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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 2020

The board (the “**Board**”) of directors (the “**Director(s)**”) of CLSA Premium Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) presents the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019. The condensed consolidated interim financial statements have not been audited but were reviewed by the Company’s audit committee (the “**Audit Committee**”) and approved for issuance by the Board.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Notes	HK\$'000	HK\$'000
Leveraged foreign exchange and other trading income	3	2,225	8,017
Cash dealing income	3	755	45
Fee and commission income	3	44	3,311
Other income	3, 4	8,981	1,103
Total income		12,005	12,476
Referral expenses and other charges		(1,346)	(15,017)
Staff costs	5	(7,895)	(18,868)
Depreciation – property, plant and equipment and amortisation of intangible assets	10, 11	(1,389)	(7,872)
Depreciation – right-of-use assets	12	(5,830)	(5,819)
Lease payments under land and buildings		(775)	(2,318)
Administrative and other operating expenses	6	(22,304)	(26,477)
Total expenses		(39,539)	(76,371)

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
Operating loss		(27,534)	(63,895)
Finance cost		(379)	(13,050)
		<hr/>	<hr/>
Loss before tax		(27,913)	(76,945)
Income tax credit/(expense)	7	6,711	(159)
		<hr/>	<hr/>
Loss for the period		(21,202)	(77,104)
		<hr/>	<hr/>
Other comprehensive (expense)/income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation difference		(4,690)	153
		<hr/>	<hr/>
Other comprehensive (expense)/income for the period, net of tax		(4,690)	153
		<hr/>	<hr/>
Total comprehensive expense for the period		(25,892)	(76,951)
		<hr/>	<hr/>
Loss per share for loss attributable to the equity holders of the Company for the period			
– Basic and diluted (HK cents per share)	9	(1.04)	(3.79)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,942	5,900
Intangible assets	11	2	2
Right-of-use assets	12	15,991	21,894
Deferred tax assets		923	1,712
		<hr/>	<hr/>
Total non-current assets		21,858	29,508
		<hr/>	<hr/>
Current assets			
Other receivables, prepayments and deposits	13	10,875	8,711
Tax prepayment		46	4,680
Derivative financial instruments	14	6,965	11,416
Balances due from agents		37,721	26,202
Cash and bank balances and client trust bank balances	15	364,592	423,727
		<hr/>	<hr/>
Total current assets		420,199	474,736
		<hr/>	<hr/>
Total assets		442,057	504,244
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	20,333	20,333
Reserves		328,377	336,909
Retained earnings		16,411	33,739
		<hr/>	<hr/>
Total equity		365,121	390,981
		<hr/>	<hr/>

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Finance lease obligations	16	11,778	11,718
Tax payable		54	2,069
Other payables and accrued liabilities	17	9,300	27,063
Derivative financial instruments	14	1,101	833
Clients' balances	18	45,519	56,146
		<hr/>	<hr/>
Total current liabilities		67,752	97,829
		<hr/>	<hr/>
Non-current liabilities			
Finance lease obligations	16	4,473	10,531
Deferred tax liabilities		4,711	4,903
		<hr/>	<hr/>
Total non-current liabilities		9,184	15,434
		<hr/>	<hr/>
Total liabilities		76,936	113,263
		<hr/>	<hr/>
Total equity and liabilities		442,057	504,244
		<hr/>	<hr/>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 November 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of leveraged foreign exchange and other trading, cash dealing business, and other services.

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2020, 59.03% of the total issued shares of the Company are held by CITIC Securities Overseas Investment Company Limited (a company incorporated in Hong Kong and its ultimate holding company is CITIC Securities Company Limited which incorporated in People's Republic of China), 14.75% are held by KVB Holdings Limited and the remaining 26.22% are held by public.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated. These interim financial statements have not been audited but were reviewed by the Audit Committee and approved for issuance by the Board on 24 August 2020.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(i) Estimation of income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. 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 geographical and product perspective.

Summary details of the business segments are as follows:

- (a) the margin dealing segments engage in the provision of leveraged foreign exchange, commodity and index trading services in Australia, Hong Kong and New Zealand;

- (b) the unleveraged cash dealing segment engages in the provision of non-leveraged foreign exchange trading services in New Zealand. Unleveraged cash dealing services were provided to corporate clients, in particular, those clients engaged in money changing business for the purpose of hedging their cash positions and meeting settlement obligations. The Group is rewarded by the spread between the price quoted to our clients and the price offered by our market makers; and
- (c) the PRC business segment primarily engaged in provision of trading and settlement of precious metals in PRC.

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 2020 and 2019.

