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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 2023

The board (the “**Board**”) of directors (the “**Directors**”) of CLSA Premium Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) presents the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023 (the “**2023 Interim Period**”), together with the comparative figures for the corresponding period in 2022 (the “**2022 Interim Period**”). The condensed consolidated interim financial information have not been audited but were reviewed by the Company’s audit committee (the “**Audit Committee**”) and approved by the Board.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(Restated)
CONTINUING OPERATIONS			
Sales of goods from healthcare business	2	138,108	7,601
Leveraged foreign exchange and other trading income	2	217	610
Other income	2, 3	4,680	333
		<hr/>	<hr/>
Total income		143,005	8,544
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	Unaudited	
	Six months ended 30 June	
	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Cost of sales from healthcare business	(118,651)	(5,328)
Referral expenses and other charges	(1,200)	(1,089)
Staff costs	(2,447)	(8,514)
Depreciation – property, plant and equipment	(227)	(430)
Depreciation – right-of-use assets	–	(1,388)
Other operating expenses	(13,858)	(8,546)
	<u>(136,383)</u>	<u>(25,295)</u>
Total expenses		
Operating profit/(loss) from continuing operations	6,622	(16,751)
Finance cost	(1)	(166)
Profit/(loss) before tax from continuing operations	6,621	(16,917)
Income tax expense	(1,304)	(225)
	<u>5,317</u>	<u>(17,142)</u>
Profit/(loss) for the period from continuing operations		
DISCONTINUED OPERATIONS		
Profit/(loss) for the period from discontinued operations	237	(353)
Profit/(loss) for the period	5,554	(17,495)
Other comprehensive expense		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference	(480)	(5,740)
Other comprehensive expense for the period, net of tax	(480)	(5,740)
Total comprehensive income/(expense) for the period	5,074	(23,235)

		Unaudited	
		Six months ended 30 June	
		2023	2022
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
Profit/(loss) attributable to			
	Continuing operations	5,317	(17,142)
	Discontinued operations	237	(353)
		<u>5,554</u>	<u>(17,495)</u>
Total comprehensive income/(expense)			
attributable to			
	Continuing operations	4,883	(18,012)
	Discontinued operations	191	(5,223)
		<u>5,074</u>	<u>(23,235)</u>
Profit/(loss) per share for profit/(loss)			
attributable to the equity holders			
of the Company for the period			
	Continuing operations	0.26	(0.84)
	Discontinued operations	0.01	(0.02)
		<u>0.27</u>	<u>(0.86)</u>
	– Basic and diluted (HK cents per share)	<u>0.27</u>	<u>(0.86)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		607	845
Right-of-use assets	9	—	—
Total non-current assets		607	845
Current assets			
Inventories	10	12,231	37,795
Trade receivables	11	37,310	17,991
Other receivables, prepayments and deposits	12	2,932	6,999
Tax prepayment		4	4
Balances due from agents		—	4,651
Cash and bank balances and client trust bank balances	14	215,649	216,025
Total current assets		268,126	283,465
Total assets		268,733	284,310
EQUITY AND LIABILITIES			
Equity			
Share capital	17	20,333	20,333
Reserves		215,541	210,467
Total equity		235,874	230,800

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Tax payable		1,401	97
Trade and other payables	<i>15</i>	30,305	51,486
Derivative financial instruments	<i>13</i>	–	12
Clients' balances		1,153	1,915
		<hr/>	<hr/>
Total current liabilities		32,859	53,510
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		32,859	53,510
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		268,733	284,310
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the critical accounting estimates and judgements were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

2 SEGMENT REPORTING

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

In 2022, the Group had ceased its margin dealing business in New Zealand and returned its derivatives issuer licence to the Financial Markets Authority of New Zealand (the "FMA"). In accordance with HKFRS 5, the segments of New Zealand business for the six months ended 30 June 2023 and 2022 were presented as discontinued operations in the Group's consolidated financial statements.

