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## **CLSA Premium Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6877)**

### **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **UNAUDITED ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of CLSA Premium Limited (the “**Company**” together with its subsidiaries, the “**Group**”) announces the unaudited consolidated annual results of the Group for the year ended 31 December 2019, together with the audited comparative figures for the corresponding year of 2018.

#### **UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$’000</b> <b>(unaudited)</b>	<b>2018</b> <b>HK\$’000</b> <b>(audited)</b>
Leveraged foreign exchange and other trading income	3	<b>11,667</b>	372,940
Cash dealing (expense)/income	3	<b>(1,360)</b>	3,309
Fee and commission income	3	<b>3,299</b>	56,446
Other income	4	<b>2,465</b>	38,416
<b>Total income</b>		<b>16,071</b>	471,111
Referral expenses and other charges		<b>(17,075)</b>	(175,772)
Staff costs	5	<b>(27,434)</b>	(101,669)
Depreciation – property, plant and equipment and amortisation of intangible assets	10 & 11	<b>(15,442)</b>	(14,681)
Depreciation – right-of-use assets	12	<b>(11,701)</b>	–
Lease payments under land and buildings		<b>(3,756)</b>	(14,228)
Administrative and other operating expenses	6	<b>(107,735)</b>	(84,576)
<b>Total expenses</b>		<b>(183,143)</b>	(390,926)

		<b>2019</b>	2018
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(audited)
Operating (loss)/profit		<b>(167,072)</b>	80,185
Finance cost		<b>(13,385)</b>	(28,428)
		<hr/>	<hr/>
(Loss)/Profit before tax		<b>(180,457)</b>	51,757
Income tax credit/(expenses)	7	<b>469</b>	(17,508)
		<hr/>	<hr/>
(Loss)/Profit for the year		<b>(179,988)</b>	34,249
		<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Other comprehensive (expense)/income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation difference		<b>(1,303)</b>	(15,105)
		<hr/>	<hr/>
Other comprehensive expense for the year, net of tax		<b>(1,303)</b>	(15,105)
		<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Total comprehensive (loss)/income for the year		<b>(181,291)</b>	19,144
		<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>
<b>(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company for the year</b>			
– Basic (HK cents per share)	9	<b>(8.85)</b>	1.68
		<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>
– Diluted (HK cents per share)	9	<b>(8.85)</b>	1.44
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# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	5,900	9,454
Intangible assets	11	2	43,835
Right-of-use assets	12	21,894	–
Deferred tax assets	18	1,712	1,719
<b>Total non-current assets</b>		<b>29,508</b>	<b>55,008</b>
<b>Current assets</b>			
Other receivables, prepayments and deposits	13	8,711	9,692
Tax prepayment		4,680	4,625
Derivative financial instruments	14	11,416	67,400
Balances due from agents	15	26,202	21,751
Cash and bank balances and client trust bank balances	16	423,727	980,766
<b>Total current assets</b>		<b>474,736</b>	<b>1,084,234</b>
<b>Total assets</b>		<b>504,244</b>	<b>1,139,242</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	22	20,333	20,333
Reserves	23	336,909	347,541
Retained earnings		33,739	203,832
<b>Total equity</b>		<b>390,981</b>	<b>571,706</b>

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 HK\$'000 (audited)
<b>Current liabilities</b>			
Finance lease obligations	17	11,718	42
Tax payable		2,069	2,633
Other payables and accrued liabilities	19	27,063	31,643
Derivative financial instruments	14	833	5,374
Clients' balances	20	56,146	331,731
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>97,829</b>	371,423
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Finance lease obligations	17	10,531	146
Deferred tax liabilities	18	4,903	4,902
Convertible bonds	21	–	191,065
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>15,434</b>	196,113
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>113,263</b>	567,536
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>504,244</b>	1,139,242
		<hr/>	<hr/>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 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. The Company's immediate parent is CITIC Securities Overseas Investment Company Limited (the "CITIC Securities Overseas"), a company incorporated in Hong Kong and its ultimate holding company is CITIC Securities Company Limited (the "CITIC Securities"), a company incorporated in the People's Republic of China. The address of its registered office 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.

As at 31 December 2019, 59.03% of the total issued shares of the Company are held by CITIC Securities Overseas, 14.75% of issued shares are held by KVB Kunlun Holdings Limited and the remaining 26.22% of issued shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

### 1.2 Significant event

- (i) On 25 January 2018, pursuant to subscriptions agreements ("Agreements") entered into by the Company, the Company issued convertible bonds with aggregate principal amount of HK\$200,000,000 on 12 February 2018 ("Issue Date"). The convertible bonds entitled the holders to convert them into ordinary shares of the Company at the conversion price of HK\$0.613 ("Conversion Price") per share of the Company at any time from the day following one year from the Issue Date up to the fifth business day immediately before the second anniversary of the Issue Date ("Maturity Date") and bear interest at 7.5% per annum. On 7 May 2019, the bonds holders exercised the option of early redemption pursuant to the Agreements to request the Company to redeem the full amount of the convertible bonds with redemption date on 15 May 2019. See Note 21.
- (ii) As a holder of the Australian Financial Services License, the Group received a letter (the "Letter") from Australian Securities and Investments Commission ("ASIC") dated 18 April 2019 to its licensees which reminded licensees that they were obliged to comply with applicable laws of foreign jurisdictions, and recommended that licensees should seek legal advice to ensure that the products and services they offer to their clients comply with applicable foreign laws.

Certain subsidiaries of the Group hold Australian and New Zealand financial services licenses, and as at the date of this announcement, the online forex margin trading platform of the Group's Australian and New Zealand subsidiaries is targeted towards, among others, ethnic Chinese, thus there exists a number of clients with Chinese names ("Existing Ethnic Chinese Clients"). In view of the Letter, the board of directors (the "Board") of the Company has sought legal advice from its lawyer as to the laws of the People's Republic of China (the "PRC").

In line with the advice from the Company's legal advisers on the PRC laws, a detailed survey of the Group's Existing Ethnic Chinese Clients was conducted with a view to identifying anyone who is, or who may possibly be, classified as a PRC domestic client. The Board believes the identification and disengagement of PRC Domestic Clients has been completed in 2019.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The consolidated financial statements of the Company and its subsidiaries (together the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and applicable requirements of the Hong Kong Companies Ordinance (Chapter 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

#### ***(a) New and amended standards adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- **HKFRS 16 Leases**  
The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2.1.
- Other amendments did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) *New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**2.2 Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Consolidated Statement of Financial Position on 1 January 2019. The new accounting policies are disclosed in note 2.2.1.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. No measurement adjustments is resulted upon the adoption of HKFRS 16.