The segment information provided to the management for the reportable segments for the six months period ended 30 June 2020 and 2019 is as follows:

For the six months ended 30 June 2020 (Unaudited)

	New Zealand margin dealing HK\$'000	Hong Kong margin dealing HK\$'000	Australia margin dealing HK\$'000	New Zealand cash dealing HK\$'000	PRC business HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	590	(43)	1,678	755	-	-	-	2,980
Segment revenue	590	(43)	1,678	755	-	-	-	2,980
Fee and commission income	44	-	-	-	-	-	-	44
Other income/(losses)	5,968	1,420	911	-	708	471	(497)	8,981
Total revenue and other income	<u>6,602</u>	<u>1,377</u>	<u>2,589</u>	<u>755</u>	<u>708</u>	<u>471</u>	<u>(497)</u>	<u>12,005</u>
Segment (loss)/profit	(6,225)	(15,429)	(6,138)	(26)	(566)	471		(27,913)
Loss before tax								(27,913)
Income tax credit								6,711
Loss for the period								(21,202)
Other segment information:								
Depreciation and amortisation	80	6,055	1,084	-	-	-		7,219
Lease payments	297	-	461	-	17	-		775
Finance cost	1	213	165	-	-	-		379

For the six months ended 30 June 2019 (Unaudited)

	New Zealand margin dealing HK\$'000	Hong Kong margin dealing HK\$'000	Australia margin dealing HK\$'000	New Zealand cash dealing HK\$'000	PRC business HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading								
income earned from external customers	10,549	2	(2,534)	45	–	–	–	8,062
Inter-segment sales	–	1,741	–	–	–	–	(1,741)	–
Segment revenue	10,549	1,743	(2,534)	45	–	–	(1,741)	8,062
Fee and commission income	3,175	–	61	–	–	75	–	3,311
Other income/(losses)	1,005	–	4	–	(28)	122	–	1,103
Total revenue and other income	<u>14,729</u>	<u>1,743</u>	<u>(2,469)</u>	<u>45</u>	<u>(28)</u>	<u>197</u>	<u>(1,741)</u>	<u>12,476</u>
Segment (loss)/profit	(8,558)	(1,812)	(4,208)	(299)	(1,481)	197		(16,161)
Other unallocated staff costs								(9,841)
Other unallocated administrative and operating expenses								(50,943)
Loss before tax								(76,945)
Income tax expense								(159)
Loss for the period								(77,104)
Other segment information:								
Depreciation and amortisation	–	19	4	–	291	13,377		13,691
Lease payments	–	235	–	–	760	1,323		2,318
Finance cost	26	–	–	–	–	13,024		13,050

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Australia	1,678	(2,534)
New Zealand	1,345	10,594
Others	(43)	2
	<u>2,980</u>	<u>8,062</u>

None of the external customers contributes more than 10% 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.

There are no material differences from the Company's 2019 annual report in the basis of segmentation or in the basis of measurement of segment profit or loss.

4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income	1,178	3,195
Exchange gains/(losses), net	5,457	(862)
Government subsidies	501	–
Amortisation of deferred losses on conversion component of the convertible bonds	–	(828)
Loss on redemption of the convertible bonds	–	(981)
Rental reimbursement	1,213	521
Others	632	58
	8,981	1,103

5 STAFF COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Staff costs:		
Salaries and allowances	7,582	18,373
Pension scheme contributions	281	440
Share option expenses (<i>Note 20</i>)	32	55
	7,895	18,868

6 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Management fees paid to the then immediate holding company	–	310
Other office occupation expenses	1,169	1,609
Auditor's remuneration		
– Audit services	1,492	1,516
– Non-audit services	144	157
Information services expenses	1,480	1,493
Professional and consultancy fee	12,903	1,827
Repair and maintenance (including system maintenance)	3,472	8,547
Marketing, advertising and promotion expenses	19	6,743
Handling fee expenses	–	215
Travelling expenses	346	1,577
Entertainment expenses	19	291
Insurance	313	304
Clients' debit balances written off	–	80
Staff training	52	19
Impairment of fixed assets	–	408
Others	895	1,381
	<hr/>	<hr/>
	22,304	26,477
	<hr/> <hr/>	<hr/> <hr/>

7 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit in Hong Kong for each of the respective periods. 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% (2019: 28%) in New Zealand, 30% (2019: 30%) in Australia and 25% (2019: 25%) in PRC respectively in accordance with the local tax authorities.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax:		
Credit/(charge) for the period	–	–
Others	<u>7,335</u>	<u>(159)</u>
Total current tax credit/(expense)	<u>7,335</u>	<u>(159)</u>
Deferred tax:		
Decrease in deferred tax assets	<u>(624)</u>	<u>–</u>
Total deferred tax benefit	<u>(624)</u>	<u>–</u>
Income tax credit/(expense)	<u><u>6,711</u></u>	<u><u>(159)</u></u>