Summary details of the business segments from geographical and service/product perspective are as follows:

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

The Group has commenced the healthcare business and established online stores through internationally renowned online sale platforms in 2022. The Group sells the healthcare products sourced from its suppliers to end-customers and wholesale customers. The healthcare business was organically grown and not as result of a business combination.

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 2023 and 2022.

The segment information provided to the management for the reportable segments for the six months period ended 30 June 2023 and 2022 is as follows:

For the six months ended 30 June 2023 (Unaudited)

	Continuing operations			Discontinued	Total
	Healthcare business <i>HK\$'000</i>	Margin dealing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	operations Margin dealing <i>HK\$'000</i>	
Segment revenue from external customers	138,108	217	–	–	138,325
Other income	–	893	3,787	3	4,683
Total revenue and other income	<u>138,108</u>	<u>1,110</u>	<u>3,787</u>	<u>3</u>	<u>143,008</u>
Segment profit/(loss)	<u>8,597</u>	<u>(1,645)</u>	<u>(331)</u>	<u>237</u>	<u>6,858</u>
Income tax expense	<u>(1,304)</u>	–	–	–	<u>(1,304)</u>
Profit/(loss) for the period	<u>7,293</u>	<u>(1,645)</u>	<u>(331)</u>	<u>237</u>	<u>5,554</u>
Other segment information:					
Depreciation	–	227	–	9	236
Lease payments	–	236	431	–	667
Finance cost	–	1	–	–	1

For the six months ended 30 June 2022 (Restated) (Unaudited)

	Continuing operations			Discontinued operations	Total <i>HK\$'000</i>
	Healthcare business <i>HK\$'000</i>	Margin dealing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Margin dealing <i>HK\$'000</i>	
Segment revenue from external customers	7,601	610	–	31	8,242
Other income	–	175	158	–	333
Total revenue and other income	<u>7,601</u>	<u>785</u>	<u>158</u>	<u>31</u>	<u>8,575</u>
Segment profit/(loss)	<u>1,189</u>	<u>(11,827)</u>	<u>(6,279)</u>	<u>(353)</u>	<u>(17,270)</u>
Income tax expense	<u>(225)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(225)</u>
Profit/(loss) for the period	<u>964</u>	<u>(11,827)</u>	<u>(6,279)</u>	<u>(353)</u>	<u>(17,495)</u>
Other segment information:					
Depreciation	–	928	890	15	1,833
Lease payments	–	364	144	164	672
Finance cost	<u>–</u>	<u>31</u>	<u>135</u>	<u>–</u>	<u>166</u>

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

	Unaudited Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Hong Kong	138,325	8,979
Australia	<u>–</u>	<u>(768)</u>
	138,325	8,211
Discontinued operations		
New Zealand	<u>–</u>	<u>31</u>
	<u>138,325</u>	<u>8,242</u>

Major customer

During the six months period ended 30 June 2023, the following external customer contributed more than 10% of the total revenue of the Group.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<u>23,797</u>	<u>–</u>

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

3 OTHER INCOME

Other income of continuing operations:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	4,680	177
Others	–	156
	<u>4,680</u>	<u>333</u>

4 OTHER OPERATING EXPENSES

Other operating expenses of continuing operations:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
		(Restated)
Auditors' remuneration		
– Audit services	791	1,230
– Non-audit services	27	27
Professional and consultancy fee	3,040	2,183
Marketing, advertising and promotion expenses	3,686	904
Storage expenses	1,599	18
Insurance	604	1,977
Repair and maintenance (including system maintenance)	869	1,715
Short term lease payments under land and building	667	508
Information services expenses	257	390
Other office occupation expenses	–	310
Postage and courier expenses	907	52
Net foreign exchange gain	(524)	(1,394)
Bank charges	283	55
Travelling expenses	32	111
Staff training	8	24
Others	1,612	436
	<u>13,858</u>	<u>8,546</u>

