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CLSA Premium Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6877)

VOLUNTARY ANNOUNCEMENT UPDATE ON LITIGATION OF A SUBSIDIARY

This announcement is made by CLSA Premium Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis and aims to update the Company’s shareholders and potential investors on the litigation of CLSA Premium New Zealand Limited (“**CLSAP NZ**”), a subsidiary of the Company. References is made to the Company’s announcement dated 24 June 2020 (the “**Announcement**”) relating to litigation of a subsidiary of the Company. Capitalized terms used herein, unless the context otherwise requires, shall have the same meanings as those defined in the Announcement.

After the Financial Markets Authority of New Zealand (“**FMA**”) filed its proceedings in June 2020 alleging CLSAP NZ’s failure to comply with its obligations under the AML/CFL Act (the “**Act**”) between April 2015 and November 2018 (the “**Relevant Period**”), CLSAP NZ has successfully reached an agreement with the FMA and filed an Agreed Statement of Facts (the “**Agreed Statement of Facts**”) with the FMA with the High Court of New Zealand. A court hearing for a pecuniary penalty is now set down for 5 July 2021.

CLSAP NZ has admitted the following breaches:

- 1) Failure to conduct customer due diligence as required by Part 2 of the Act;
- 2) Failure to terminate an existing business relationship in accordance with section 37 of the Act;
- 3) Failure to report suspicious transactions/activities as required by section 40 of the Act;
and
- 4) Failure to keep records in accordance with sections 49 and 50 of the Act.

The above admission was on the terms set out in the Agreed Statement of Facts, which set out the details of the transactions that took place in the Relevant Period.

Steps taken by CLSAP NZ to strengthen compliance with the Act

- 1) CLSAP NZ has reviewed and revised its AML/CFT compliance programme and risk assessment over the last year to incorporate feedback from external auditors, address issues identified by the FMA, and strengthen CLSAP NZ's compliance with the Act. This has involved amending CLSAP NZ's procedures, policies and controls regarding conducting enhanced customer due diligence, obtaining evidence of the source of wealth or funds of clients, suspicious transaction reporting, directors' interference in AML/CFT processes and terminating business relationships with clients, as well as making other updates.
- 2) In August 2020, independent AML/CFT auditor was engaged to conduct a reasonable assurance audit of CLSAP NZ's risk assessment and AML/CFT programme. Any recommendation by the independent auditors were incorporated into the compliance programme of CLSAP NZ.
- 3) Experienced compliance manager, risk officer, and AML/CFT compliance officer were hired by CLSAP NZ in 2020, and all staff have completed a number of internal and external training sessions covering the Act, its internal risk assessment and compliance programme, onboarding processes of different types of customers (including customer due diligence), understanding the source of funds and source of wealth of customers and record keeping etc.
- 4) For record keeping, as disclosed in the Company's announcement dated 9 March 2020, the Group has moved away from its reliance on the previous IT service provider and engaged new IT service provider to ensure all records are remain accessible. Better control was also put in place for keeping hard copies of documents.
- 5) CLSAP NZ has appointed new directors to its board.
- 6) Different independent external auditors were engaged to perform assessment of the internal controls over the business processes and also to review the compliance assurance program. The latest assessment report on the compliance assurance program show significant improvements in CLSAP NZ's compliance culture and framework.

The Company will keep its shareholders and potential investors informed of any further material development by way of announcement as and when appropriate.

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

Hong Kong, 6 May 2021

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

Executive Directors

Mr. Yuan Feng (*Deputy Chief Executive Officer*)
Mr. Wu Fei

Non-executive Directors

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

Independent non-executive Directors

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