8 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

9 LOSS PER SHARE

(a) Basic 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	
	2020	2019
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	<u>(21,202)</u>	<u>(77,104)</u>
	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>(1.04)</u></u>	<u><u>(3.79)</u></u>

10 PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Opening net carrying amount	5,900	9,454
Exchange adjustments	(84)	(46)
Additions	517	981
Disposals	(2)	(120)
Depreciation	(1,389)	(3,969)
Impairment	<u>–</u>	<u>(400)</u>
Closing net carrying amount	<u><u>4,942</u></u>	<u><u>5,900</u></u>

11 INTANGIBLE ASSETS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Opening net carrying amount	2	43,835
Exchange adjustments	–	(99)
Additions	–	5,245
Amortisation	–	(11,473)
Impairment	<u>–</u>	<u>(37,506)</u>
Closing net carrying amount	<u><u>2</u></u>	<u><u>2</u></u>

12 RIGHT-OF-USE ASSETS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Right-of-use assets – office premises	<u>15,991</u>	<u>21,894</u>
Total	<u><u>15,991</u></u>	<u><u>21,894</u></u>

The Groups obtain right to control the use of various office premises for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of terms and conditions including lease payments and lease terms ranging from 2 to 3 years. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements.

There is no additions to the right-of-use assets during the six-month period ended 30 June 2020. During the six-month ended 30 June 2020, total cash outflow for leases amounted HK\$6.2 million which is included in net cash used in financing activities and the total depreciation charged on the right-of-use assets amounted to HK\$5.8 million.

13 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Rental and utility deposits	4,232	3,925
Prepayments	5,017	3,498
Other receivables	1,666	1,328
Provision for expected credit loss	<u>(40)</u>	<u>(40)</u>
Total	<u><u>10,875</u></u>	<u><u>8,711</u></u>

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

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Current assets		
Derivative contracts	6,965	11,416
Current liabilities		
Derivative contracts	(1,101)	(833)
Total	<u>5,864</u>	<u>10,583</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 foreign exchange forward transactions and contracts for difference with the Group's bankers in the normal course of business.

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2020 and 31 December 2019 are HK\$252,510,000 and HK\$1,743,747,000 respectively.

15 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Cash and bank balances	281,631	178,542
Fixed deposits with banks	43,762	201,112
Client trust bank balances	39,625	44,499
Provision for expected credit loss	(426)	(426)
	<u>364,592</u>	<u>423,727</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 2020, there is no fixed deposits are pledged to banks for banking facilities. As at 31 December 2019, fixed deposits of approximately HK\$84,120,000 are pledged to banks for banking facilities. No overdraft facility was utilised by the Group as at 30 June 2020 and 31 December 2019. None of the bank deposits are placed with market makers as collateral as at 30 June 2020 and 31 December 2019.

16 FINANCE LEASE OBLIGATIONS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Gross finance lease obligations		
– minimum lease payments		
Not later than 1 year	12,106	12,138
Later than 1 year and no later than 5 years	4,545	10,673
	<u>16,651</u>	<u>22,811</u>
Future finance charges on finance lease obligations	(400)	(562)
	<u>16,251</u>	<u>22,249</u>
Present value of finance lease	<u>16,251</u>	<u>22,249</u>

The present value of finance lease obligations is as follows:

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Not later than 1 year	11,778	11,718
Later than 1 year and no later than five years	4,473	10,531
	<u>16,251</u>	<u>22,249</u>

17 OTHER PAYABLES AND ACCRUED LIABILITIES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Accrued audit fees	2,796	4,388
Other accruals	5,542	9,349
Commission payable	(75)	342
Employee entitlements	660	682
Other payables	377	12,302
	<u>9,300</u>	<u>27,063</u>

The carrying amounts of the Group's other payables and accrued liabilities approximate to their fair values.

18 CLIENTS' BALANCES

The balances represent margin deposits received from clients and the realised profit or loss from their trading activities under normal course of business. The carrying amounts approximate to their fair values.

19 SHARE CAPITAL AND RESERVE

(a) Share capital

	Unaudited 30 June 2020		Audited 31 December 2019	
	<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 (2019: 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) Reserve

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.

20 SHARE OPTION SCHEME

On 29 December 2016, the Company granted 40,000,000 share options to 95 individuals (the “**2016 Grantees**”) for their subscription of new ordinary shares of HK\$0.01 each in the share capital of the Company.

