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## INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Innovax Holdings Limited (the “**Company**”) is pleased to present to its shareholders the consolidated results of the Company and its subsidiaries (the “**Group**”), which is extracted from the audited consolidated financial statements for the year ended 28 February 2019 (the “**Year**”), together with the comparative figures for the year ended 28 February 2018 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  |       | Year ended          |                     |
|--|-------|---------------------|---------------------|
|  |       | 28 February<br>2019 | 28 February<br>2018 |
|  | Notes | HK\$'000            | HK\$'000            |
| <b>Revenue</b>                                     |       |                     |                     |
| Corporate finance advisory services                | 3     | 66,754              | 54,794              |
| Placing and underwriting services                  | 3     | 13,991              | 24,951              |
| Securities dealing and brokerage services          | 3     | 3,487               | 4,313               |
| Asset management services                          | 3     | 658                 | 247                 |
| Interest income from securities financing services | 3     | 299                 | 69                  |
|  |       | <u>85,189</u>       | <u>84,374</u>       |
| <b>Total revenue</b>                               |       | <b>85,189</b>       | 84,374              |
| Other income                                       |       | 1,494               | 44                  |
| Other losses                                       |       | —                   | (366)               |
|  |       | <u>86,683</u>       | <u>84,052</u>       |

|   |              | <b>Year ended</b>      |                 |
|---|--------------|------------------------|-----------------|
|   |              | <b>28 February</b>     | 28 February     |
|   |              | <b>2019</b>            | 2018            |
|   | <i>Notes</i> | <i>HK\$'000</i>        | <i>HK\$'000</i> |
| Administrative and operating expenses                             |              | <b>(14,667)</b>        | (8,448)         |
| Impairment allowance on financial instruments,<br>net of reversal | 5            | <b>(214)</b>           | —               |
| Staff costs   | 6            | <b>(43,903)</b>        | (44,605)        |
| Finance costs   | 7            | <b>(234)</b>           | (81)            |
| Listing expenses  |              | <u><b>(9,640)</b></u>  | <u>(123)</u>    |
| <b>Total expenses</b>   |              | <u><b>(68,658)</b></u> | <u>(53,257)</u> |
| Profit before tax   | 8            | <b>18,025</b>          | 30,795          |
| Income tax expense  | 9            | <u><b>(5,766)</b></u>  | <u>(5,364)</u>  |
| <b>Profit and total comprehensive income for the year</b>         |              | <u><b>12,259</b></u>   | <u>25,431</u>   |
| <b>Earnings per share</b>   |              |                        |                 |
| Basic (HK cents)  | 11           | <b>3.54</b>            | 8.48            |
| Diluted (HK cents)  | 11           | <u><b>3.54</b></u>     | <u>N/A</u>      |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <i>Notes</i> | As at                                  |  |
|---|--------------|--|--|
|   |              | 28 February<br>2019<br><i>HK\$'000</i> | 28 February<br>2018<br><i>HK\$'000</i> |
| <b>Non-current assets</b>                   |              |  |  |
| Property and equipment                      |              | 1,023                                  | 1,672                                  |
| Intangible asset                            |              | 500                                    | 500                                    |
| Deferred tax assets                         |              | 65                                     | —                                      |
| Other receivables, deposits and prepayments |              | <u>709</u>                             | <u>205</u>                             |
| <b>Total non-current assets</b>             |              | <u>2,297</u>                           | <u>2,377</u>                           |
| <b>Current assets</b>                       |              |  |  |
| Accounts receivable                         | 12           | 11,691                                 | 34,464                                 |
| Accrued income                              |              | —                                      | 3,428                                  |
| Contract assets                             | 13           | 4,107                                  | —                                      |
| Other receivables, deposits and prepayments |              | 3,486                                  | 641                                    |
| Tax recoverable                             |              | —                                      | 1,135                                  |
| Cash and cash equivalents                   |              | 216,999                                | 56,105                                 |
| Cash held on behalf of customers            |              | <u>37,109</u>                          | <u>33,697</u>                          |
| <b>Total current assets</b>                 |              | <u>273,392</u>                         | <u>129,470</u>                         |
| <b>Total assets</b>                         |              | <u>275,689</u>                         | <u>131,847</u>                         |

|  |              | As at               |                     |
|--|--------------|---------------------|---------------------|
|  |              | 28 February<br>2019 | 28 February<br>2018 |
|  | <i>Notes</i> | <i>HK\$'000</i>     | <i>HK\$'000</i>     |
| <b>Current liabilities</b>                             |              |                     |                     |
| Accounts payable and short term advances from a broker | 14           | 39,275              | 50,633              |
| Amounts due to a director                              |              | —                   | 1,673               |
| Other payables and accruals                            |              | 1,439               | 18,765              |
| Bank loans   |              | —                   | 8,130               |
| Deferred revenue                                       |              | —                   | 2,890               |
| Contract liabilities                                   | 15           | 1,370               | —                   |
| Tax payable  |              | <u>6,471</u>        | <u>3,006</u>        |
| <b>Total current liabilities</b>                       |              | <u>48,555</u>       | <u>85,097</u>       |
| <b>Net current assets</b>                              |              | <u>224,837</u>      | <u>44,373</u>       |
| <b>Total assets less current liabilities</b>           |              | <u>227,134</u>      | <u>46,750</u>       |
| <b>Equity</b>  |              |                     |                     |
| Share capital  |              | 4,000               | 1                   |
| Reserves   |              | <u>223,134</u>      | <u>46,695</u>       |
| <b>Total equity</b>                                    |              | <u>227,134</u>      | <u>46,696</u>       |
| <b>Non-current liability</b>                           |              |                     |                     |
| Deferred tax liabilities                               |              | <u>—</u>            | <u>54</u>           |
| <b>Total non-current liability and equity</b>          |              | <u>227,134</u>      | <u>46,750</u>       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 14 June 2016. The immediate holding company is Billion Shine International Investment Limited (“BSI”), a limited liability company incorporated in the British Virgin Islands (“BVI”), which is wholly-owned by Mr. Chung Chi Man (“Mr. Chung”) who is the founder of the Group. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong (the “Stock Exchange”) with effect from 14 September 2018.