5 DISCONTINUED OPERATIONS

During the year ended 31 December 2022, the Group ceased its margin dealing business in New Zealand due to future uncertainties in this business. In June 2022, the Group has returned its derivatives issuer licence to the FMA. The analysis of the results of discontinued operations is as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Leverage foreign exchange and other trading income	–	8
Fee and commission income	–	23
Other income	<u>3</u>	<u>–</u>
Total income	<u>3</u>	<u>31</u>
Referral expenses and other charges	–	(236)
Staff costs	(29)	(1,600)
Depreciation – property, plant and equipment	(9)	(15)
Other operating expenses	<u>272</u>	<u>1,467</u>
Total expenses	<u>234</u>	<u>(384)</u>
Operating profit/(loss) from discontinued operations	237	(353)
Finance cost	<u>–</u>	<u>–</u>
Profit/(loss) before tax from discontinued operations	237	(353)
Income tax	<u>–</u>	<u>–</u>
Profit/(loss) for the period from discontinued operations	<u>237</u>	<u>(353)</u>

Net cash flows from discontinued operations are as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash (outflows)/inflows	<u>(231)</u>	<u>8,236</u>
Total cash (outflows)/inflows	<u>(231)</u>	<u>8,236</u>

6 INCOME TAX EXPENSE

Hong Kong profits tax on continuing operations has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the respective periods at the rates of taxation prevailing in the countries in which the Group operates. The income tax expenses of the Group are charged at a tax rate of 28% (2022: 28%) in New Zealand, 30% (2022: 30%) in Australia and 25% (2022: 25%) in the People's Republic of China respectively in accordance with the local tax law.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Current tax:		
Expense for the period	<u>1,304</u>	<u>225</u>
Total current tax expense	<u>1,304</u>	<u>225</u>
Income tax expense	<u>1,304</u>	<u>225</u>

7 DIVIDENDS

The Board has resolved not to declare any payment of dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

8 PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share is calculated by dividing the profit/(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	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Profit/(loss) from continuing operations	5,317	(17,142)
Profit/(loss) from discontinued operations	237	(353)
	<u>5,554</u>	<u>(17,495)</u>
Profit/(loss) attributable to equity holders of the Company	<u>5,554</u>	<u>(17,495)</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>
	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Basic and diluted profit/(loss) per share (HK cents)		
Continuing operations	0.26	(0.84)
Discontinued operations	0.01	(0.02)
	<u>0.27</u>	<u>(0.86)</u>
Total basic and diluted profit/(loss) per share (HK cents)	<u>0.27</u>	<u>(0.86)</u>

For the six months ended 30 June 2023 and 2022, basic profit/(loss) per share is the same as diluted profit/(loss) per share.

9 RIGHT-OF-USE ASSETS

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Right-of-use assets		
Buildings	—	—
Lease liabilities		
Current	—	—
Non-current	—	—
	<u>—</u>	<u>—</u>

During the six months ended 30 June 2022, right-of-use assets of HK\$7,567,000 were disposed. There is no additions to the right-of-use assets during the six months ended 30 June 2023 and 2022.

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

	Unaudited Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets		
Buildings	—	1,388
Interest expense (included in finance cost)	—	157
Expense relating to short-term leases (included in other operating expenses)	—	672
	<u>—</u>	<u>672</u>

The total cash outflow for leases for the period ended 30 June 2022 was HK\$1,531,000.

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

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 year.

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.

10 INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Finished goods – merchandise	<u>12,231</u>	<u>37,795</u>

The cost of goods recognised as cost of sales amounted to approximately HK\$118,651,000 for the six months ended 30 June 2023 (for the six months ended 30 June 2022: HK\$5,328,000).