**(i) *Practical expedients applied***

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019; and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) *Measurement of lease liabilities*

1 January 2019  
HK\$'000

Operating lease commitments disclosed as at 31 December 2018	37,355
Discounted using the Group's incremental borrowing rate at the date of initial adoption	35,688
Add: finance lease obligations recognised as at 31 December 2018	188
(Less): short-term leases not recognised as a liability	(1,134)
(Less): low-value lease not recognised as a liability	(1,098)
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>33,644</b>
Of which are:	
Current lease liabilities	11,334
Non-current lease liabilities	22,310
	<b>33,644</b>

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position as at 31 December 2018.

(iv) *Adjustments recognised in the Consolidated Statement of Financial Position on 1 January 2019*

The change in accounting policy affected the following items in the Consolidated Statement of Financial Position on 1 January 2019:

- right-of-use assets – increase by HK\$33,456,000
- lease liabilities – increase by HK\$33,456,000.

There is no impact on Retained Earnings on 1 January 2019.



### 2.2.1 Lease

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases obligations (note 17). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by CLSA Premium Limited, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

### **3 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 natures 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 Mainland China business segment engaged in provision of trading and settlement of precious metals in Mainland China which ceased in 2018.

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 years ended 31 December 2019 and 2018.

The segment information provided to the management for the reportable segments for the years ended 31 December 2019 and 2018 is as follows:

**For the year ended 31 December 2019 (unaudited)**

	New Zealand	Hong Kong	Australia	New Zealand	Mainland China business	Unallocated	Elimination	Total
	margin dealing HK\$'000	margin dealing HK\$'000	margin dealing HK\$'000	cash dealing HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	13,659	1	(1,999)	(1,360)	-	-	6	10,307
Inter-segment sales	-	3,478	-	-	-	-	(3,478)	-
Segment revenue	13,659	3,479	(1,999)	(1,360)	-	-	(3,472)	10,307
Fee and commission income	3,238	-	61	-	-	-	-	3,299
Other income	2,159	-	(203)	-	387	122	-	2,465
Total revenue and other income	<u>19,056</u>	<u>3,479</u>	<u>(2,141)</u>	<u>(1,360)</u>	<u>387</u>	<u>122</u>	<u>(3,472)</u>	<u>16,071</u>
Segment profit/(loss)	(24,638)	(2,029)	(2,923)	(1,416)	(1,380)	122	-	(32,264)
Other unallocated staff costs								(9,553)
Other unallocated administrative and operating expenses								<u>(138,640)</u>
Loss before tax								(180,457)
Income tax credit								<u>469</u>
Loss for the year								<u><u>(179,988)</u></u>
Other segment information:								
Depreciation and amortisation	-	1,343	27	-	333	25,440		27,143
Lease payments	-	394	-	-	953	2,409		3,756
Finance cost	-	-	-	-	-	13,385		<u>13,385</u>

For the year ended 31 December 2018 (audited)

	New Zealand	Hong Kong	Australia	New Zealand	Mainland China business	Unallocated	Elimination	Total
	margin dealing HK\$'000	margin dealing HK\$'000	margin dealing HK\$'000	cash dealing HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	365,363	4	7,573	3,309	–	–	–	376,249
Inter-segment sales	–	119,973	10,484	–	–	–	(130,457)	–
Segment revenue	365,363	119,977	18,057	3,309	–	–	(130,457)	376,249
Fee and commission income	54,067	–	78	–	–	2,301	–	56,446
Other income	1,587	–	17	37	1,657	35,118	–	38,416
Total revenue and other income	<u>421,017</u>	<u>119,977</u>	<u>18,152</u>	<u>3,346</u>	<u>1,657</u>	<u>37,419</u>	<u>(130,457)</u>	<u>471,111</u>
Segment profit/(loss)	63,160	106,070	13,034	2,962	(6,062)	37,419		216,583
Other unallocated staff costs								(35,403)
Other unallocated administrative and operating expenses								<u>(129,423)</u>
Profit before tax								51,757
Income tax expense								<u>(17,508)</u>
Profit for the year								<u>34,249</u>
Other segment information:								
Depreciation of property, plant and equipment and amortisation of intangible assets	–	110	26	–	1,815	12,730		14,681
Lease payments	–	1,492	–	–	1,816	10,920		14,228
Finance cost	–	–	–	–	–	28,428		<u>28,428</u>

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

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
New Zealand	<b>12,299</b>	368,672
Others	<b>(1,992)</b>	7,577
	<b>10,307</b>	376,249

The locations of its non-current assets (excluding deferred tax assets) are as follows:

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
Hong Kong	<b>22,337</b>	19,446
New Zealand	<b>271</b>	29,794
Australia	<b>5,116</b>	3,240
Mainland China	<b>72</b>	809
	<b>27,796</b>	53,289

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

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.

#### 4 OTHER INCOME

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
Interest income	<b>5,108</b>	4,945
Exchange (loss)/gains, net	<b>(1,947)</b>	9,410
Gain on disposal of fixed assets	<b>11</b>	–
Fair value gain on the embedded derivative portion of the convertible bonds ( <i>Note 21</i> )	–	26,042
Amortisation of deferred losses on conversion component of the convertible bonds ( <i>Note 21</i> )	<b>(828)</b>	(1,982)
Loss on redemption of the convertible bonds ( <i>Note 21</i> )	<b>(981)</b>	–
Rental reimbursement	<b>1,044</b>	–
Others	<b>58</b>	1
	<b>2,465</b>	38,416

## 5 STAFF COSTS

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	26,137	94,143
Pension scheme contributions	731	1,151
Staff option expenses ( <i>Note 25</i> )	566	6,375
	<u>27,434</u>	<u>101,669</u>

## 6 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Management fees paid to the then immediate holding company	619	696
Other office occupation expenses	3,128	3,193
Auditor's remuneration		
– Audit services	4,021	3,223
– Non-audit services	307	302
Information services expenses	2,577	4,136
Professional and consultancy fee	25,007	5,558
Repair and maintenance (including system maintenance)	20,044	17,250
Marketing, advertising and promotion expenses	7,597	27,166
Handling fee expenses	211	8,349
Travelling expenses	2,464	4,255
Entertainment expenses	370	1,055
Insurance	831	768
Bank charges	875	510
Staff training	37	425
Client's debit balances written off	78	347
Impairment of fixed asset ( <i>Note 10</i> )	400	–
Impairment of intangible asset ( <i>Note 11</i> ), ( <i>Note A</i> )	37,506	2,937
Donations	59	2,364
Others	1,604	2,042
	<u>107,735</u>	<u>84,576</u>

### *Note A*

As at 31 December 2019, the Group made an impairment provision on intangible assets amounting to HK\$37,506,000 (2018: 2,937,000).