The address of the Company’s registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of its principal place of business is at Unit A–C, 20/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in corporate financial advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management services.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company. All values are rounded to the nearest thousand (“HK\$’000”) except otherwise indicated.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

|                       |   |
|-----------------------|---|
| HKFRS 9               | Financial Instruments   |
| HKFRS 15              | Revenue from Contracts with Customers and the related Amendments        |
| HK(IFRIC)-Int 22      | Foreign Currency Transactions and Advance Consideration                 |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions      |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle            |
| Amendments to HKAS 40 | Transfers of Investment Property  |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, loan commitments and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 March 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 March 2018. The difference between carrying amounts as at 28 February 2018 and the carrying amounts as at 1 March 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

***Summary of effects arising from initial application of HKFRS 9***

All financial assets and liabilities were measured on the same bases that were measured under HKAS 39. The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 March 2018.

|   | <b>Accounts<br/>receivable</b><br><i>HK\$'000</i> | <b>Contract<br/>assets</b><br><i>HK\$'000</i> | <b>Retained<br/>profits</b><br><i>HK\$'000</i> |
|---|---|---|--|
| Closing balance at 28 February 2018 — HKAS 39       | 34,464  | 3,428   | 46,695   |
| Effect arising from initial application of HKFRS 9: |   |   |  |
| Remeasurement of Impairment under ECL model         | <u>(410)</u>                                      | <u>(73)</u>                                   | <u>(483)</u>                                   |
| Opening balance at 1 March 2018                     | <u><u>34,054</u></u>                              | <u><u>3,355</u></u>                           | <u><u>46,212</u></u>                           |

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and accounts receivable without a significant financing component, including accounts receivable arising from corporate finance advisory services, placing and underwriting services and asset management services.

ECL for other financial assets at amortised cost, including cash and cash equivalents and account receivable arising from securities dealing and brokerage services and securities financing services, and loan commitment, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

All loss allowances for accounts receivable and contract assets as at 28 February 2018 reconcile to the opening loss allowance as at 1 March 2018 is as follows:

|   | <b>Accounts<br/>receivable</b><br><i>HK\$'000</i> | <b>Contract<br/>assets</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---|---|---|---------------------------------|
| Closing balance at 28 February 2018 — HKAS 39       | —   | —   | —                               |
| Amounts remeasured through opening retained profits | <u>410</u>  | <u>73</u>                                     | <u>483</u>                      |
| Opening balance at 1 March 2018                     | <u><u>410</u></u>                                 | <u><u>73</u></u>                              | <u><u>483</u></u>               |

## **2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers**

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 March 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 March 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Corporate finance advisory fees are recognised over time during the course of the work performed by the Group. The input method used to measure the progress towards complete satisfaction of these performance obligations.
- Placing and underwriting fees are recognised at a point in time upon completion of the placing and underwriting projects.
- Securities dealing and brokerage fees are recognised at a point in time upon completion of the transaction.
- Securities financing fees are recognised using the effective interest method.
- Asset management fees are recognised over time when related asset management services performed by the Group.

### ***Summary of effects arising from initial application of HKFRS 15***

No material impacts of transition to HKFRS 15 on retained profits at 1 March 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 March 2018. Line items that were not affected by the changes have not been included.

|                      | Note | Carrying<br>amounts<br>previously<br>reported at 28<br>February 2018 | Reclassification | Carrying<br>Amounts under<br>HKFRS 15 at 1<br>March 2018* |
|----------------------|------|--|------------------|---|
| Current assets       |      |  |                  |   |
| Accrued income       | b    | 3,428  | (3,428)          | —   |
| Contract assets      | b    | —  | 3,428            | 3,428   |
| Current liabilities  |      |  |                  |   |
| Contract liabilities | a    | —  | 2,890            | 2,890   |
| Deferred revenue     | a    | 2,890  | (2,890)          | —   |

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

- (a) At the date of initial application, included in the deferred revenue, HK\$2,890,000 related to the consideration received from customers for sponsor and advisory services. These balances were reclassified to contract liabilities upon application of HKFRS 15.
- (b) At the date of initial application, unbilled revenue of HK\$3,428,000 arising from sponsor and advisory contracts are conditional on the Group's achieving specified milestones as stipulated in the contracts, and hence such balance was reclassified from accrued income to contract assets.

Under HKAS 18, the Group recognises the fee income from sponsor or financial advisory services based on the stage of completion of the relevant services rendered. Upon application of HKFRS 15, the relevant services in a contract are considered as a single performance obligation. Since the terms of the relevant service contracts for sponsor or financial advisory services create an enforceable right to payment for the Group and the performance does not create an asset with an alternative use, revenue from sponsor or financial advisory services should be recognised over time. There were also no changes in revenue recognition policy for other revenue streams. This change in accounting policy does not result in any increment or reduction of revenue for the year ended 28 February 2019.