These share options are exercisable at HK\$0.592 per share, with varying vesting period and validity from the date of grant. 37 out of 95 of the 2016 Grantees were granted share options which are exercisable for a period of three years commencing on the date of grant to 28 December 2019. 9 out of 95 of the 2016 Grantees were granted share options which are exercisable for a period of three years commencing on the date falling on the first anniversary of the date of grant to 28 December 2020, with a vesting period of one year from the date of grant. The remaining 49 of the 2016 Grantees were granted options which are exercisable for a period of two years commencing on the date falling on the second anniversary of the date of grant to 28 December 2020, with a vesting period of two years from the date of grant. Among the 40,000,000 share options granted, 11,750,000 share options were granted to the directors and chief executives of the Company.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

Grantee	Date of grant	Outstanding as at 31 December 2019	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding as at 30 June 2020	Exercise price HK\$	Exercise period
Liu Stefan	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Huang Songyuan	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Wong Yiu Kit Ernest	29 December 2016	250,000	–	(250,000)	–	–	0.592	29 December 2018 to 28 December 2019
Stephen Gregory McCoy	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Zhao Guixin	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Corenlis Jacobus Keyser	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Lin Wenhui	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Employees of group companies	29 December 2016	–	–	–	–	–	0.592	29 December 2016 to 28 December 2019
Employees of group companies	29 December 2016	650,000	–	–	–	650,000	0.592	29 December 2017 to 28 December 2020
Employees of group companies	29 December 2016	3,300,000	–	(600,000)	–	2,700,000	0.592	29 December 2018 to 28 December 2020
Consultants	29 December 2016	350,000	–	–	–	350,000	0.592	29 December 2017 to 28 December 2020
Consultants	29 December 2016	100,000	–	–	–	100,000	0.592	29 December 2018 to 28 December 2020
		<u>4,650,000</u>	<u>–</u>	<u>(850,000)</u>	<u>–</u>	<u>3,800,000</u>		

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Details of the share options granted on 29 December 2016 was as follows:

Weighted average share option price at the grant date:	HK\$0.2385
Risk free interest rate:	1.443%
Expected volatility:	70.97%
Expected dividend yield:	0%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 29 December 2016, being the date of grant of the share options. The expected dividend yield is determined with reference to historical dividend payment history of comparable listed companies up to the measurement date. The expected volatility of share price is determined with reference to annualised historical weekly volatility of comparable listed companies' share prices as of the valuation date, as extracted from Bloomberg.

No share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

On 22 March 2018, the Company granted 40,000,000 share options to 82 individuals (the “**2018 Grantees**”) for their subscription of new ordinary shares of HK\$0.01 each in the share capital of the Company.

These share options are exercisable at HK\$0.495 per share, with varying vesting period and validity from the date of grant. 37 out of 82 of the 2018 Grantees were granted share options which are exercisable for a period of three years commencing on the date of grant to 21 March 2021. 11 out of 82 of the 2018 Grantees were granted share options which are exercisable for a period of three years commencing on the date falling on the first anniversary of the date of grant to 21 March 2022, with a vesting period of one year from the date of grant. The remaining 34 of the 2018 Grantees were granted options which are exercisable for a period of two years commencing on the date falling on the second anniversary of the date of grant to 21 March 2022, with a vesting period of two years from the date of grant. Among the 40,000,000 share options granted, 12,200,000 share options were granted to the directors and chief executives of the Company.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

Grantee	Date of grant	Outstanding as at 31 December 2019	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding as at 30 June 2020	Exercise price HK\$	Exercise period
Liu Stefan	22 March 2018	10,000,000	–	(10,000,000)	–	–	0.495	22 March 2018 to 21 March 2021
Huang Songyuan	22 March 2018	3,800,000	–	(3,800,000)	–	–	0.495	22 March 2018 to 21 March 2021
Wong Yiu Kit Ernest	22 March 2018	1,550,000	–	(1,550,000)	–	–	0.495	22 March 2018 to 21 March 2021
Stephen Gregory McCoy	22 March 2018	1,000,000	–	–	–	1,000,000	0.495	22 March 2018 to 21 March 2021
Zhao Guixin	22 March 2018	400,000	–	(400,000)	–	–	0.495	22 March 2018 to 21 March 2021
Corenlis Jacobus Keyser	22 March 2018	400,000	–	(400,000)	–	–	0.495	22 March 2018 to 21 March 2021
Lin Wenhui	22 March 2018	400,000	–	(400,000)	–	–	0.495	22 March 2018 to 21 March 2021
Employees of group companies	22 March 2018	11,500,000	–	(2,000,000)	–	9,500,000	0.495	22 March 2018 to 21 March 2021
Employees of group companies	22 March 2018	1,650,000	–	(50,000)	–	1,600,000	0.495	22 March 2019 to 21 March 2022
Employees of group companies	22 March 2018	2,250,000	–	(1,100,000)	–	1,150,000	0.495	22 March 2020 to 21 March 2022
Consultants	22 March 2018	550,000	–	–	–	550,000	0.495	22 March 2019 to 21 March 2022
		<u>33,500,000</u>	<u>–</u>	<u>(19,700,000)</u>	<u>–</u>	<u>13,800,000</u>		