During the year ended 31 December 2019, there was a significant reduction in leveraged foreign exchange and other trading income due to the decreased trading volume. As a result, certain intangible assets benefit to the aforesaid trading business would no longer be used. Accordingly, there was an impairment indicator for these intangible assets owned by the Group.

The Group has reassessed the recoverable amounts of the intangible assets with reference to the higher of fair value less costs of disposal and value in use. Since certain computer software were specifically tailored to the Group, the management considered the fair value less costs of disposal to be very minimal. Based on the assessment, the Group concluded that the recoverable amount of certain software was lower than its carrying amount. Therefore, provision for impairment of intangible assets of HK\$37,506,000 have been made to these computer software held by each of the cash generating units (“CGUs”) in New Zealand, Australia and Hong Kong.

## 7 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit during the years. Taxation on overseas profits has been calculated on the estimated assessable profit during the years 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% (2018: 28%) in New Zealand, 30% (2018: 30%) in Australia and 25% (2018: 25%) in Mainland China in accordance with the local tax authorities.

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <b>HK\$'000</b> (audited)
Current tax:		
Charge for the year	<b>64</b>	16,064
Over-provision in prior year	<b>(533)</b>	(402)
Others	–	486
Deferred tax:		
Charge for the year	–	1,360
Income tax (credit)/expense	<b>(469)</b>	17,508
	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <b>HK\$'000</b> (audited)
(Loss)/Profit before income tax	<b>(180,457)</b>	51,757
Tax at the Hong Kong statutory tax rate	<b>(29,701)</b>	8,540
Effect of different taxation rates in other countries	<b>(11,596)</b>	4,319
Income not subject to tax	<b>(478)</b>	(4,780)
Expenses not deductible for tax	<b>6,812</b>	8,116
Temporary differences not recognised	<b>35,027</b>	1,229
Over-provision in prior year	<b>(533)</b>	(402)
Others	–	486
Income tax (credit)/expense	<b>(469)</b>	17,508

## 8 DIVIDENDS

The Board does not declare the payment of any dividend for the year ended 31 December 2019 (2018: Nil).



## 9 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

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

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
(Loss)/Profit attributable to equity holders of the Company	<u>(179,988)</u>	<u>34,249</u>
	<b>No. of shares (unaudited)</b>	<b>No. of shares (audited)</b>
Weighted average number of ordinary shares in issue ( <i>Note 22</i> )	<u>2,033,290,000</u>	<u>2,033,290,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(8.85)</u>	<u>1.68</u>

### (b) Diluted (loss)/earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares under the share option scheme and convertible bonds into ordinary shares.

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
(Loss)/Profit attributable to equity holders of the Company	(179,988)	34,249
Finance cost on convertible bonds, net of tax ( <i>Note 21</i> )	–	23,713
Fair value gain on the embedded derivative portion of the convertible bonds ( <i>Note 4</i> )	–	(26,042)
Amortisation of deferred losses on conversion component of the convertible bonds ( <i>Note 4</i> )	–	1,982
Adjusted (loss)/profit attributable to equity holders of the Company	<u>(179,988)</u>	<u>33,902</u>
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares in issue	2,033,290,000	2,033,290,000
Adjustments for convertible bonds ( <i>Note 21</i> )	–	326,264,273
Weighted average number of shares for the purpose for calculating diluted earnings per share	<u>2,033,290,000</u>	<u>2,359,554,273</u>
Diluted (loss)/earnings per share (HK cents)	<u>(8.85)</u>	<u>1.44</u>

*Note:*

Share options are not included in the computation of diluted (loss)/earnings per share for the years ended 31 December 2019 and 2018 as those were anti-dilutive.

## 10 PROPERTY, PLANT AND EQUIPMENT

	<b>Furniture, fixtures and equipment</b>	<b>Computer equipment</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Audited</b>					
As at 1 January 2018					
Cost	8,602	17,191	11,305	4,067	41,165
Accumulated depreciation	(7,403)	(11,517)	(10,517)	(2,009)	(31,446)
Net carrying amount	<u>1,199</u>	<u>5,674</u>	<u>788</u>	<u>2,058</u>	<u>9,719</u>
For the year ended 31 December 2018					
Opening net carrying amount	1,199	5,674	788	2,058	9,719
Exchange adjustments	(42)	(85)	7	(21)	(141)
Additions	220	1,366	2,828	–	4,414
Depreciation	(549)	(2,404)	(1,043)	(542)	(4,538)
Closing net carrying amount	<u>828</u>	<u>4,551</u>	<u>2,580</u>	<u>1,495</u>	<u>9,454</u>
As at 31 December 2018					
Cost	8,348	17,881	13,637	3,934	43,800
Accumulated depreciation	(7,520)	(13,330)	(11,057)	(2,439)	(34,346)
Net carrying amount	<u>828</u>	<u>4,551</u>	<u>2,580</u>	<u>1,495</u>	<u>9,454</u>
<b>Unaudited</b>					
For the year ended 31 December 2019					
Opening net carrying amount	828	4,551	2,580	1,495	9,454
Exchange adjustments	(6)	(11)	(27)	(2)	(46)
Additions	–	919	62	–	981
Disposals	–	–	–	(120)	(120)
Depreciation	(342)	(1,964)	(1,226)	(437)	(3,969)
Impairment ( <i>Note 6</i> )	(120)	(280)	–	–	(400)
Closing net carrying amount	<u>360</u>	<u>3,215</u>	<u>1,389</u>	<u>936</u>	<u>5,900</u>
As at 31 December 2019					
Cost	8,322	18,756	13,635	3,507	44,220
Accumulated depreciation and impairment	(7,962)	(15,541)	(12,246)	(2,571)	(38,320)
Net carrying amount	<u>360</u>	<u>3,215</u>	<u>1,389</u>	<u>936</u>	<u>5,900</u>