11 TRADE RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	37,310	17,991
Less: provision for impairment allowance	<u>–</u>	<u>–</u>
	<u>37,310</u>	<u>17,991</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	Unaudited 30 June 2023		Audited 31 December 2022	
	Balance <i>HK\$'000</i>	Percentage %	Balance <i>HK\$'000</i>	Percentage %
Current	21,257	57.0	9,686	53.8
Less than 3 months past due	10,572	28.3	5,821	32.4
3-6 months past due	5,481	14.7	1,047	5.8
Over 6 months past due	–	–	1,437	8.0
Total	<u>37,310</u>	<u>100.0</u>	<u>17,991</u>	<u>100.0</u>

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables.

Trade receivables past due but not impaired represents balance that the Group considered to be fully recoverable based on the past experience. As at 30 June 2023, none of the trade receivables (31 December 2022: nil) were impaired and the expected credit losses for the trade receivables balance are not significant. No provision was made as at 30 June 2023 (31 December 2022: nil).

Trade receivables are denominated in the following currencies:

	Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
HK\$	27,764	8,115
Renminbi (“RMB”)	<u>9,546</u>	<u>9,876</u>
	<u>37,310</u>	<u>17,991</u>

All trade receivables’ carrying amounts approximate to their fair values.

12 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	1,413	3,264
Right-of-return assets	416	2,587
Interest receivables	926	978
Other receivables	136	129
Rental and utility deposits	41	41
	<hr/>	<hr/>
Total	2,932	6,999
	<hr/> <hr/>	<hr/> <hr/>

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

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities		
Derivative contracts	—	(12)
	<hr/>	<hr/>
Total	—	(12)
	<hr/> <hr/>	<hr/> <hr/>

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

14 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	30,362	13,228
Fixed deposits with banks	182,968	198,563
Client trust bank balances	2,319	4,234
	<u>215,649</u>	<u>216,025</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 2023 and 31 December 2022, no bank balances are pledged to banks for banking facilities. No overdraft facility was utilised by the Group as at 30 June 2023 and 31 December 2022. None of the bank deposits are placed with market makers as collateral as at 30 June 2023 and 31 December 2022.

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

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	30,362	13,228
Fixed deposits with banks with original maturity within three months	182,968	198,563
	<u>213,330</u>	<u>211,791</u>

15 TRADE AND OTHER PAYABLES

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>notes</i>	HK\$'000	HK\$'000
Trade payables	(b)	18,738	41,486
Refund liabilities		910	2,676
Contract liabilities		8,634	2,412
Other accruals		1,261	2,415
Accrued audit fees		755	1,972
Other payables		7	525
		<u> </u>	<u> </u>
	(a)	30,305	51,486
		<u> </u>	<u> </u>

notes:

- (a) The carrying amounts of the Group's trade and other payables approximate to their fair values.
- (b) The credit terms of merchandise payables granted by the suppliers are usually current to 90 days. At 30 June 2023, the aging analysis of the merchandise payables based on invoice date is as follows:

	Unaudited		Audited	
	30 June 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
	HK\$'000	%	HK\$'000	%
Within 30 days	–	–	–	–
30-90 days	18,738	100.0	41,486	100.0
90-180 days	–	–	–	–
Over 180 days	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	18,738	100.0	41,486	100.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 LEASE LIABILITIES

Nature of leasing activities (in the capacity as lessee)

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

The movements in lease liabilities:

	<i>HK\$'000</i>
Balance as at 1 January 2022	9,639
Interest expense	161
Lease payments	(2,072)
Disposal	(7,675)
Exchange adjustment	(53)
	<hr/>
Balance as at 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	<hr/> <hr/> <hr/> –

There is no future lease payments as at 31 December 2022 and 30 June 2023.