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Details of the share options granted on 22 March 2018 was as follows:

Weighted average share option price at the grant date:	HK\$0.1735
Risk free interest rate:	1.668%
Expected volatility:	56.39%
Expected dividend yield:	0%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 22 March 2018, being the date of grant of the share options. The expected dividend yield is determined with reference to historical dividend payment history of comparable listed companies up to the measurement date. The expected volatility of share price is determined with reference to annualised historical weekly volatility of comparable listed companies' share prices as of the valuation date, as extracted from Bloomberg.

A total of HK\$32,000 share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board presents the unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 (“**2020 Interim Period**”), together with the unaudited comparative figures for the corresponding periods in 2019 (“**2019 Interim Period**”).

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

Market Review

During the 2020 Interim Period, the world economy was slammed by the COVID-19 pandemic, for which there is no sign of alleviation in the near future. Worldwide central banks intervened to maintain liquidity and to mitigate the economic shock. The European Central Bank had announced a €750 billion asset-purchase programme with an aim of stabilising and strengthening the Euro through the pandemic. Moreover, the European Commission has collated a €25 billion investment fund for the cause and has agreed to a more relaxed policy on budget rules to encourage public spending and the support of affected businesses by their corresponding government. In the United Kingdom, the Bank of England has cut interest rate to 0.1%, an unprecedented response, in an attempt to dampen the effects of COVID-19 pandemic as well as an attempt to maintain the confidence of unnerved investors. In March 2020, the US Federal Reserve (the “**Fed**”) also decreased interest rate by 0.5% in an attempt to soften the blow of the virus on the US economy. To ensure that liquidity was intact, the Fed also committed to purchasing US\$125 billion in bonds and offering US\$300 billion lending to Main Street businesses.

Since the beginning of the year 2020, crude oil prices have hit a major slump. The oil demand forecast slump as a result of lockdowns across the world and the oil firms are expected to suffer from the cost for fuel storage. The price of US oil turned negative in April 2020 for the first time in history and caught investors off guard. As the price per barrel continues to stagnate, industry experts have estimated that oil demand may take until 2022 to see a full recovery.

In the currency market, the NZD/USD swing wider in 2020 Interim Period at 1,111 pips range, ceiling at 0.6735 and floored at 0.5624, compared with 426 pips range in 2019 Interim Period, topped at 0.6917 and floored at 0.6491.

The AUD/USD price fluctuated in a broad range during 2020 Interim Period as well. The highest and lowest prices were observed to be 0.7023 and 0.5741 respectively, at a nearly 1,282 pips range. This can be compared with the 554 pips range observed from 2019 Interim Period, with the highest level of 0.7295 and the lowest level of 0.6741.

The price movement of EUR/USD in 2020 Interim Period was in a much wider range compared with that of 2019 Interim Period. The highest and the lowest price levels of EUR/USD were traded at 1.1397 and 1.0658 respectively, at an approximately 739 pips trading range; as compared with the price movement of 463 pips in 2019 Interim Period, with the highest level at 1.1570 and the lowest at 1.1107.

GBP/USD was very volatile in 2020 Interim Period which was trading in the range of 1,759 pips, trading at the highest and lowest at 1.3251 and 1.1492 respectively. The price range of GBP/USD in 2019 Interim Period was 940 pips, with the highest price at 1.3381 and the lowest price at 1.2441.

For CFD and commodities, both gold and crude oil were traded within wider price ranges than those of the 2019 Interim Period.

The gold was traded in a baggy range of \$303.35 USD/ounce at between \$1,775.70 USD/ounce and \$1,472.35 USD/ounce for the 2020 Interim Period. In contrast, the 2019 Interim Period price range was \$172.86 USD/ounce; with the highest price at \$1,439.21 USD/ounce, and the lowest at \$1,266.35 USD/ounce.

The crude oil price in 2020 Interim Period coasted in a range of \$52.012 USD/barrel from the high of \$63.27 USD/barrel to the low of \$11.258 USD/barrel where the price movement of crude oil in 2019 Interim Period was stable that traded in the range of \$16.39 USD/barrel, with the highest price traded at \$74.46 USD/barrel and the lowest traded at \$58.07 USD/barrel.