## 11 INTANGIBLE ASSETS

	<b>Computer software</b> <i>HK\$'000</i>	<b>Trading right</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Audited</b>			
As at 1 January 2018			
Cost	52,702	1,802	54,504
Accumulated amortisation	<u>(18,206)</u>	<u>(1,802)</u>	<u>(20,008)</u>
Net carrying amount	<u>34,496</u>	<u>–</u>	<u>34,496</u>
For the year ended 31 December 2018			
Opening net carrying amount	34,496	–	34,496
Exchange adjustments	(1,055)	–	(1,055)
Additions	23,474	–	23,474
Amortisation	(10,143)	–	(10,143)
Impairment ( <i>Note 6</i> )	<u>(2,937)</u>	<u>–</u>	<u>(2,937)</u>
Closing net carrying amount	<u>43,835</u>	<u>–</u>	<u>43,835</u>
As at 31 December 2018			
Cost	73,797	1,708	75,505
Accumulated amortisation and impairment	<u>(29,962)</u>	<u>(1,708)</u>	<u>(31,670)</u>
Net carrying amount	<u>43,835</u>	<u>–</u>	<u>43,835</u>
<b>Unaudited</b>			
For the year ended 31 December 2019			
Opening net carrying amount	<b>43,835</b>	–	<b>43,835</b>
Exchange adjustments	(99)	–	(99)
Additions	<b>5,245</b>	–	<b>5,245</b>
Amortisation	(11,473)	–	(11,473)
Impairment ( <i>Note 6</i> )	<u>(37,506)</u>	<u>–</u>	<u>(37,506)</u>
Closing net carrying amount	<u>2</u>	<u>–</u>	<u>2</u>
As at 31 December 2019			
Cost	<b>79,007</b>	<b>1,678</b>	<b>80,685</b>
Accumulated amortisation and impairment	<u>(79,005)</u>	<u>(1,678)</u>	<u>(80,683)</u>
Net carrying amount	<u>2</u>	<u>–</u>	<u>2</u>

## 12 LEASES

### (i) Amount recognised in the Consolidated Statement of Financial Position

	31 December 2019 HK\$'000 (unaudited)	1 January 2019* HK\$'000 (audited)
<b>Right-of-use assets</b>		
Buildings	21,894	33,456
	<b>21,894</b>	33,456
<b>Finance Lease obligations</b>		
Current	11,718	11,334
Non-current	10,531	22,310
	<b>22,249</b>	33,644

In the previous year, the Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Company's borrowings. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2.2.

Additions to the right-of-use assets during the 2019 financial year were HK\$186,000.

### (ii) Amount recognised in the Consolidated Statement of Comprehensive Income

	Note	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
<b>Depreciation charge of right-of-use assets</b>			
Buildings		11,701	—
Interest expense (included in finance cost)		707	—
Expense relating to short-term leases		953	—
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	6	131	—

The total cash outflow for leases in 2019 was approximately HK\$12,052,000.

(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.

**13 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS**

	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Rental and utility deposits	<b>3,925</b>	4,569
Prepayments	<b>3,498</b>	2,831
Other receivables	<b>1,328</b>	2,332
Provision for expected credit loss	<b>(40)</b>	(40)
Total	<b>8,711</b>	9,692

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

**14 DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Current assets</b>		
Derivative contracts	<b>11,416</b>	67,400
<b>Current liabilities</b>		
Derivative contracts	<b>(833)</b>	(5,374)
Total	<b>10,583</b>	62,026

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 31 December 2019 and 2018 are HK\$1,743,747,000 and HK\$9,875,738,000 respectively.

## 15 BALANCES DUE FROM AGENTS

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Balances due from:		
– agents	26,217	21,756
– Tianjin Precious Metal Exchange	559	569
Provision for expected credit loss	(574)	(574)
Total	<u>26,202</u>	<u>21,751</u>

The carrying amounts of the Group's balances due from agents approximate to their fair values. The Group is free to withdraw the funds from accounts maintained with these agents at any time.

## 16 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Cash and bank balances	178,542	550,591
Fixed deposits with banks	201,112	174,816
Client trust bank balances	44,499	255,785
Provision for expected credit loss	(426)	(426)
	<u>423,727</u>	<u>980,766</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 statement of cash flows.

As at 31 December 2019 and 2018, fixed deposits of HK\$84,120,000 and HK\$90,359,000 respectively are pledged to banks for banking facilities. No overdraft facility was utilised by the Group as at 31 December 2019 and 2018. None of the bank deposits are placed with market makers as collateral as at 31 December 2019 and 2018.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprises of the following:

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Cash and bank balances	178,542	550,591
Fixed deposits with bank with original maturity within three months	116,992	84,457
	<u>295,534</u>	<u>635,048</u>

## 17 FINANCE LEASE OBLIGATIONS

Additional finance lease obligations were recognised on 1 January 2019 in the process of adopting the new leasing standard. See note 2.2 for further information about the change in accounting policy for leases.

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Gross finance lease obligations – minimum lease payments		
Not later than 1 year	12,138	51
Later than 1 year and no later than 5 years	<u>10,673</u>	<u>155</u>
	22,811	206
Future finance charges on finance lease obligations	<u>(562)</u>	<u>(18)</u>
Present value of finance lease	<u><u>22,249</u></u>	<u><u>188</u></u>

The present value of finance lease obligations is as follows:

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Not later than 1 year	11,718	42
Later than 1 year and no later than five years	<u>10,531</u>	<u>146</u>
	<u><u>22,249</u></u>	<u><u>188</u></u>

## 18 DEFERRED TAXATION

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2018</b> <b>HK\$'000</b> <b>(audited)</b>
Deferred tax assets to be recovered after more than twelve months	<b>1,712</b>	1,719
Deferred tax liabilities to be settled after more than twelve months	<u><b>(4,903)</b></u>	<u>(4,902)</u>
	<u><b>(3,191)</b></u>	<u>(3,183)</u>

The major components of deferred tax assets/(liabilities) recorded in the Consolidated Statement of Financial Position and the movements during the year are as follows:

	<b>Employee benefits</b> <i>HK\$'000</i>	<b>Depreciation</b> <i>HK\$'000</i>	<b>Other temporary differences</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Audited</b>				
At 1 January 2018	1,143	(2,450)	(532)	(1,839)
Exchange adjustments	(55)	39	32	16
(Charge)/credit for the year	<u>(339)</u>	<u>(1,456)</u>	<u>435</u>	<u>(1,360)</u>
At 31 December 2018	<u><u>749</u></u>	<u><u>(3,867)</u></u>	<u><u>(65)</u></u>	<u><u>(3,183)</u></u>
<b>Unaudited</b>				
At 1 January 2019	<b>749</b>	<b>(3,867)</b>	<b>(65)</b>	<b>(3,183)</b>
Exchange adjustments	<u>–</u>	<u>(10)</u>	<u>2</u>	<u>(8)</u>
At 31 December 2019	<u><u>749</u></u>	<u><u>(3,877)</u></u>	<u><u>(63)</u></u>	<u><u>(3,191)</u></u>



## 19 OTHER PAYABLES AND ACCRUED LIABILITIES

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Accrued rental benefit	–	171
Accrued audit fees	4,388	2,255
Other accruals	9,349	3,047
Commission payable	342	6,020
Employee entitlements	682	11,458
Other payables	12,302	2,857
Interest payable	–	5,835
	<u>27,063</u>	<u>31,643</u>

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

## 20 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.

## 21 CONVERTIBLE BONDS

Pursuant to subscriptions agreements entered into by the Company on 25 January 2018, the Company issued convertible bonds with aggregate principal amount of HK\$200,000,000 on 12 February 2018 (the "Issue Date"). The convertible bonds entitled the holders to convert them into 326,264,273 ordinary shares of the Company at the conversion price of HK\$0.613 (the "Conversion Price") per share of the Company at any time from the day following one year from the Issue Date up to the fifth business day immediately before the second anniversary of the Issue Date (the "Maturity Date") and bear interest at 7.5% per annum. Unless previously redeemed, converted or cancelled, the Company has to redeem the convertible bonds on Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any.