***Impact on the consolidated statement of financial position***

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 28 February 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.



|                      | <b>As reported</b><br><i>HK\$'000</i> | <b>Adjustments</b><br><i>HK\$'000</i> | <b>Amounts without<br/>application of<br/>HKFRS 15</b><br><i>HK\$'000</i> |
|----------------------|---------------------------------------|---------------------------------------|---|
| Current assets       |                                       |                                       |   |
| Accrued income       | —                                     | 4,107                                 | 4,107   |
| Contract assets      | 4,107                                 | (4,107)                               | —   |
| Current liabilities  |                                       |                                       |   |
| Contract liabilities | 1,370                                 | (1,370)                               | —   |
| Deferred revenue     | —                                     | 1,370                                 | 1,370   |

*Impact on the consolidated statement of cash flows*

|                                  | <b>As reported</b><br><i>HK\$'000</i> | <b>Adjustments</b><br><i>HK\$'000</i> | <b>Amounts without<br/>application of<br/>HKFRS 15</b><br><i>HK\$'000</i> |
|----------------------------------|---------------------------------------|---------------------------------------|---|
| OPERATING ACTIVITIES             |                                       |                                       |   |
| Increase in contract asset       | (763)                                 | 763                                   | —   |
| Increase in accrued income       | —                                     | (763)                                 | (763)   |
| Decrease in contract liabilities | (1,520)                               | 1,520                                 | —   |
| Decrease in deferred revenue     | —                                     | (1,520)                               | (1,520)   |

### 3. REVENUE

#### Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major services:

|   | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Corporate finance advisory services                                   |                                |                         |
| Sponsor fee income  | <b>53,564</b>                  | 48,854                  |
| Advisory fee income — financial and independent<br>financial advisory | <b>5,478</b>                   | 1,580                   |
| Advisory fee income — compliance advisory                             | <b>7,712</b>                   | 4,360                   |
|   | <b>66,754</b>                  | 54,794                  |
| Placing and underwriting services                                     |                                |                         |
| Underwriting fee income   | <b>13,991</b>                  | 24,951                  |

|   | <b>2019</b>          | 2018            |
|---|----------------------|-----------------|
|   | <i>HK\$'000</i>      | <i>HK\$'000</i> |
| Securities dealing and brokerage services   |                      |                 |
| Commission income — Hong Kong equities  | <b>1,023</b>         | 460             |
| Commission income — Subscription of<br>initial public offering (“ <b>IPO</b> ”) and placing | <u><b>2,464</b></u>  | <u>3,853</u>    |
|   | <u><b>3,487</b></u>  | <u>4,313</u>    |
| Asset management services   |                      |                 |
| Management fee income   | <b>658</b>           | 226             |
| Performance fee income  | <u>—</u>             | <u>21</u>       |
|   | <u><b>658</b></u>    | <u>247</u>      |
| Interest income from securities financing services  |                      |                 |
| Interest income — Margin clients  | <b>228</b>           | 52              |
| Interest income — Cash clients  | <u><b>71</b></u>     | <u>17</u>       |
|   | <u><b>299</b></u>    | <u>69</u>       |
| Total revenue   | <u><b>85,189</b></u> | <u>84,374</u>   |

#### 4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on revenue for each type of services provided. **CODM** considers the business from service perspectives whereby assesses the performance of the services based on revenue generated in the course of the ordinary activities of a recurring nature of the Group. **CODM** considers the business of the Group as a whole as the Group is primarily engaged in corporate financial advisory services. Therefore, the management of the Group considers that the Group only has one single operating segment.

For the year ended 28 February 2019 and 2018, the Group has also carried other businesses in addition to corporate financial advisory services, however no discrete financial information is available for identifying operating segments among different services, therefore no further analysis of segment information is presented.

No geographical segment information is presented as the Group’s revenue are all derived from Hong Kong based on the location of services delivered and the Group’s non-current assets (excluding financial assets) are all located in Hong Kong by location of assets.

## Major customer

During the year ended 28 February 2019, the following external customer contributed more than 10% of total revenue of the Group.

|            | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|------------|--------------------------------|-------------------------|
| Customer A | <b>12,485</b>                  | N/A*                    |

\* Customer A did not contribute more than 10% of total revenue of the Group during the year ended 28 February 2018.

There were no customers individually contributing over 10% of the Group's total revenue for the year ended 28 February 2018.

