INNOVAX HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2680

Interim Report 2019/20

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chung Chi Man
Mr. Poon Siu Kuen, Calvin

Independent Non-executive Directors

Mr. Lo Wai Kwan
Dr. Wu Kwun Hing
Mr. Choi Wai Ping
Ms. Chan Ka Lai, Vanessa
Mr. Cheung Kwok Kwan *JP*

AUDIT COMMITTEE

Ms. Chan Ka Lai, Vanessa *(Chairlady)*
Mr. Lo Wai Kwan
Dr. Wu Kwun Hing
Mr. Cheung Kwok Kwan *JP*

REMUNERATION COMMITTEE

Mr. Lo Wai Kwan *(Chairman)*
Dr. Wu Kwun Hing
Mr. Choi Wai Ping
Ms. Chan Ka Lai, Vanessa

NOMINATION COMMITTEE

Dr. Wu Kwun Hing *(Chairman)*
Mr. Lo Wai Kwan
Mr. Choi Wai Ping
Ms. Chan Ka Lai, Vanessa

REGISTERED OFFICE

Cricket Square
Hutchison Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A–C, 20/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Ms. Chau Lok Yi

LEGAL ADVISERS

Jingtian & Gongcheng LLP
Suites 3205–3207
32/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Nanyang Commercial Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

COMPLIANCE ADVISER

Sinolink Securities (Hong Kong) Company Limited
Unit 2503, 2505–06
25/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

WEBSITE

www.innovax.hk

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 2 (dealing in futures contracts), 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 four operating subsidiaries including Innovax Capital Limited, Innovax Securities Limited, Innovax Asset Management Limited and Innovax Futures Limited.

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 (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, futures dealing as well as asset management services.

The total revenue of the Group increased from approximately HK$30.0 million for the six months ended 31 August 2018 to approximately HK$43.3 million for the six months ended 31 August 2019 (the "Period"), representing an increase of approximately 44.3% mainly due to the improvement in business in the placing and underwriting services, securities dealing and brokerage services and securities financing services. However, the Group has incurred a loss of HK$2.3 million for Period when compared to the profit of HK$872,000 for the corresponding period in 2018, representing a decrease of approximately 366.5% due to the increase in staff cost and administrative and operating expenses upon listing of shares of the Company in 2018 (the "Listing of Shares").

MARKET REVIEW

During the Period, the on-going China-US trade war, which has already been started for more than one year, painted uncertainty to macro-economy as well as the financial market. The attitude towards trade talks between the United States ("US") and China has been ambiguous, if not contradictory, and resolution is still, nowhere in sight. It shed positive light to the way out of this dead end during the early 2019 when the trade talks were seemingly rekindled and some of the tariffs were suspended during the G20 in June 2019. However, soon after that, US President Trump threatened to post 10 percent tariffs on another US$300 billion of Chinese goods starting from 1 September 2019 and China then responded with the suspension of purchase of new agricultural products from the US. As a result of this prolonged trade conflicts between the two biggest economies in the world, the stock prices in China and Hong Kong were undermined and it also caused a depreciation of Renminbi which further dragged down the stock market in Hong Kong.

China, also suffered from the continuous trade war with the US and weakening global demand as well as the alarming off-balance-sheet borrowings by local governments. The growth of GDP, still within an expected growth range though, has slowed down in the first half of 2019. The Chinese GDP grew 6.4% in 2019 Q1 but the growth has decreased to 6.2% in 2019 Q2, which was the lowest growth rate since the first quarter of 1992. Chinese Premier Li Keqiang even recently said that it was difficult for the Chinese economy to grow at a rate of 6% or more because of the high base from which it was starting and the complicated international backdrop. The People's Bank of China announced in May 2019 to apply comparatively low preferential required reserve ratios ("RRR") to small and medium-sized banks in focal areas servicing county regions, helping to release long-term fund of approximately 280 billion yuan, all of which will be used for private enterprises and micro and small-enterprises.