FX margin trading is a highly competitive market that involves many international multi-product trading firms, online trading firms, and financial institutions with thin margin. The fluctuation of 2020 market sentiment would make benefit to the Group's revenue. The Group will capitalise on its brand and market position and diversify our client base to other market participants. Second half of 2020 is filled with uncertainties that would provide more opportunities to the clients. Backed by the CLSA group, we have the resources and intellectuals that will steer the business to the right track amid the gloomy market sentiment. Set sail in 2020 Interim Period, we believe the Group will navigate through the misty economies.

Business Review

The COVID-19 pandemic has had a more negative impact on our activities in the first half of 2020 than anticipated. For example, the campaigns aiming to promote the Group's business postponed in New Zealand and Australia, our two major geographical segments, due to lock down in first half of 2020.

For currency trade, our clients were mainly trading in NZD/USD, AUD/USD, EUR/USD and GBP/USD. For commodities, they are trading mainly in gold and crude oil.

2020 Interim Period compared with 2019 Interim Period

Income

The total income of the Group slightly decreased by approximately 4% to approximately HK\$12.0 million for the 2020 Interim Period from approximately HK\$12.5 million for the 2019 Interim Period.

Although we have visited our major clients in Australia back in February 2020 and offered them new trading incentive scheme that were well received, trading volume was still slammed by lockdowns in Australia and New Zealand, which were the main geographic segments of the Group. The leveraged foreign exchange and other trading income of the Group decreased by approximately 72.2% to approximately HK\$2.2 million for 2020 Interim Period from approximately HK\$8.0 million for 2019 Interim Period. Cash dealing income of the Group increased by approximately HK\$0.7 million from 2019 Interim Period to 2020 Interim Period whereas the fee and commission income of the Group decreased by approximately HK\$3.3 million from 2019 Interim Period to 2020 Interim Period. The decrease was mainly attributed by the lower trading volume during 2020 Interim Period as compared to 2019 Interim Period.

The Group recorded other income of approximately HK\$9.0 million for 2020 Interim Period, compared with approximately HK\$1.1 million for 2019 Interim Period. Due to lockdowns in New Zealand and Australia, we received approximately HK\$0.5 million subsidies from the Government of both countries for 2020 Interim Period. For 2019 Interim Period, there were a loss on redemption of approximately HK\$1.0 million on the convertible bonds issued on 12 February 2018 and amortisation of deferred loss on the conversion components of convertible bonds. There were no such losses in 2020 Interim Period. The rental reimbursement increased from approximately HK\$0.5 million in 2019 Interim Period to approximately HK\$1.2 million in 2020 Interim Period as we occupied less and sublet more office space in Hong Kong to our related companies. During 2020 Interim Period, the Group recorded an exchange gain of approximately HK\$5.5 million as compared to an exchange loss of approximately HK\$0.9 million during 2019 Interim Period. This was mainly due to the period end translation of monetary assets denominated in foreign currency into local reporting currency by CLSA Premium New Zealand Limited (“**CLSAP NZ**”, formerly known as “KVB Kunlun New Zealand Limited”), a wholly-owned subsidiary of the Company.

Referral expenses and other charges

The referral expenses and other charges of the Group decreased to approximately HK\$1.3 million for 2020 Interim Period from approximately HK\$15.0 million for 2019 Interim Period. The decrease was mainly due to the decrease in trading volume referred by service providers.

Staff costs

The staff costs of the Group decreased by approximately 58.2% to approximately HK\$7.9 million for 2020 Interim Period from approximately HK\$18.9 million for 2019 Interim Period. The decrease was mainly due to the departure of some high-paid key management in the second half of 2019, who were also paid hefty bonus of approximately HK\$8.5 million in 2019 Interim Period, while there was no such bonus in 2020 Interim Period.

Depreciation & amortisation

Depreciation and amortisation of property, plant and equipment decreased to approximately HK\$1.4 million for 2020 Interim Period from approximately HK\$7.9 million for 2019 Interim Period. The decrease was mainly due to the absence of amortisation of intangible assets in 2020 Interim Period as the intangible assets were fully impaired as of 31 December 2019, where the amortisation was approximately HK\$5.7 million.

Depreciation – right-of-use assets

Depreciation for right of use of assets had no significant change which were approximately HK\$5.8 million in both 2020 Interim Period and 2019 Interim Period.

Lease payments under land and buildings

Lease payments under land and buildings have decreased by approximately 66.6% to approximately HK\$0.8 million for 2020 Interim Period from approximately HK\$2.3 million for 2019 Interim Period. The decrease was mainly attributed to the cost saving measure that we moved to offices of smaller size in New Zealand and Australia.