## 5. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

|  | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Reversal gain on accounts receivable   | <b>216</b>                     | —                       |
| Impairment losses on contract assets   | <b>(411)</b>                   | —                       |
| Impairment losses on other receivables | <b>(19)</b>                    | —                       |
|  | <b>(214)</b>                   | —                       |

## 6. STAFF COSTS

|  | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Directors' emoluments                            | <b>6,466</b>                   | 6,466                   |
| Other staffs                                     |                                |                         |
| Salaries and allowance                           | <b>28,759</b>                  | 18,343                  |
| Bonuses  | <b>7,913</b>                   | 19,252                  |
| Contributions to Mandatory Provident Fund Scheme | <b>765</b>                     | 544                     |
|  | <b>43,903</b>                  | 44,605                  |

## 7. FINANCE COSTS

|                                | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| Interest expenses — bank loans | <b>162</b>                     | 57                      |
| Interest expenses — broker     | <b>72</b>                      | 24                      |
|                                | <b>234</b>                     | 81                      |

## 8. PROFIT BEFORE TAX

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year has been arrived at after charging:                           |                         |                         |
| Depreciation  | 866                     | 562                     |
| Auditor's remuneration  | 1,420                   | 520                     |
| Operating lease rentals in respect of rented premises<br>— Minimum lease payments | <u>1,826</u>            | <u>1,740</u>            |

## 9. INCOME TAX EXPENSE

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Hong Kong Profits Tax:                  |                         |                         |
| — Current tax                           | 5,853                   | 5,333                   |
| Underprovision in respect of prior year | 32                      | —                       |
| Deferred tax (credit)/charge            | <u>(119)</u>            | <u>31</u>               |
|   | <u>5,766</u>            | <u>5,364</u>            |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

## 10. DIVIDEND

On 17 May 2018, the Company declared dividends of HK\$5,000,000 to its then immediate holding company, BSI.

The directors of the Company do not recommend the payment of a dividend for the year ended 28 February 2019.

## 11. EARNINGS PER SHARE

|   | 2019               | 2018               |
|---|--------------------|--------------------|
| Earnings for the purpose of basic earnings per share:                                     |                    |                    |
| Profit for the year attributable to owners of the Company ( <i>HK\$'000</i> )             | <u>12,259</u>      | <u>25,431</u>      |
| Number of shares:   |                    |                    |
| Weighted average number of ordinary shares for the purpose of<br>basic earnings per share | <u>346,027,397</u> | <u>300,000,000</u> |

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 28 February 2019 and 2018 have been adjusted retrospectively for the capitalisation issue on 14 September 2018.

The calculation of diluted earnings per share for the current year does not assume the exercise of the over-allotment option granted upon the listing on the Main Board of the Stock Exchange on 14 September 2018 since the exercise price of this option was higher than the average market price during the exercisable period of this option.

No diluted earnings per share is presented for the prior year as there were no potential dilutive shares during the prior year.

## 12. ACCOUNTS RECEIVABLE

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Accounts receivable arising from:           |                         |                         |
| — Corporate finance advisory services       | 8,033                   | 7,869                   |
| — Securities dealing and brokerage services | 688                     | 2,009                   |
| — Securities financing services             |                         |                         |
| — Secured margin loan                       | 1,799                   | 3,875                   |
| — IPO                                       | —                       | 13,495                  |
| — Placing and underwriting services         | 1,261                   | 6,969                   |
| — Asset management services                 | 104                     | 247                     |
| Less: allowance for credit loss             | <u>(194)</u>            | <u>—</u>                |
|   | <u><b>11,691</b></u>    | <u><b>34,464</b></u>    |

Income arising from the corporate finance advisory services and placing and underwriting services are payable upon presentation of invoices.

Accounts receivable arising from securities dealing and brokerage business are repayable two days after trade date.

Accounts receivable arising from margin financing services are generally secured by listed equity securities. The management of the Group ensures that the available cash balance and listed equity securities belonging to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

Accounts receivable arising from IPO financing services are generally secured by securities or monies in the securities account from time to time and other monies and securities of the client which are now or shall in the future come into the possession, custody or control of the Group or directly collected from the clearing house. Such amounts are repayable upon the allotment of IPO subscription.

The Group is not permitted to sell or repledge the securities or monies in the securities account in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the accounts receivable arising from margin financing services and IPO financing services. The Group has taken into consideration of these collaterals for loss allowance calculation for the accounts receivable arising from margin financing services and IPO financing services.

In respect of the accounts receivable arising from corporate finance advisory services, securities dealing and brokerage services, placing and underwriting services and asset management services, except for the accounts receivable arising from securities financing services, the aging analysis based on trade date/invoice date at the end of reporting period are as follows:

|                             | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| 0–30 days                   | <b>8,029</b>                   | 14,476                  |
| 31–60 days                  | <b>157</b>                     | 1,597                   |
| 61–90 days                  | <b>1,300</b>                   | 31                      |
| 91–181 days                 | <b>600</b>                     | 990                     |
| Less : impairment allowance | <u>(188)</u>                   | <u>—</u>                |
|                             | <b><u>9,898</u></b>            | <b><u>17,094</u></b>    |

### 13. CONTRACT ASSETS

Contract assets represented the sponsor fee income arising from business of corporate finance advisory services recognised after work is performed but not yet billed to customers.

|                            | <b>28 February</b><br><b>2019</b><br><i>HK\$'000</i> | 1 March<br>2018<br><i>HK\$'000</i> |
|----------------------------|--|------------------------------------|
| Contract assets            | <b>4,591</b>   | 3,428                              |
| Less: impairment allowance | <u>(484)</u>   | <u>(73)</u>                        |
|                            | <b><u>4,107</u></b>                                  | <b><u>3,355</u></b>                |

### 14. ACCOUNTS PAYABLE AND SHORT TERM ADVANCES FROM A BROKER

|   | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Accounts payable arising from:              |                                |                         |
| — Securities dealing and brokerage services | <b>37,796</b>                  | 37,791                  |
| — Placing and underwriting services         | <b>1,479</b>                   | 317                     |
| Short term advances from a broker           | <u>—</u>                       | <u>12,525</u>           |
|   | <b><u>39,275</u></b>           | <b><u>50,633</u></b>    |

The settlement terms of payable to brokers, clearing house and securities trading clients from the ordinary course of business of securities dealing and brokerage services range from one to three days after the trade date of those transactions. Accounts payable from placing and underwriting services are repayable on demand. Short term advances from a broker are repayable upon the allotment of IPO subscription. Included in accounts payable arising from securities dealing and brokerage services are amounts due to directors and key management personnel of the Company of HK\$208,000 (2018: HK\$441,000).