17 SHARE CAPITAL AND RESERVES

(a) Share capital

	Unaudited 30 June 2023		Audited 31 December 2022	
	<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 (2022: same)	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:				
At beginning and end of the reporting period	<u>2,033,290,000</u>	<u>20,333</u>	<u>2,033,290,000</u>	<u>20,333</u>

(b) Reserves

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

18 LITIGATIONS AND CONTINGENT LIABILITIES

Contingent liabilities from litigations with Banclogix System Co., Limited

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

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

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

19 COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Significant financial information for the period ended 30 June

Consolidated profit and loss analysis

Items	Six months ended 30 June 2023 <i>HK\$'000</i>	Six months ended 30 June 2022 <i>HK\$'000</i> (Restated)	Percentage changes over the corresponding period of last year
Operating results			
Total income	143,008	8,575	+1,568%
– Continuing operations	143,005	8,544	
– Discontinued operations	3	31	
Profit/(loss) before tax	6,858	(17,270)	+140%
– Continuing operations	6,621	(16,917)	
– Discontinued operations	237	(353)	
Profit/(loss) for the period attributable to equity holders of the Company	5,554	(17,495)	+132%
– Continuing operations	5,317	(17,142)	
– Discontinued operations	237	(353)	
Net cash used in operating activities	(2,652)	(7,543)	+65%
Profit/(loss) per share (HK cents/share)			
Basic and diluted profit/(loss) per share ^{note}	0.27	(0.86)	+132%
– Continuing operations	0.26	(0.84)	
– Discontinued operations	0.01	(0.02)	

Consolidated financial position analysis

Items	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>	Percentage changes over the end of last year
Financial position			
Total assets	268,733	284,310	-5%
Total equity	235,874	230,800	+2%
Total equity attributable to equity holders of the Company	235,874	230,800	+2%
Total issued share capital (in thousand shares)	2,033,290	2,033,290	–
Net assets attributable to equity holders of the Company per share (HK\$/share) ^{note}	0.12	0.11	+9%
Gearing ratio	<u>Nil</u>	<u>Nil</u>	<u>N/A</u>

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

Analysis on changes in owner's equity

Items	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at 1 January	230,800	268,757
Profit/(loss) for the period	5,554	(17,495)
Other comprehensive expense	<u>(480)</u>	<u>(5,740)</u>
Total equity balance as at 30 June	<u>235,874</u>	<u>245,522</u>

The 2023 Interim Period compared with the 2022 Interim Period

Total Income

The total income for the continuing operations of the Group increased by approximately 15 times to HK\$143.01 million for the 2023 Interim Period from HK\$8.54 million for the 2022 Interim Period.

A. *Sales of goods*

The sales of goods for the continuing operations of the Group was approximately HK\$138.11 million for the 2023 Interim Period when compared with HK\$7.60 million for the 2022 Interim Period, mainly driven by the expansion of the healthcare business of the Group in 2023.

B. *Leveraged foreign exchange and other trading income*

The leveraged foreign exchange and other trading income for the continuing operations of the Group decreased by approximately 64% to HK\$0.22 million for the 2023 Interim Period from HK\$0.61 million for the 2022 Interim Period.

C. *Other income*

The other income for the continuing operations of the Group increased by approximately 13 times to HK\$4.68 million for the 2023 Interim Period from HK\$0.33 million for the 2022 Interim Period. The increase is mainly due to the increase in interest income from HK\$0.18 million for the 2022 Interim Period to HK\$4.68 million for the 2023 Interim Period.

Cost of sales

The cost of sales for the continuing operations of the Group was HK\$118.65 million for the 2023 Interim Period when compared with HK\$5.33 million for the 2022 Interim Period, which has included the cost of sales of the healthcare products.

Referral expenses and other charges

The referral expenses and other charges for the continuing operations of the Group increased to HK\$1.20 million for the 2023 Interim Period from HK\$1.09 million for the 2022 Interim Period. The increase was mainly due to the increase in business activities in the healthcare business.

Staff costs

The staff costs for the continuing operations of the Group decreased by approximately 71% to HK\$2.45 million for the 2023 Interim Period from HK\$8.51 million for the 2022 Interim Period. The decrease was mainly driven by the redundancy of staff following the suspension of the Australian operation.