Administrative and other operating expenses

The administrative and other operating expenses of the Group decreased by approximately 15.8% to approximately HK\$22.3 million for 2020 Interim Period from approximately HK\$26.5 million for 2019 Interim Period. This was mainly due to decrease of approximately HK\$5.1 million in repair and maintenance and approximately HK\$6.7 million in marketing, advertising and promotion expenses.

Net loss

For the reasons set forth above, the Group had a net loss of approximately HK\$21.2 million for 2020 Interim Period, compared with a net loss of approximately HK\$77.1 million for 2019 Interim Period.

SIGNIFICANT INVESTMENTS, THEIR PERFORMANCE AND FUTURE PROSPECTS

During 2020 Interim Period, the Group did not have any significant investments held, material acquisitions and disposals.

LIQUIDITY AND FINANCIAL RESOURCES

During the 2020 Interim Period, the operation of the Group was financed principally by equity capital, cash generated by the Group's business operations and cash and bank deposits.

As at 30 June 2020, cash and bank balance held by the Group amounted to approximately HK\$325.4 million (as at 31 December 2019: approximately HK\$379.7 million).

GEARING RATIO

The gearing ratio calculated on the basis of net debts (financial lease obligation and amounts due to other related parties) over the total shareholders' fund as at 30 June 2020 was approximately 4.5% (31 December 2019: approximately 5.7%).

FOREIGN CURRENCY EXPOSURE

During the 2020 Interim Period, the Group recorded an exchange gain of approximately HK\$5.5 million (2019 Interim Period: loss of approximately HK\$0.9 million). This was mainly due to the half year end translation of monetary assets denominated in foreign currency into local reporting currency by a subsidiary of the Group in New Zealand. The foreign currency risk is managed proactively by regular review of the currency positions in the basket of currency mix. In order to minimize the exposure of the Group to risk, the Group has hedge strategy based on prevailing market conditions and working capital requirements of subsidiaries.

CAPITAL STRUCTURE

During the 2020 Interim Period, the capital structure of the Group consisted of equity attributable to owners of the Company, comprising issued share capital and reserves.

NEW PRODUCTS AND SERVICES

During the 2020 Interim Period, there was no new products or services launched.

CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not pledge any of its assets (as at 31 December 2019: nil).

On 23 June 2020, CLSAP NZ, a subsidiary of the Company, received a statement of claim filed by the Financial Markets Authority (“FMA”) of New Zealand in the High Court of New Zealand for alleged breaches of the Anti-Money Laundering and Countering Financing of Terrorism Act by CLSAP NZ (the “**Proceedings**”).

The FMA is seeking a pecuniary penalty against CLSAP NZ and costs under the Proceedings. In the FMA’s media release dated 23 June 2020 on the Proceedings, it is stated that the maximum pecuniary penalty for the alleged breaches is NZ\$2 million for a company. Details of this litigation was set out in the Company’s announcement dated 24 June 2020 (as at 31 December 2019: no contingent liabilities).

The Company will make further announcement(s) regarding the status of the Proceedings as and when appropriate.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group engaged a total of 30 employees (as at 31 December 2019: a total of 29). Total staff costs including Directors’ remuneration for the 2020 Interim Period amounting to approximately HK\$8.0 million (2019 Interim Period: approximately HK\$18.9 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.

UPDATES ON THE PLAN TO ADDRESS THE DISCLAIMER OF AUDIT OPINION ARISING FROM THE 2019 ANNUAL REPORT

As disclosed in the Company's announcement dated 24 April 2020 (the "**Announcement**"), the fundamental reason for the disclaimer of audit opinion made by the independent auditor for the year ended 31 December 2019 was due to denial of the auditor's access to the evidence relating to the Group's Legacy Systems (as defined in the Announcement) and the data contained in the databases and servers maintained by Banclogix System Co., Limited ("**Banclogix**", the Group's then IT service provider) which are necessary for the purpose of the audit. To tackle the issues mentioned, the Board had spent tremendous effort to migrate the IT platform completely from Banclogix to under CLSA Limited ("**CLSA**", the new IT service provider) control since August 2019. The Board has adopted and accomplished different measures of IT platform migration including (i) shared drives and file servers migration (completed in December 2019); (ii) trading servers migration (completed in December 2019); and (iii) e-mail migration (completed in October 2019). Also as disclosed in the Company's announcements dated 9 March 2020 and 23 March 2020, the Company had terminated a renewed information technology services agreement with Banclogix and entered into a new information technology services agreement with CLSA which had taken effect on 17 March 2020. The Board, including the Audit Committee, believes that the above solutions already addressed the issues raised by the auditor under the disclaimer of opinion and there is no material carry forward effect on the financial statements for the year ending 31 December 2020 as the issues have already been resolved by the new IT service provider.