In this vulnerable global economic headwind, the Hong Kong economy and stock market had been affected by the external global market and domestic unrest. Even though the Hang Seng Index had been dropped from 31,044 on 1 March 2018 to 28,812 on the 1 March 2019, in the first four months of 2019, the stock market had experienced a moderate improvement over the end of 2018 which experienced the lowest closing in the recent years of 24,585 during October 2018. The gains from the early 2019 had then be retreated by the drastic drop after late April 2019. Worse still, the recent series of demonstrations had caused unprecedented chaos and destructions to the social and economic conditions in Hong Kong. Hong Kong's economy expanded modestly by 0.5% year-on-year in real terms in the second quarter of 2019, after the growth of 0.6% in the preceding quarter. The HKSAR Government's forecast of Hong Kong's economic growth for 2019 is revised downwards from 2-3% in the May round of review to 0-1%. In light of such gloomy atmosphere brought by the global and domestic situations during the second quarter of 2019, the negative sentiment was reflected in the stock market, which closed at a year low of 25,281 in mid- August 2019. During the Reporting Period, there were 77 IPO Listings in Hong Kong Stock Exchange, whereas in the corresponding period in 2018, there were 100 IPO Listings. Hong Kong IPOs since the start of June have raised $5.15 billion, decreased by 74% from $19.63 billion a year earlier. Market capitalisation was $30.0 trillion at the end of August 2019, representing a decrease of 6.8% from $32.2 trillion at the end of August 2018. The average daily turnover in August 2019 was $86.4 billion, representing an increase of 25.8% when compared with $68.7 billion in July 2019, and a decrease of 8.4% from $94.3 billion in August 2018. Despite these downturns, the average daily turnover of debt securities for the first eight months of 2019 has increased 50% to $0.3 billion, when compared with $0.2 billion for the same period last year.

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. The Group's corporate finance advisory business recorded a significant decrease in revenue of approximately 32.4%, from approximately HK$28.7 million for the period ended 31 August 2018 to approximately HK$19.4 million during the period ended 31 August 2019. During the period ended 31 August 2019, the Group was engaged in a total of 64 corporate finance advisory projects, which included 34 IPO sponsorship projects, 10 financial and independent financial advisory projects and 20 compliance advisory projects, while we were engaged in a total of 58 corporate finance advisory projects, which included 29 IPO sponsorship projects, 11 financial and independent financial advisory projects and 18 compliance advisory projects during the corresponding period in 2018.

Despite there was an increase in number of corporate finance advisory projects, there was a decrease in the Group's revenue due to the volatile macro-economic condition and the unexpected social unrest in Hong Kong since June 2019 which caused the Group's clients to take a more prudent and conservative approach in corporate finance advisory projects.

IPO sponsorship services

IPO sponsorship services remain the Group's core driver for the Period. During the Period, the Group has completed one Main Board IPO sponsorship engagement and one GEM transfer to Main Board engagement.

Income generated from IPO sponsorship services was approximately HK$13.7 million during the Period (six months ended 31 August 2018: approximately HK$20.7 million). During the period ended 31 August 2019, the Group was engaged in 34 IPO sponsorship projects, while the Group was engaged in 29 IPO sponsorship projects during the period ended 31 August 2018.

Financial and independent financial advisory services

The Group acts as (i) financial advisers to clients and 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 Takeovers Code; 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$1.3 million during the Period (six months ended 31 August 2018: approximately HK$4.0 million). During the Period, the Group was engaged in 4 financial advisor projects and 6 independent financial advisory projects while the Group was engaged in 6 financial advisor projects and 5 independent financial advisory projects during the period ended 31 August 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$4.4 million during the Period (six months ended 31 August 2018: approximately HK$4.0 million). During the period ended 31 August 2019, the Group was engaged in 20 compliance advisory projects, while the Group was engaged in 18 compliance advisory projects during the period ended 31 August 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 period ended 31 August 2019, the Group completed three placing and underwriting projects (six months ended 31 August 2018: two projects), including three transactions as lead manager for IPOs. Income generated from placing and underwriting business was approximately HK$18.7 million during the Period (six months ended 31 August 2018: HK$18,000).

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 31 August 2019, the Group had 686 securities accounts maintained in Innovax Securities (As at 28 February 2019: 569) and its commission income generated from securities dealing and brokerage business was approximately HK$3.4 million during the Period (six months ended 31 August 2018: approximately HK$798,000).

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 31 August 2019, the total outstanding balance of margin loans amounted to HK$60.9 million (As at 28 February 2019: approximately HK$1.8 million) and its income generated from securities financing services was approximately HK$1.5 million during the Period (six months ended 31 August 2018: approximately HK$153,000).

Asset Management Services

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

As at 31 August 2019, the asset under management ("AUM") of Innovax Balanced Fund SP was approximately US$5.6 million (equivalent to approximately HK$43.7 million) (As at 28 February 2019: approximately US$4.5 million equivalent to approximately HK$35.1 million) and no discretionary account managed by the Group (As at 28 February 2019: AUM of the discretionary account managed approximately HK$2.6 million). The income generated from asset management business was approximately HK$403,000 during the Period (six months ended 31 August 2018: approximately HK$338,000).