The Conversion Price is subject to anti-dilutive adjustments due to change of management and anti-dilution events such as consolidation, sub-division or reclassification, bonus issue, capital distribution, rights issue of shares or options over shares, rights issue of other securities, issue at less than the then current market price, other issue at less than the then current market price, modification of right of conversion, other offer to shareholders and other events. If the Conversion Price pursuant to any adjustment is below the par value of each share, the Conversion Price shall be adjusted to an amount equal to the par value of the share instead.

Save as disclosed above, the terms and definitions of the convertible bonds are set out in the respective subscription agreements and disclosed in the Company's announcements dated 25 January 2018 and 12 February 2018.

In the presence of the adjustments to the Conversion Price mentioned above, the convertible bonds may not exchange a fixed number of the Company's own equity instrument for a fixed amount of cash. Therefore, the components of the convertible bonds are accounted for separately as host liability component and conversion option derivative. The fair values of the host liability component and conversion option derivative were determined at the respective date of issue. The host liability component represented the present value of the contractual stream of future cash flows discounted using the prevailing market interest rate of similar non-convertible instruments and carried at amortised cost. The effective interest rate of the liability component is 19.25%. Subsequent to the initial recognition, the liability component is carried at amortised cost while the conversion option derivative embedded in the convertible bonds are measured at fair value, where changes in fair value recognised in profit or loss.

On 7 May 2019, the bonds holder exercised the option of early redemption pursuant to the Agreements to request the Company to redeem the full amount of the convertible bonds with redemption date on 15 May 2019.

The components for the issue of the convertible bonds and their movements for the year are set out below:

	<b>Financial liabilities at amortised cost – debt portion</b>	<b>Financial liabilities at fair value through profit or loss – derivative portion</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>At 1 January 2019</b>	<b>177,565</b>	<b>13,500</b>	<b>191,065</b>
Issuance of convertible bonds	–	–	–
Loss/(Gain) on redemption	<b>15,309</b>	<b>(14,328)</b>	<b>981</b>
Interest expense	<b>12,633</b>	–	<b>12,633</b>
Interest payment	<b>(5,507)</b>	–	<b>(5,507)</b>
Principal repayment	<b>(200,000)</b>	–	<b>(200,000)</b>
Amortisation of deferred losses on conversion component ( <i>Note 4</i> )	–	<b>828</b>	<b>828</b>
<b>At 31 December 2019</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Financial liabilities at amortised cost – debt portion <i>HK\$'000</i> (audited)	Financial liabilities at fair value through profit or loss – derivative portion <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
<b>At 1 January 2018</b>	–	–	–
Issuance of convertible bonds	181,815	42,040	223,855
Deferred losses upon issuance	(19,375)	(4,480)	(23,855)
Fair value gain recognized ( <i>Note 4</i> )	–	(26,042)	(26,042)
Interest expense	28,399	–	28,399
Interest payment	(13,274)	–	(13,274)
Amortisation of deferred losses on conversion component ( <i>Note 4</i> )	–	1,982	1,982
<b>At 31 December 2018</b>	<b>177,565</b>	<b>13,500</b>	<b>191,065</b>

## 22 SHARE CAPITAL

	Number of shares in issue	Issued share capital <i>HK\$'000</i>
As at 1 January 2018 and 31 December 2018	2,033,290,000	20,333
(Unaudited)		
<b>As at 1 January 2019</b>	<b>2,033,290,000</b>	<b>20,333</b>
Issuance of new ordinary shares upon exercise of share options	–	–
<b>As at 31 December 2019</b>	<b>2,033,290,000</b>	<b>20,333</b>

## 23 RESERVES

Reserves includes capital reserves which represents the difference between the book value of the net assets of CLSA Premium New Zealand Limited (Formerly known as KVB Kunlun New Zealand Limited), CLSA Premium Pty Limited (Formerly known as KVB Kunlun Pty Limited) and CLSA Premium International (HK) Limited (Formerly known as KVB Kunlun 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.

## 24 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities from financing activities, including both cash and non-cash changes are as follows:

	Finance leases due within 1 year HK\$'000	Finance leases due after 1 year HK\$'000	Convertible bonds HK\$'000	Interest payable HK\$'000	Other HK\$'000	Total HK\$'000
Unaudited						
At 1 January 2019	42	146	191,065	5,835	–	197,088
Lease Liabilities for adoption of HKFRS 16	11,292	22,164	–	–	–	33,456
Changes from financing cash flow:						
Repayment of finance lease obligations	(572)	(11,679)	–	–	–	(12,251)
Redemption of convertible bonds	–	–	(200,000)	–	–	(200,000)
Interest paid	–	–	(5,507)	(5,868)	–	(11,375)
Interest payable	–	–	–	–	–	–
Addition	94	92	–	–	–	186
Exchange adjustments	(1)	(48)	–	–	–	(49)
Other changes:						
Reclassification upon disposal of hire purchase	144	(144)	–	–	–	–
Interest expenses	719	–	12,633	33	–	13,385
Fair value gain on the embedded portion of the convertible bonds	–	–	–	–	–	–
Loss on redemption of the convertible bonds	–	–	981	–	–	981
Amortisation of the deferred losses on conversion component of the convertible bonds	–	–	828	–	–	828
At 31 December 2019	<u>11,718</u>	<u>10,531</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>22,249</u>

	Finance leases due within 1 year HK\$'000	Finance leases due after 1 year HK\$'000	Convertible bonds HK\$'000	Interest payable HK\$'000	Other HK\$'000	Total HK\$'000
Audited						
<b>At 1 January 2018</b>	47	205	–	–	–	252
<b>Changes from financing cash flow:</b>						
Repayment of finance lease obligations	(12)	(42)	–	–	–	(54)
Issuance of convertible bonds	–	–	200,000	–	–	200,000
Interest paid	–	–	(7,439)	–	(29)	(7,468)
Interest payable	–	–	(5,835)	5,835	–	–
<b>Exchange adjustments</b>	(4)	(17)	–	–	–	(21)
<b>Other changes:</b>						
Interest expenses	11	–	28,399	–	29	28,439
Fair value gain on the embedded portion of the convertible bonds	–	–	(26,042)	–	–	(26,042)
Amortisation of the deferred losses on conversion component of the convertible bonds	–	–	1,982	–	–	1,982
<b>At 31 December 2018</b>	<u>42</u>	<u>146</u>	<u>191,065</u>	<u>5,835</u>	<u>–</u>	<u>197,088</u>