Depreciation – property, plant and equipment

Depreciation of property, plant and equipment for the continuing operations decreased to approximately HK\$0.23 million for the 2023 Interim Period from approximately HK\$0.43 million for the 2022 Interim Period. The depreciation expense in the 2023 Interim Period is less than that of the 2022 Interim Period as some of the assets became fully depreciated in 2022.

Depreciation – right-of-use assets

Depreciation for right of use of assets for the continuing operations decreased to nil for the 2023 Interim Period from approximately HK\$1.39 million for the 2022 Interim Period. The decrease was mainly due to the office relocation in 2022 and there are no more right-of-use assets as at 30 June 2023 and 31 December 2022.

Other operating expenses

The other operating expenses for the continuing operations of the Group increased by approximately 62% to HK\$13.86 million for the 2023 Interim Period from HK\$8.55 million for the 2022 Interim Period. This was mainly due to the combined effect of the increase of storage expenses of HK\$1.58 million and the increase of postage and courier expenses of HK\$0.85 million when compared to that of the 2022 Interim Period.

Net profit/(loss)

For the reasons set forth above, the Group had a net profit for the continuing operations of HK\$5.32 million for the 2023 Interim Period, compared with a net loss of HK\$17.14 million for the 2022 Interim Period.

Significant investments, material acquisitions and disposals of subsidiaries

During the 2023 Interim Period, the Group did not have any significant investments held, material acquisitions and disposals.

Liquidity and financial resources

During the 2023 Interim Period, the operations of the Group were financed principally by equity capital, cash generated by the Group's business operations and cash and bank deposits.

As at 30 June 2023, cash and bank balances (including fixed deposits with banks with original maturity within three months) held by the Group amounted to HK\$213.33 million (as at 31 December 2022: HK\$211.79 million).

Gearing ratio

The gearing ratio calculated on the basis of net debts (lease liabilities) over the total shareholders' equity as at 30 June 2023 was zero (as at 31 December 2022: zero).

Foreign currency exposure

During the 2023 Interim Period, the Group recorded an exchange gain of HK\$0.52 million for the continuing operations (the 2022 Interim Period: gain of HK\$1.39 million). This was mainly due to the half year end translation of monetary assets denominated in foreign currency into local reporting currency by the Company's subsidiaries in Australia and New Zealand. The foreign currency risk is managed proactively by regular reviews of the currency positions in the basket of currency mix. To minimize the risk exposure, the Group has a hedging strategy based on prevailing market conditions and working capital requirements of subsidiaries.

Capital Structure

During the 2023 Interim Period, the Group's capital structure consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

New products and services

During the 2023 Interim Period, save as disclosed under Business Review section, no other new products or services was launched.

Charges on the Group's assets

As at 30 June 2023, there were no charge on the Group's assets (as at 31 December 2022: nil).

Contingent liabilities

Details of the Group's contingent liabilities as at 30 June 2023 are set out in Note 18 to the interim financial information.

Employees and remuneration policies

As at 30 June 2023, the Group engaged a total of 8 employees (as at 31 December 2022: a total of 8). Total staff costs including Directors' remuneration but excluding pension scheme contributions for the 2023 Interim Period amounting to approximately HK\$2.44 million (the 2022 Interim Period: HK\$9.69 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.

BUSINESS REVIEW

The Group has faced challenges in recent years due to the ongoing COVID-19 pandemic and unresolved legacy issues, which have negatively impacted the global economy and our business performance. In an effort to regain profitability and strengthen the Group's financial standing, the management team has been working to seek out new opportunities.

Starting from 2022, the management has decided to (i) explore business opportunities in the healthcare industry, (ii) suspend the operation in New Zealand and Australia; and (iii) continue the cost reduction measures. These combined efforts have simultaneously increased the total revenue by more than 10 times and the Group recorded profits again in the 2023 Interim Period.