No aging analysis is disclosed as, in the opinion of directors of the Company, such analysis does not give additional value in view of the nature of these businesses.

Short term advances from a broker are secured by monies or securities of the Group which are now or which shall at any time hereafter be deposited with, transferred or caused to be transferred to or held by the broker for the Group's obligations under the relevant agreement.

At 28 February 2019, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$37,109,000 (2018: HK\$33,697,000).

## 15. CONTRACT LIABILITIES

|              | <b>28 February<br/>2019</b> | 1 March<br>2018     |
|--------------|-----------------------------|---------------------|
|              | <i>HK\$'000</i>             | <i>HK\$'000</i>     |
| Sponsor fee  | <b>675</b>                  | 2,378               |
| Advisory fee | <b>695</b>                  | 512                 |
|              | <b><u>1,370</u></b>         | <b><u>2,890</u></b> |

## 16. EVENT AFTER THE REPORTING PERIOD

On 28 March 2019, the Group had utilized USD1 million (equivalent to approximately HK\$7.8 million) of the net proceeds from IPO to invest in the fund managed by the subsidiary of the Group, Innovax Alpha SPC — Innovax Balanced Fund SP for return in accordance to the intended use of proceeds as disclosed in the Prospectus. The investment will be treated as financial assets at fair value through profit or loss.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

The global economy had experienced some turbulence in 2018 and the early 2019. Benefited from the south-bound funds brought by the cross-border Stock Connect schemes in 2018, especially when the Mainland economy had maintained rapid growth, Hong Kong stock market had a strong start in 2018. The economy of China had maintained stable growth in its GDP in 2018. The Hang Seng Index once wheeled to a record high of 33,484 points in January 2018. Meanwhile, the U.S. economy had also a positive beginning with the drastic corporate tax reduction by the U.S. president Donald Trump from 35% to 21%. The U.S. economy had experienced a decline of long spiking high unemployment rate.

Nevertheless, the economic growth of second half of 2018 and early 2019 held back with the uncertainties casted by the trade disputes between China and the U.S. and the increase of oil price due to OPEC reduced oil output and sanctions against Iran and Venezuela. In addition to the unstable economic-political environment in Eurozone brought by the Brexit and “Yellow Vest Movements” in France, which, as a result, weakened the global consumption and investment sentiments. The trade disputes with the U.S. together with the unusual depreciation of Renminbi had painted pessimism on the canvas of Chinese economy. Up to January 2019, China has already made five Required Reserve Ratio cuts since last year. Yet, thanks to the policies and measures of China, the Chinese economy had remained stable in late 2018 and early 2019. Meanwhile, amidst the global economic turmoil, the annual growth rate of the Hong Kong economy had remained at 3.2% which was a moderate decrease from that in 2017. Even though the Hang Seng Index slumped to 25,846 at the end of December 2018 which represented an approximately 22% decrease from the record high in January 2018, entering the year 2019, the stock market in Hong Kong recouped and maintained at the point around 30,000.

As a matter of fact, in 2018, there were approximately 2,300 companies listed on the Main Board and the GEM, which was an increase of 4.5% as compared with previous periodical data. The total average daily turnover of south-bound trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect schemes was HK\$12.7 billion in 2018, up 29.3% year-on-year. South-bound trading in the total turnover of the Hong Kong market rose from approximately 5.6% in 2017 to approximately 5.9% in 2018.

### Overview

Established in Hong Kong since 2014, Innovax Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) are an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) through three operating subsidiaries including Innovax Capital Limited (“**Innovax Capital**”), Innovax Securities Limited (“**Innovax Securities**”) and Innovax Asset Management Limited (“**Innovax Asset Management**”). The Group aims to establish an integrated platform for providing a wide range of financial and securities services to its clients. The Group provides corporate finance advisory services including (i) acting as sponsors to companies pursuing



listing on the Main Board and GEM; (ii) acting as financial and independent financial adviser; and (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services as well as asset management services.

The total revenue of the Group increased from approximately HK\$84.4 million for the year ended 28 February 2018 to approximately HK\$85.2 million for the year ended 28 February 2019, representing an increase of approximately 0.9%.

On 14 September 2018 (the “**Listing Date**”), the shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange of Hong Kong Limited by way of global offering (the “**Listing**”), raising gross proceeds of approximately HK\$180.0 million. With the support from the Listing, the Group believes that it can continue with the momentum and continue to develop and grow sustainably in its business.

## **Business Review**

### *Corporate Finance Advisory Services*

The corporate finance advisory services mainly comprise services including (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services. Our corporate finance advisory business recorded a significant growth in revenue of approximately 21.9%, from approximately HK\$54.8 million for the year ended 28 February 2018 to approximately HK\$66.8 million during the year ended 28 February 2019.