## 25 SHARE OPTION SCHEME

On 19 August 2015, the Board of Directors of the Company granted 40,000,000 share options to 95 individuals (“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\$0.95 per share, with varying vesting period and validity from the date of grant. 35 out of 95 of the Grantees were granted share options which are exercisable for a period of three years commencing on the date of grant to 18 August 2018. 12 out of 95 of the 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 18 August 2018, with a vesting period of one year from the date of grant. The remaining 48 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 18 August 2018, 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: (unaudited)

Grantee	Date of grant	Outstanding as at 31 December 2018	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding as at 31 December 2019	Exercise price HK\$	Exercise period
Liu Stefan	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Huang Songyuan	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Wong Yiu Kit Ernest	19 August 2015	250,000	-	(250,000)	-	-	0.95	19 August 2017 to 18 August 2019
Stephen Gregory McCoy	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Zhao Guixin	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Corenlis Jacobus Keyser	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Lin Wenhui	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Employees of Group companies	19 August 2015	-	-	-	-	-	0.95	19 August 2015 to 18 August 2018
Employees of Group companies	19 August 2015	1,000,000	-	(1,000,000)	-	-	0.95	19 August 2016 to 18 August 2019
Employees of Group companies	19 August 2015	3,450,000	-	(3,450,000)	-	-	0.95	19 August 2018 to 18 August 2019
Consultants	19 August 2015	350,000	-	(350,000)	-	-	0.95	19 August 2016 to 18 August 2019
Consultants	19 August 2015	400,000	-	(400,000)	-	-	0.95	19 August 2017 to 18 August 2019
		<u>5,450,000</u>	<u>-</u>	<u>(5,450,000)</u>	<u>-</u>	<u>-</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 19 August 2015 were as follows:

Weighted average share option price at the grant date:	HK\$0.3133
Risk free interest rate:	0.821%
Expected volatility:	59.08%
Expected dividend yield:	1.63%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 19 August 2015, 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 (2018: Nil) were recognised in the consolidated statement of comprehensive income during the current period.

On 29 December 2016, the Board of Directors of the Company granted 40,000,000 share options to 95 individuals ("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 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 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 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: (unaudited)

Grantee	Date of grant	Outstanding as at 31 December 2018	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding as at 31 December 2019	Exercise price HK\$	Exercise period
Liu Stefan	29 December 2016	8,000,000	–	(8,000,000)	–	–	0.592	29 December 2016 to 28 December 2019
Huang Songyuan	29 December 2016	3,050,000	–	(3,050,000)	–	–	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 2020
Stephen Gregory McCoy	29 December 2016	1,000,000	–	(1,000,000)	–	–	0.592	29 December 2016 to 28 December 2019
Zhao Guixin	29 December 2016	300,000	–	(300,000)	–	–	0.592	29 December 2016 to 28 December 2019
Corenlis Jacobus Keyser	29 December 2016	300,000	–	(300,000)	–	–	0.592	29 December 2016 to 28 December 2019
Lin Wenhui	29 December 2016	300,000	–	(300,000)	–	–	0.592	29 December 2016 to 28 December 2019
Employees of Group companies	29 December 2016	15,200,000	–	(15,200,000)	–	–	0.592	29 December 2016 to 28 December 2019
Employees of Group companies	29 December 2016	900,000	–	(250,000)	–	650,000	0.592	29 December 2017 to 28 December 2020
Employees of Group companies	29 December 2016	5,150,000	–	(1,850,000)	–	3,300,000	0.592	29 December 2018 to 28 December 2020
Consultants	29 December 2016	400,000	–	(50,000)	–	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>34,950,000</u>	<u>–</u>	<u>(30,300,000)</u>	<u>–</u>	<u>4,650,000</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 were 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 (2018: HK\$424,000) were recognised in the consolidated statement of comprehensive income during the current year.

On 22 March 2018, the Board of Directors of the Company granted 40,000,000 share options to 82 individuals ("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 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 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 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: (unaudited)

Grantee	Date of grant	Outstanding as at 31 December 2018	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding as at 31 December 2019	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	12,800,000	–	(1,300,000)	–	11,500,000	0.495	22 March 2018 to 21 March 2021
Employees of Group companies	22 March 2018	1,900,000	–	(250,000)	–	1,650,000	0.495	22 March 2019 to 21 March 2022
Employees of Group companies	22 March 2018	4,900,000	–	(2,650,000)	–	2,250,000	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>37,700,000</u>	<u>–</u>	<u>(4,200,000)</u>	<u>–</u>	<u>33,500,000</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 2019 were 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\$566,000 (2018: HK\$5,951,000) share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FINANCIAL PERFORMANCE**

#### **Business review**

We have experienced a difficult year for the period under review. Global growth in 2019 recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors.

Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In some cases, these developments magnified cyclical and structural slowdowns already under way. Further pressures came from country-specific weakness in large emerging market economies such as Brazil, India, Mexico, and Russia. Worsening macroeconomic stress related to tighter financial conditions, geopolitical tensions such as Iran, and social unrest such as Venezuela, Libya, Yemen rounded out the difficult picture.

The US-China trade war is an ongoing economic conflict between the world's two largest national economies, the progress of the phase one of US-China trade negotiation was beneficial on the stability of the global macroeconomic and trade environment.

Central banks reacted aggressively to the weaker activity. Over the course of the year, the US Federal Reserve, the European Central Bank (ECB) and large emerging market central banks cut interest rates, while the ECB also restarted asset purchases.

The top three most traded FX pairs in the year under review were USD/JPY, EUR/USD and GBP/USD. For contracts for difference ("CFD") and commodity products, gold was the most popular product traded by our customers, followed by crude oil.

In the currency market, we can see the Japanese Yen was stable in 2019, trading in a slightly narrower range compared with that of 2018. The highest and the lowest price levels of USD/JPY were observed to be 112.07 and 104.72 respectively, a 735-pips trading range during 2019; this is compared with a price movement of 999-pips in 2018, with the highest level at 114.55 and the lowest at 104.56.

Euro was weak in 2019 as Eurozone economy was sluggish. It went south amid low inflation, shy PMI and the fear of recession in Germany. EUR/USD was traded within in a price range of 655-pips, which was narrower than that of 2018. The highest level of EUR/USD was traded at 1.1551, while the lowest level was seen at 1.0896. The price range of EUR/USD in 2018 was 1,339-pips, with highest price at 1.2555 and lowest price at 1.1216.