Margin Dealing Business

CLSA Premium New Zealand Limited (“CLSAP NZ”)

In June 2022, CLSAP NZ has returned its derivatives issuer licence to the Financial Markets Authority of New Zealand and it has returned all the clients’ money in the segregation account to the clients.

CLSA Premium Pty Limited (“CLSAP AU”)

In November 2022, the Australian Financial Services Licence of CLSAP AU was cancelled by the Australian Securities and Investments Commission. CLSAP AU was in the process of returning the clients’ money and has not yet completed as at 30 June 2023.

CLSA Premium International (HK) Limited (“CLSAP HK”)

With the limited prospect for the Group’s remaining margin dealing and the bullion trading business (collectively, the “**Margin Dealing Business**”) in Hong Kong to obtain new clients and to improve its performance, the Board considered that the resources and effort deployed in the Margin Dealing Business could potentially be better utilized in the healthcare business, and has decided to suspend the operation of the Margin Dealing Business starting from June 2023. CLSAP HK was in the process of returning the clients’ money and has not yet completed as at 30 June 2023.

Regarding the Australian and New Zealand operation, as announced in 2022, the Group has suspended the operations due to regulatory and financial challenges in both countries. The suspension has significantly reduced the total operation costs by HK\$6.8 million and HK\$3.9 million for the Australian and New Zealand subsidiaries respectively for the 2023 Interim Period as compared with that for the 2022 Interim Period, contributing to a reduction of the related expense of the Group of approximately HK\$10.9 million in the 2023 Interim Period.

Healthcare Business

After due consideration, the Group decided in April 2022 to pursue and commence the Healthcare Business and to monitor the on-going development of the pharmaceutical e-commerce business.

2023 is the year of turnaround and the new healthcare business has shown encouraging outcome since its debut in mid-2022. In the 2023 Interim Period, large majority of the Group's revenue and profit are contributed by the healthcare business.

Three years of the COVID-19 pandemic have made huge impacts to consumer's value and lifestyle which has also shifted the dynamics in the healthcare value chain globally. In the post-COVID-19 era, people are more concerned over their wellbeing. People are more health conscious and willing to spend on healthcare products in order to stay well.

Despite the COVID-19 pandemic, China has remained the bellwether of the e-commerce sector with one of the largest digital buyer population in the world. Technology has also brought about changes to the sectors as live streaming and the rapid courier services, we are expecting a positive outcome in both the customer experience and also the business profitability. Management believes there could be more opportunities in the future in this sector.

In August 2022, the Group successfully obtained the Wholesaler Licence in Proprietary Chinese Medicines issued by the Chinese Medicines Traders Committee pursuant to the Chinese Medicine Ordinance (Cap. 549 of the Laws of Hong Kong). The licence enables the Group to expand its sales networks to both individual customers online via the e-commerce stores (the "**B2C Model**") and wholesale customers offline (the "**B2B Model**").

Under our B2C Model, the Group purchases products from suppliers, manages cross-border supply chains, identifies target customers, and sells products to individual customers in Mainland China through online e-commerce stores operated by the Group. The Group manages the entire operation of the e-commerce stores, including merchandise operation, digital marketing, customer services and logistics management. Under the B2B model, the Group sells the products sourced from its suppliers to its wholesale customers, which, in turn, on-sell to end users.

Benefited from the above mentioned strategies, the new Healthcare Business has achieved promising results for the 2023 Interim Period, with sales of goods from the healthcare business amounted to HK\$138.11 million, when compared to only HK\$7.60 million from healthcare business for the 2022 Interim Period. B2C Model and B2B Model have recorded HK\$21.12 million and HK\$116.99 million revenue respectively for the 2023 Interim Period.

The aforementioned combined efforts have allowed the Group to significantly increase the total income and reduce the operating expenses (excluding healthcare business segment related expenses). As a result, the Group has a turnaround – from a loss before tax of HK\$17.27 million in the 2022 Interim Period to a profit before tax of HK\$6.86 million in the 2023 Interim Period.