BUSINESS DEVELOPMENT UPDATE AND PROGRESS ON BUSINESS PLAN

During the 2020 Interim Period, the Company launched multiple campaigns to Australian clients and received promising feedback from many clients. Moreover, the Company has been working to implement an institutional-grade trading infrastructure, to further enhance trade execution quality and trading experience of clients. This new infrastructure will also allow the Company to expand liquidity provision to institutional clients including retail brokers, hedge funds, proprietary trading companies and professional traders.

In view of the downward pressure faced by the world economy, coupled with the US-China trade war and worldwide spread of COVID-19, every industry is gradually feeling the impact, the global financial market is fluctuating violently, investors are increasingly cautious in making investment and market sentiment is warier and warier. Governments and central banks across the globe are doing everything possible to stabilise the economy and market confidence. The global markets are clouded by uncertainties and may continue to dominate markets development. However, the uncertainties will bring along opportunities to the markets.

In the second half of 2020, the rising uncertainty will likely create a more volatile market and further activate client activities. The Company is looking to add a wide range of products and associated services to assist its clients to capture trading opportunities in various asset classes, as well as working hard to maintain the pricing spread at the tightest level despite increasing market volatility.

Client experience and satisfaction are always the top priority. The Company is releasing a new client relationship management application including an online Client Portal in August 2020. Clients will be able to complete the account opening process fully online and start trading in as soon as 1 business day. The Client Portal offers powerful tools which make it stressless for clients to do daily administration tasks - such as deposit, withdrawal and password change - and monitor live positions, margin status and transaction details. The Company website is scheduled to be extensively upgraded to provide market information and improve interactions with clients, business partners and investors.

Starting from September 2020, the Company plans to launch a series of campaigns to reward existing clients as well as to attract new clients. Apart from the retail space, the Company sees valuable opportunities in the institutional space where the needs of many small to mid-sized institutions, including professional traders, proprietary trading companies, retail brokers and hedge funds, are not sufficiently met. Upon the completion of the new trading infrastructure, the Company plans to develop its global institutional client base and expects to start onboarding institutional clients in the fourth quarter of 2020.

Once all of the above are implemented, the Company's business will be ameliorated.

SUBSEQUENT EVENT

Reference is made to the Company's announcement dated 4 August 2020 and the circular dated 19 August 2020 respectively in relation to the requisition received from a shareholder of the Company, KVB Holdings Limited, for proposed winding up of the Company. Unless the context otherwise requires, capitalized terms used in this section shall have the same meanings as those defined in the Company's announcement dated 4 August 2020.

On 31 July 2020, the Company received another letter from the Requisitionist requesting the Company to convene another extraordinary general meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the same Requisition Resolution which was not passed as special resolution of the Company by the Shareholders by way of poll at the extraordinary general meeting held on Tuesday, 28 July 2020 at 10:30 a.m.. Having considered the details of the Letter and for respect of the Shareholders' right, the Board has resolved to put forward the Requisition Resolution again at the EGM to be held on Friday, 25 September 2020 at 10:15 a.m. (Hong Kong Time) for the Shareholders' consideration. For details of the EGM, please refer to the Company's circular dated 19 August 2020.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the 2020 Interim Period (for the 2019 Interim Period: nil).

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

During the 2020 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 all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange throughout the 2020 Interim Period, except for the following deviation:

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and the non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. At the annual general meeting of the Company held on 9 June 2020, Mr. Christopher Wesley Satterfield, an independent non-executive Director and the chairman of the Company’s remuneration committee, was unable to attend that meeting due to other engagements.

DIRECTORS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the 2020 Interim Period or at any time during such period.

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

On 30 March 2020, the Board had approved the adjustment of Mr. Yuan Feng’s emoluments. His annual remuneration adjusted from HK\$1,128,000 to HK\$789,600 with effect from 6 April 2020.

Since 1 May 2020, Mr. Christopher Wesley Satterfield, an independent non-executive Director, has been appointed as the chairman of the Company’s remuneration committee and Ms. Hu Zhaoxia, an independent non-executive Director, has been appointed as a member of the Company’s nomination committee.

Mr. Jin Shaoliang resigned as an independent non-executive Director and ceased to be the chairman of the Company’s remuneration committee and a member of each of the Company’s nomination committee and corporate governance committee with effect from 1 May 2020.

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 has 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 2020 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 (the “**Model Code**”) as the code of conduct regarding securities transaction of the Company by the Directors and the relevant employees of the Company (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities.

Having made specific enquiry with the Directors, all the Directors confirmed that they had complied with the Model Code during the 2020 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, 24 August 2020

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. Stephen Gregory McCoy
Mr. Xu Jianqiang

Independent non-executive Directors

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