The uncertainty over Brexit and the general election drove the investors on guard and infused the Pound with significant volatility during 2019. The GBP/USD price moved in a slightly lower range in 2019 than that in 2018. The highest and lowest prices were observed to be 1.3470 and 1.2033 respectively, a range of 1,437-pips. This can be compared with the 1,899-pips range observed in 2018, between the highest level of 1.4377 and the lowest level of 1.2478.

For CFD and commodities, the gold was bullish in 2019. Gold traded within a wider price range of \$276.60 USD/ounce. The highest price of gold was traded at \$1,546.10 USD/ounce and the lowest at \$1,269.5 USD/ounce during the year 2019. The 2018 price range, in comparison, was \$205.76 USD/ounce; with the highest price at \$1,366.15 USD/ounce, and the lowest at \$1,160.39 USD/ounce.

Despite the geopolitical tensions, the crude oil price was stable. The crude oil price range had become much lower in 2019, compared with that of 2018. In 2018, the crude oil was traded in a range of \$34.54 USD/barrel, with the highest price at \$76.9 USD/barrel and the lowest at \$42.36 USD/barrel. The price movement of crude oil in 2019 decreased to \$12.00 USD/barrel, with the highest price traded at \$68.58 USD/barrel and the lowest traded at \$56.58 USD/barrel.

The retail margin FX trading market is highly competitive. This includes international multi-product trading firms, other online trading firms, and financial institutions. We expect the market to remain very competitive in the foreseeable future. We are constantly looking for ways to improve our customer service level and meet the needs of our clients, by providing more trading opportunities in the global financial markets.

## **Total income**

The total income of the Group decreased by approximately 96.6% to approximately HK\$16.1 million for the year ended 31 December 2019 from approximately HK\$471.1 million for the year ended 31 December 2018.

### **A. *Leveraged foreign exchange and other trading income***

The leveraged foreign exchange and other trading income of the Group decreased by approximately 96.9% to approximately HK\$11.7 million for the year ended 31 December 2019 from approximately HK\$372.9 million for the year ended 31 December 2018. This was mainly due to the decreased trading volume during the year ended 31 December 2019 as compared to the year ended 31 December 2018.

### **B. *Fee and commission income***

The fees and commission income of the Group decreased from approximately HK\$56.4 million for the year ended 31 December 2018 to approximately HK\$3.3 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in commission earning as a result of lower trading volume.

### **C. *Other income***

The Group recorded other income of approximately HK\$2.5 million for the year ended 31 December 2019 as compared to other income of approximately HK\$38.4 million for the year ended 31 December 2018.

The variance was mainly a fair value gain of approximately HK\$26.0 million recorded for the year ended 31 December 2018, on the embedded derivative portion of convertible bonds issued on 12 February 2018 not being repeated in 2019. In addition, the Group recorded a net exchange gain of HK\$9.4 million for the year ended 31 December 2018 where the Group recorded a net exchange loss of HK\$1.9 million for the year ended 31 December 2019. This was mainly due to the year-end translation of monetary assets denominated in foreign currency into local reporting currency by CLSA Premium 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 by approximately 90.3% to approximately HK\$17.1 million for the year ended 31 December 2019 from approximately HK\$175.8 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in the trading volume of the clients referred by services providers and decreased transaction fees paid to remittance channels.

**Staff costs**

The staff costs of the Group decreased by approximately 73.1% to approximately HK\$27.4 million for the year ended 31 December 2019 from approximately HK\$101.7 million for the year ended 31 December 2018. The decrease was mainly due to the staff headcount decreased from 53 as at 31 December 2018 to 21 as at 31 December 2019.

**Depreciation and amortisation**

Depreciation and amortisation increased by approximately 84.4% to approximately HK\$27.1 million for the year ended 31 December 2019 from approximately HK\$14.7 million for the year ended 31 December 2018. The increase was mainly due to the depreciation of right-of-use assets of approximately HK\$11.7 million after the recognition of right-of-use assets of approximately HK\$33.5 million at 1 January 2019, measured at the present value of the corresponding lease payments, following the adoption of new accounting standard for measurement of the lease assets and liabilities that the total lease payments for operating leases were discounted by applying the Group's incremental borrowing rate at the date of initial adoption (i.e. 1 January 2019), details of which are set out in Note 2.2 to the unaudited consolidated financial statements.

**Lease payments under land and buildings**

Lease payments under land and buildings decreased by approximately 73.2% to approximately HK\$3.8 million for the year ended 31 December 2019 from approximately HK\$14.2 million for the year ended 31 December 2018 as a result of adoption of new accounting standard for measurement of lease assets and liabilities on 1 January 2019.

**Administrative and other operating expenses**

The administrative and other operating expenses of the Group increased to approximately HK\$107.7 million for the year ended 31 December 2019 from approximately HK\$84.6 million for the year ended 31 December 2018. The increase was mainly due to additional impairment of intangible assets of HK\$37.5 million during the year and the significant increase in professional and consultancy fees from approximately HK\$5.6 million for the year ended 31 December 2018 to approximately HK\$25.0 million for the year ended 31 December 2019 which was mainly due to additional legal expenses in relation to legal actions taken against the IT service provider which was a connected party of the Group.

## **Net loss**

For the reasons set forth below, the Group incurred a net loss of approximately HK\$180.0 million for the year ended 31 December 2019 compared with a net profit of approximately HK\$34.2 million for the year ended 31 December 2018.

- a reduction in leveraged foreign exchange and other trading income earned from external customers owing to decrease in trading volume of the Group's customers during the year under review;
- regulatory authorities in different countries, including Australia and Hong Kong, tightened the regulations on leveraged foreign exchange trading which led to investors' re-consideration on their investment portfolio; and
- the global economy has entered a synchronized slowdown during the year under review which affects investors' attitude towards investment in leveraged foreign exchange and commodity products.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year under review, the operations of the Group were financed principally by equity capital, the cash and bank deposits and leases.

As at 31 December 2019, cash and bank balances held by the Group amounted to HK\$379.7 million (2018: HK\$725.4 million). There were no bank borrowings of the Group (2018: nil) and the carrying amount of convertible bonds of the Company amounted to HK\$191.1 million as at 31 December 2018 was redeemed during the year.

## **GEARING RATIO**

The gearing ratio calculated on the basis of net debts (finance lease obligations and convertible bonds) over the total shareholders' equity as at 31 December 2019 was approximately 5.7% (2018: 33.5%).

## **FOREIGN CURRENCY EXPOSURE**

During the year under review, the Group recorded an exchange loss of approximately HK\$1.9 million (2018: exchange gain of approximately HK\$9.4 million). This was mainly due to the year-end translation of monetary assets denominated in foreign currency into local reporting currency by a subsidiary of the Company 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 the risk, the Group has hedge strategy based on prevailing market conditions and working capital requirements of subsidiaries.