During the Year, we were engaged in a total of 78 corporate finance advisory projects, which included 39 IPO sponsorship projects, 17 financial and independent financial advisory projects and 22 compliance advisory projects, while we were engaged in a total of 55 corporate finance advisory projects, which included 26 IPO sponsorship projects, 8 financial and independent financial advisory projects and 21 compliance advisory projects during the year ended 28 February 2018.

#### *IPO sponsorship services*

IPO sponsorship services remain the Group’s core driver for the Year. During the Year, the Group has completed 4 Main Board and 1 GEM IPO sponsorship engagements.

Income generated from IPO sponsorship services was approximately HK\$53.6 million during the Year (2018: approximately HK\$48.9 million). During the Year, we were engaged in 39 IPO sponsorship projects, while we were engaged in 26 IPO sponsorship projects during the year ended 28 February 2018.

### *Financial and independent financial advisory services*

The Group acts as (i) financial advisers to clients to advise them on the terms and structures of the proposed transactions, and the relevant implications and compliance matters under the Hong Kong regulatory framework including the Listing Rules, the GEM Listing Rules and the Hong Kong Code on Takeovers and Mergers; or (ii) independent financial advisers giving opinions or recommendations to the independent board committee and independent shareholders of listed companies.

Income generated from financial and independent financial advisory service was approximately HK\$5.5 million during the Year (2018: approximately HK\$1.6 million). During the Year, we were engaged in 10 financial advisor projects, 7 independent financial advisory projects while we were engaged in 6 financial advisor projects, 2 independent financial advisory projects during the year ended 28 February 2018.

### *Compliance advisory services*

The Group act as compliance advisers to listed companies on the Main Board or GEM and advise them on post-listing compliance matters in return for advisory fee.

Income generated from compliance advisory services was approximately HK\$7.7 million during the Year (2018: approximately HK\$4.4 million). During the Year, we were engaged in 22 compliance advisory projects, while we were engaged in 21 compliance advisory projects during year ended 28 February 2018.

### *Placing and Underwriting Services*

The Group provides placing and underwriting services by acting as (i) placing or sub-placing agent for issue of new shares by listed companies; and (ii) global coordinator or bookrunner or lead manager or underwriter for IPOs of listing applicants, in return for placing and/or underwriting commission income.

During the Year, the Group completed 4 transactions as lead manager and 4 transactions as co-lead manager for 8 IPOs. Income generated from placing and underwriting business was approximately HK\$14 million during the Year (2018: approximately HK\$25 million). We had only 8 placing and underwriting projects during the Year due to the slightly weakened stock market in Hong Kong. During the year ended 28 February 2018, we completed 15 placing and underwriting projects.

### *Securities Dealing and Brokerage Services*

The Group provides securities dealing and brokerage services to its clients for trading in securities listed on the Main Board or GEM in return for brokerage commission income. In conjunction with its securities dealing and brokerage services, the Group also provides advice on securities as value-added services to its clients. Such value-added services include provision of daily market update reports, securities performance analysis reports and monthly and yearly market outlook reports.

As at 28 February 2019, the Group had 569 securities accounts maintained in Innovax Securities (As at 28 February 2018: 437) and its commission income generated from securities dealing and brokerage business was approximately HK\$3.5 million during the Year (As at 28 February 2018: HK\$4.3 million).

### *Securities Financing Services*

The Group provides securities financing services to its clients by (i) providing margin financing to them for purchasing securities on the secondary market; and (ii) IPO financing to clients for subscribing shares offered under public tranche of IPOs.

As at 28 February 2019, the total outstanding balance of margin loans amounted to approximately HK\$1.8 million (As at 28 February 2018: approximately HK\$3.9 million) and its interest income generated from securities financing services was approximately HK\$299,000 during the Year (2018: approximately HK\$69,000).

### *Asset Management Services*

The Group provides fund management and discretionary account management services to its clients.

As at 28 February 2019, the asset under management (“AUM”) of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$4.5 million (equivalent to approximately HK\$35.1 million) (As at 28 February 2018: approximately US\$2.7 million) and the AUM of the discretionary account managed by the Group was approximately HK\$2.6 million (As at 28 February 2018: approximately HK\$3.5 million). The income generated from asset management business was approximately HK\$658,000 during the Year (2018: approximately HK\$247,000).

## **Financial Review**

### *Revenue*

During the Year, the Group’s revenue recorded growth of 0.9% to HK\$85.2 million (2018: approximately HK\$84.4 million), mainly driven by growth of corporate finance services segment.

### *Profit attributable to the owners of the Company*

Profit for the Year attributable to owners of the Company dropped by 51.6% to approximately HK\$12.3 million (2018: approximately HK\$25.4 million) due to listing expenses of approximately HK\$9.6 million.

### *Administrative and Operating Expenses*

The Group’s administrative and operating expenses increased by approximately HK\$6.3 million from approximately HK\$8.4 million for the year ended 28 February 2018 to approximately HK\$14.7 million for the Year due to increase in donation of approximately HK\$500,000, advertising and promotion expenses of approximately HK\$1.1 million and audit fee of approximately HK\$900,000.

