hong Kong, 1 August 2022

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Yuan Feng (*Deputy Chief Executive Officer*)
Mr. Chung Cheuk Fan Marco

Non-executive Directors

Mr. Li Jiong (*Chairman*)
Mr. Xu Jianqiang

Independent non-executive Directors

Mr. Wu Jianfeng
Mr. Christopher Wesley Satterfield
Ms. Hu Zhaoxia