## **CAPITAL STRUCTURE**

During the year under review, the capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

## **REDEMPTION OF CONVERTIBLE BONDS**

On 12 February 2018 (the “Issue Date”), the Company issued 7.5% convertible bonds (the “Bonds”) with an aggregate principal amount of HK\$200 million to BC Global Fund SPC – BC Fintech Fund SP and PA Investment Funds SPC for the account of PA High Technology Fund SP (collectively the “Bondholders”).

On 7 May 2019, the Bondholders exercised the option of early redemption pursuant to the relevant agreements to request the Company to redeem the full amount of the convertible bonds with redemption date on 15 May 2019. Details on the movement of the convertible bonds were set out in Note 21 to the unaudited consolidated financial statements.

## **NEW PRODUCTS AND SERVICES**

During the year under review, there was no new products or services launched.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES DURING THE YEAR UNDER REVIEW**

During the year ended 31 December 2019, the Group did not have any significant investments held, material acquisitions and disposals.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group engaged a total of 21 employees (2018: a total of 53). Total staff costs including Directors’ remuneration for the year under review amounting to approximately HK\$27.4 million (2018: HK\$101.7 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.

## **CHARGES ON THE GROUP’S ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2019, certain bank balances of the Group amounting to approximately HK\$84.1 million (2018: HK\$90.4 million) were used to secure the banking facilities. As at 31 December 2019, the Group did not have any material contingent liabilities.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

We plan to:

1. rebrand our corporate image to raise market positioning and competitive edge;
2. expand our customer base, in particular, diversify our individual clients to include both overseas Chinese speaking and non-Chinese speaking clients in Australia;
3. expand our customer base to institutional clients by providing competitive solutions to them;
4. expand the range of our financial services and products, provided that it does not compete with the business of the majority shareholders of the Company;
5. continual enhancement of information technology including a new Customer Relationship Management System; and
6. develop the high net worth and sophisticated institutional clients segment.

## **DIRECTORS' COMPETING INTERESTS**

As at 31 December 2019, none of the Directors and their respective associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) had any business or interest in a business which competes or may compete with the business of the Group.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The audit committee of the Company has reviewed with the management, the Company's unaudited annual results for the year and discussed internal control and financial reporting matters adopted by the Company.

The audit process for the annual results for the year ended 31 December 2019 has not been completed due to challenges arising from the COVID-19 pandemic that has now extended to New Zealand. Certain audit procedures required to be conducted in New Zealand, where the Group has significant operations, by the Company's auditors (the "Auditors") cannot be completed by the date of this announcement. The unaudited annual results contained herein have not been agreed by the Auditors. An announcement relating to the audited annual results for the year ended 31 December 2019 will be made as soon as the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, the expected date of which cannot be determined at this stage and depends largely on the development of the COVID-19 outbreak. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

## **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 Appendix 14 to the Listing Rules during the year ended 31 December 2019, except for the following deviations:

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LI Zhi Da retired as the Chairman of the Board and non-executive Director after the conclusion of the annual general meeting of the Company held on 21 May 2018. Since then, the position of the Chairman has been vacant until the appointment of Mr. LI Jiong as the Chairman of the Board after the conclusion of the annual general meeting held on 27 June 2019 (the “2019 Annual General Meeting”).

Besides, Mr. LIU Stefan has resigned as an executive Director and the chief executive officer of the Company on 29 July 2019. Since then, Mr. YUAN Feng, an executive Director and the deputy chief executive officer of the Company, has assumed the position of the chief executive officer. The Board will keep reviewing the current structure of the Board from time to time. The Board is also identifying a candidate with suitable knowledge, skills and experience, and will make appointment to fill the vacancy of chief executive officer as and when appropriate.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The chairman should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. At the 2019 Annual General Meeting, the then members of the Board Committees of the Company, were unable to attend that meeting due to other engagements. In view of their absence, the Company had arranged for the management, who are well-versed in the Company’s business and affairs, to attend the meeting and communicate with shareholders of the Company.

## **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”) during the year ended 31 December 2019 as the code of conduct regarding transactions in securities of the Company by the Directors.

Having made specific enquiry with the Directors, all the Directors confirmed that they had complied with the Model Code during the year ended 31 December 2019.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in (i) the Company's announcement dated 24 January 2020 regarding the Company filed a reply evidence in support of its application to continue the Injunction Order obtained by the Company against Banclogix System Co., Limited ("Banclogix"); (ii) the Company's announcement dated 2 March 2020 regarding the Company has agreed with KVB Kunlun Holdings Limited to terminate the Renewed Office Licence Agreement; (iii) the Company's announcement dated 9 March 2020 regarding (a) CLSA Premium Pty Limited (Formerly known as KVB Kunlum Pty Limited), an indirect wholly-owned subsidiary of the Company has entered into the Australian Service Level Agreement with CLSA Australia Services Pty Limited; and (b) the Company has entered into the New Information Technology Services Agreement with CLSA Limited; (iv) the Company's announcement dated 23 March 2020 regarding CLSA Premium International (HK) Limited, an indirect wholly-owned subsidiary of the Company has entered into the Hong Kong Service Level Agreement with CITIC Securities Brokerage (HK) Limited and CITIC Securities Futures (HK) Limited; and the Company has entered into Supplemental Deed of guarantee and indemnity with CLSA Premium International (HK) Limited and Yorkastle Capital Limited, both are subsidiaries of the Company and, CITIC Securities Brokerage (HK) Limited, CITIC Securities Futures (HK) Limited and City Lion Investment Limited (as the landlord); and (v) the Company's announcement dated 23 March 2020 regarding the Company issued a letter of termination to Banclogix to terminate the Renewed Information Technology Services Agreement on 19 March 2020, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this announcement.

## **Effect assessment of the COVID-19 outbreak**

Given the outbreak of new COVID-19, economic activities have been slowing down globally. The financial market is extremely volatile in the first quarter of 2020. However, we believe panic will be settled in the second half of 2020. The epidemic will impact business operations of certain industries as well as the overall economy. The Group will closely monitor the situation and assess its impacts on our financial position and operating results.

## **PUBLICATION OF ANNUAL REPORT**

The 2019 annual report will be dispatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

By order of the Board  
**CLSA Premium Limited**  
**YUAN Feng**  
*Executive Director*

Hong Kong, 30 March 2020

As at the date of this announcement, the Directors of the Company are as follows:

***Executive Directors***

Mr. YUAN Feng (*Deputy Chief Executive Director*)

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

Mr. JIN Shaoliang