The following is a breakdown of administrative and other operating expenses during the Year:

|                                    | <b>2019</b>          | 2018            |
|------------------------------------|----------------------|-----------------|
|                                    | <i>HK\$'000</i>      | <i>HK\$'000</i> |
| Advertising and promotion expenses | <b>1,202</b>         | 69              |
| Audit fee                          | <b>1,420</b>         | 520             |
| Donation                           | <b>1,000</b>         | 500             |
| Depreciation                       | <b>866</b>           | 562             |
| Rent expenses                      | <b>1,826</b>         | 1,740           |
| Miscellaneous expenses             | <b>8,353</b>         | 5,057           |
|                                    | <b><u>14,667</u></b> | <u>8,448</u>    |

### *Staff Costs*

Staff costs decreased by approximately 1.6% from approximately HK\$44.6 million for the year ended 28 February 2018 to approximately HK\$43.9 million for the Year.

### **Liquidity, Financial Resources and Capital Structure**

The Group's working capital and other capital requirements were principally satisfied by cash generated from the Group's operations and capital.

As at 28 February 2019, the Group's net current assets amounted to HK\$224.8 million (as at 28 February 2018: HK\$44.4 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 5.63 times (as at 28 February 2018: 1.52 times). Bank balances amounted to approximately HK\$217 million (as at 28 February 2018: HK\$56.1 million). As at 28 February 2019, the Group has no bank loans (as at 28 February 2018: HK\$8.1 million) and amount due to a director (as at 28 February 2018: HK\$1.7 million). As at 28 February 2019, the Group's debts including payables incurred not in the ordinary course of business were HK\$Nil, representing a gearing ratio of Nil (2018: 0.2).

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business (representing bank loans and amounts due to a Director) divided by the total equity as at the end of the Year.

On 14 September 2018, the shares of the Company were listed on the Main Board of the Stock Exchange by way of global offering comprising a public offering of 40,000,000 ordinary shares and international offering of 60,000,000 shares, with a par value of HK\$0.01 each at an offer price of HK\$1.80 per share with net proceeds of approximately HK\$158.0 million. The Company believes that the funding from the global offering on the Main Board would allow the Group to continue with its future business development as a more integrated and reputable financial services provider and to gain access to capital market for raising funds in the future.

## **Share Option Scheme**

The share option scheme of the Company (the “**Share Option Scheme**”) is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then sole Shareholder passed on 24 August 2018. The Company is thus entitled to issue a maximum of 40,000,000 shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the shares in issue as at the Listing Date. The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries, any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries (collectively, the “**Eligible Participants**”) to optimize their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

During the Year and since the Listing Date, no options were granted by the Company under the Share Option Scheme.

The Company did not have any outstanding share options as at 28 February 2019 and up to the date of this announcement.

## **Pledge of Assets**

As at 28 February 2019, the Group did not have any pledged assets (As at 28 February 2018: Nil).

## **Foreign Currency Exposure**

The majority of the Group’s revenue is denominated in Hong Kong dollars and the Group’s accounts are prepared in Hong Kong dollars. Consequently, the exposure to the risk of foreign exchange rate fluctuations for the Group is not material.

## **Capital Commitments and Contingent Liabilities**

As at 28 February 2019, the Group did not have any significant capital commitment and contingent liabilities (As at 28 February 2018: Nil).

## **Operating Lease Commitment and Underwriting Commitment**

Details regarding the operating lease commitment and underwriting commitment are set out in the consolidated financial statements.

## **Employees and Remuneration Policies**

As at 28 February 2019, the Group employed 51 staff (including executive Directors) (As at 28 February 2018: 43). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Moreover, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Employee benefit expenses primarily consist of salaries, bonus and allowance as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Employee benefits expenses was approximately HK\$43.9 million during the Year (2018: approximately HK\$44.6 million), representing a decrease of approximately HK\$700,000.

## **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

During the Year, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **Significant Investments Held by the Group**

As at 28 February 2019, the Group did not make any significant investments.

## **Risk Management**

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review. The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It endeavours to evaluate and compare the level of risk against predetermined acceptable level of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management will develop contingency plans for possible loss scenarios. Accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

## **Final Dividend**

On 17 May 2018, the Company declared dividend of approximately HK\$5.0 million, which was fully repaid by its internal resources before the Listing.

After the Listing, the Board did not recommend a payment of final dividend for the Year (2018: Nil).

## Event after the Reporting Period

On 28 March 2019, the Group had utilized USD1 million (equivalent to approximately HK\$7.8 million) of the net proceeds from IPO to invest in the fund managed by the subsidiary of the Group, Innovax Alpha SPC — Innovax Balanced Fund SP for return in accordance to the intended use of proceeds as disclosed in the Prospectus. The investment will be treated as financial assets at fair value through profit or loss.

## Use of Proceeds

The net proceeds of the Group raised from the initial public offering was approximately HK\$158 million, after deducting the underwriting fees, commissions and other listing expenses.

Up to 28 February 2019, the Group has utilized HK\$110.2 million accounting for approximately 69.7% of the net proceeds from Listing as follows:

| <b>Intended use of proceeds</b>   | <b>Net proceeds raised as stated in Prospectus</b> | <b>Actual use of net proceeds up to 28 February 2019</b> | <b>Unutilized use of net proceeds up to 28 February 2019</b> |
|---|--|--|--|
| Increasing our capital for the expansion of our placing and underwriting business   | HK\$80 million                                     | HK\$80 million   | —  |
| Increasing our capital for the expansion of our securities financing business   | HK\$33 million                                     | HK\$15 million   | HK\$18 million   |
| Enhancing and developing our corporate finance advisory business by attracting more talents and expanding our corporate finance team                        | HK\$15 million                                     | HK\$0.2 million  | HK\$14.8 million   |
| Expanding our asset management business by attracting more talents and expanding our asset management team and increasing seed money to establish new funds | HK\$15 million                                     | —  | HK\$15 million   |
| Our working capital requirement and general corporate purposes  | <u>HK\$15 million</u>                              | <u>HK\$15 million</u>                                    | <u>—</u>   |
| <b>Total</b>  | <u><b>HK\$158 million</b></u>                      | <u><b>HK\$110.2 million</b></u>                          | <u><b>HK\$47.8 million</b></u>                               |

As at 28 February 2019, approximately 69.7% of the net proceeds raised has been utilized as intended. The remaining unutilized net proceeds of approximately 30.3% are placed in licensed banks in Hong Kong as at 28 February 2019.