Business development update and progress on business plan

As disclosed in the Company’s announcement dated 12 May 2023, following the suspension of trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 25 April 2023, the Board considered that the resources and effort deployed in the Margin Dealing Business could potentially be better utilized in the Healthcare Business and has decided to suspend the operation of the Margin Dealing Business.

In order to further expand the healthcare business, the management is looking into:

1. expanding the overseas product varieties that can be sold in stores;
2. expanding the scale of promotion and the market share of the exclusive brands; and
3. relying on the domestic supply chain advantages, develop more products for online and offline sales.

UPDATES ON THE DECISION OF THE STOCK EXCHANGE ON RULE 13.24 OF THE LISTING RULES

Reference is made to the Company’s announcements dated 13, 24 April and 17 May 2023 (the “**Announcements**”) in relation to, among others, the decision of the Listing Committee to suspend trading in the Company’s shares on the Stock Exchange. Capitalised terms used herein shall have the same meanings as those defined in the Announcements, unless otherwise specified.

As disclosed in the Announcements, the Listing Committee was of the view that the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations as required under Rule 13.24 of the Listing Rules. After seeking professional advice and careful consideration of the relevant factors pertaining the prospect of success for a review of the LC Decision, the Company decided not to exercise its rights to review of the LC Decision under Chapter 2B of the Listing Rules. Accordingly, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 25 April 2023 and will remain suspended pending fulfilment of the Resumption Guidance and any supplement or modification thereto.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 24 October 2024. If the Company fails to remedy the substantive issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 24 October 2024, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company has been and is taking appropriate steps to resolve the issues causing its trading suspension and, in light of the complexity of the issues and amount of resources involved, has been in discussions with professional advisers to explore and consider opportunities and options available to the Company in formulating a viable resumption plan to resolve the issues leading to the trading suspension and to address the matters set out in the Resumption Guidance. The Company remains committed to using its best endeavors to satisfy the Resumption Guidance and to comply with Rule 13.24 of the Listing Rules in a manner satisfactory to the Stock Exchange as soon as practicable and will make further announcement(s) as and when appropriate should there be any material development.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of dividend for the 2023 Interim Period (for the 2022 Interim Period: nil).

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

During the 2023 Interim Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange throughout the 2023 Interim Period.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, no transactions, arrangements or contracts of significance in relation to the Group’s business to which the Group was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the 2023 Interim Period or at any time during such period.

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

On 10 March 2023, the Company received notices from Mr. Li Jiong, Mr. Xu Jianqiang and Mr. Yuan Feng accordingly for waiving the director’s fee (the director’s fee for Mr. Li Jiong and Mr. Xu Jianqiang both are HK\$120,000 for each year and for Mr. Yuan Feng is HK\$20,000 per month) with effect from 1 April 2023 till the termination of the appointment as the Company’s non-Executive Director/Executive Director.

The basis for determining the Directors’ emoluments (including bonus payments) remained unchanged during the six months ended 30 June 2023.

Save as disclosed, during the six months ended 30 June 2023, there were no other changes to the Directors’ information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Hu Zhaoxia, Mr. Wu Jianfeng and Mr. Ma Xufei. Ms. Hu Zhaoxia is the chairman of the Audit Committee. The Audit Committee had reviewed and expressed no disagreement with the accounting treatment adopted by the Company in preparing the unaudited condensed consolidated interim results of the Group for the 2023 Interim Period and has provided advice and comments thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry, all the Directors confirmed that they had complied with the Model Code during the 2023 Interim Period. Besides, no incident of non-compliance of the Model Code by the employees was noted by the Company.

CONTINUED SUSPENSION OF TRADING

Trading in the Company’s shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 25 April 2023 and shall remain suspended until further notice. Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

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

Hong Kong, 14 August 2023

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

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

Mr. Wu Jianfeng
Ms. Hu Zhaoxia
Mr. Ma Xufei