During the Year, the Group has applied the net proceeds according to the disclosure in the Prospectus gradually as follows: as there was (a) shrinking in number and size of the placing and underwriting transactions under a pessimistic sentiment about the stock market which resulted an overall decrease in demand for security financing services; and (b) slowdown in domestic and cross-border merger and acquisition and other fund raising activities, the Group believed that it would be more beneficial for the

Company to adopt a conservative but flexible approach for utilizing the proceeds effectively and efficiently for the long term benefit and development of the Group. The Group therefore has slowdown the recruitment in corporate finance and asset management teams during the Year. The Group would stay attentive to the market conditions and take suitable and prudent actions accordingly. Evident with the steady growth of the Group's business performance, the Company believes that it has taken an appropriate strategy in the use of proceeds from Listing.

### **No Material Adverse Change**

Save for the one-off listing expenses incurred during the Year, the Directors have confirmed that there was no material adverse change in the Group's financial and trading position or prospects as at 28 February 2019.

### **Future Plans For Material Investments or Capital Assets**

The Group did not have any plans for material investment and capital assets as at 28 February 2019.

### **Outlook and Prospect**

Looking forward, ambiguity persists in the global economy and financial market. The tension between two major players in the world economy, the U.S. and China, remains to be resolved. Worse still, the compromise for Brexit has yet to be reached and the deadlock continued to be unbroken. On the other hand, during the first few months of 2019, there were signs from various countries in the international arena that shed sanguine light to the outlook in 2019. The U.S. interest rate hike slowed down while the Chinese economy has sustained healthy growth. Amid the tariff fight with Washington, China's economy expanded by 6.4% over a year earlier in the three months ended in March 2019. China had stepped up government spending last year and told banks to lend more after economic activity weakened, in order to prevent the raising risk of politically dangerous job losses. The Chinese government's decision to ease credit controls aimed at reining in rising debt seemed to start yielding results.

During the Year, the Group had been equipping itself to hurdle challenging environment ahead. With the milestone of the Listing of Shares, the Group has entered into a larger platform for our business development with a reputable corporate profile and brand name which helps us attract more clients and broaden spectrum of the clients. It increased the credibility and enabled us to gain direct access to the capital market for equity and also debt financing at a lower cost of funding to fund our existing operations and future expansion, which could be instrumental to maintain sustainable development in this volatile economic conditions. More importantly, it enhanced our ability to grab hold of the opportunities not only in Hong Kong but in other places in China in the years to come. The China's "One Belt One Road" and cross-border Stock Connect ignite new prospects for capital inflow to Hong Kong. The leading position of Hong Kong as an international financial hub shall attract more investment from other places with the initiation of the Guangdong-Hong Kong-Macao Greater Bay Area. With the reputation as well as the resources brought by the Listing of Shares in 2019, the Group



shall further step up our business and stay alert of the economic conditions to seek for new opportunities and areas of business growth so that the Group can lay a solid foundation for further expansion and make appropriate adjustments accordingly.

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

Throughout the period from the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

On 14 September 2018, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of global offering. The Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) contained in Appendix 14 to the Listing Rules (the “**Code Provisions**”) as the basis of the Company's corporate governance practices since the Listing Date.

The Board is of the view that the Company has complied with the Code Provisions set out in the CG Code throughout the period from the Listing Date and up to the date of this announcement.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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 as the required standard for securities transactions by Directors.

The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Year.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group's consolidated financial statements for the year ended 28 February 2019, including the accounting principles adopted by the Group, with the Company's management.

The Audit Committee comprises four members, namely, Ms. Chan Ka Lai, Vanessa (Committee Chairman), Mr. Lo Wai Kwan, Dr. Wu Kwun Hing and Mr. Cheung Kwok Kwan JP, all being Independent non-executive Directors of the Company.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 28 February 2019 as set out in the preliminary announcement have been agreed by the Group's auditor,

Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

### **PUBLICATION OF INFORMATION ON THE EXCHANGE’S WEBSITE**

The annual results announcement and annual report of the Company for the year ended 28 February 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at [www.innovax.hk](http://www.innovax.hk) in due course.

By order of the Board  
**Innovax Holdings Limited**  
**Chung Chi Man**  
*Chairman*

Hong Kong, 28 May 2019

*As at the date of this announcement, the Board comprises: Mr. Chung Chi Man as Chairman of the Company and executive director; Mr. Poon Siu Kuen, Calvin as Chief executive officer and executive Director; Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping, Ms. Chan Ka Lai, Vanessa and Mr. Cheung Kwok Kwan as independent non-executive Directors.*

*This announcement has been issued in the English language with a separate Chinese language translation. If there is any conflict in the announcement between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.*