Future dealing services

Since June 2019, the Group has been licenced to conduct Type 2 (Dealing in future contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). During the Period, the Group has not conducted any business in relation to dealing of future contacts and therefore, no revenue has been generated in the future dealing services segment. The Group plans to provide futures dealing services to clients in return for commission income.

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue recorded a growth of 44.3% to HK$43.3 million (six months ended 31 August 2018: HK$30.0 million), mainly driven by growth of placing and underwriting services, securities dealing and brokerage services and interest income from securities financing services segments.

(Loss)/Profit attributable to the owners of the Company

Loss for the Period attributable to owners of the Company amount to approximately HK$2.3 million (six months ended 31 August 2018: Profit of HK$872,000) due to increase in staff cost and administrative and operating expenses upon Listing of Shares in 2018 during the six months ended 31 August 2019.

Administrative Expenses

The Group's administrative and operating expenses increased by approximately 84% from approximately HK$5.0 million for the six months ended 31 August 2018 to approximately HK$9.2 million for the Period. Such increase was mainly attributable to (i) an increase in underwriting expenses and related services expenses by approximately HK$2.6 million, from approximately HK$0 for the six months ended 31 August 2018 to approximately HK$2.6 million for the six months ended 31 August 2019; and (ii) an increase in legal and professional fees and audit fee by approximately HK$1.2 million, from approximately HK$62,000 for the six months ended 31 August 2018 to approximately HK$1.3 million for the six months ended 31 August 2019.

The increase in administrative expenses and other operating expenses for the six months ended 31 August 2019 was mainly attributable to (i) expansion of the Group's placing and underwriting business; and (ii) an increase in legal and professional fee and other operating expenses upon the Listing of Shares since September 2018.

Staff Costs

Staff costs increased by approximately 137.9% from approximately HK$16.1 million for the six months ended 31 August 2018 to approximately HK$38.3 million for the Period due to the salary increment to employees in general and an increase in discretionary bonus upon Listing of Shares in 2018. In particular, two staff were promoted to "Principal" during the period and hence their salaries were increased.

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 31 August 2019, the Group's net current assets amounted to HK$220.8 million (as at 28 February 2019: HK$224.8 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 4.41 times (as at 28 February 2019: 5.63 times). Bank balances amounted to HK$145.7 million (as at 28 February 2019: HK$217.0 million). As at 31 August 2019 and 28 February 2019, the Group's debts including payables incurred not in the ordinary course of business were nil, representing a gearing ratio of approximately nil.

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of reporting period.

As at 31 August 2019 and as at the date of this report, there are a total of 400,000,000 issued shares of the Company.

The Group monitors its capital structure from time to time according to the market condition and capital requirements of the Group.

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 Period, no options were granted by the Company under the Share Option Scheme.

The Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into Shares as at 31 August 2019 and up to the date of this report.

PLEDGE OF ASSETS

As at 31 August 2019, the Group did not have any pledged assets (As at 28 February 2019: 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 31 August 2019, the Group did not have any significant capital commitment and contingent liabilities (As at 28 February 2018: Nil).

OPERATING LEASE COMMITMENT AND LOAN COMMITMENT

Details regarding the operating lease commitment and loan commitment are set out in Note 28 to the condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2019, the Group employed 48 staff (including executive Directors) (As at 28 February 2019: 51). 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 benefits expenses was approximately HK$38.3 million during the Period (six months ended 31 August 2018: approximately HK$16.1 million), representing an increase of approximately HK$22.2 million due to the salary increment to employees in general and an increase in discretionary bonus upon Listing of Shares in 2018. In particular, two staff were promoted to "Principal" during the period and hence their salaries were increased.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 August 2019, the Group did not make any significant investment.

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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 August 2019 (six months ended 31 August 2018: Nil).

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 31 August 2019, the Group has utilized HK$136.4 million of the net proceeds from Listing as follows:

Intended use of proceeds	**Net proceeds raised as stated in Prospectus**	**Actual use of net proceeds up to 31 August 2019**	**Unutilized use of net proceeds up to 31 August 2019**
Increasing the Group's capital for the expansion of the Group's placing and underwriting business	HK$80 million	HK$80 million	—
Increasing the Group's capital for the expansion of the Group's securities financing business	HK$33 million	HK$33 million	—
Enhancing and developing the Group's corporate finance advisory business by attracting more talents and expanding the Group's corporate finance team	HK$15 million	HK$0.5 million	HK$14.5 million
Expanding the Group's asset management business by attracting more talents and expanding the Group's asset management team and increasing seed money to establish new funds	HK$15 million	HK$7.9 million	HK$7.1 million
The Group's working capital requirement and general corporate purposes	HK$15 million	HK$15 million	—
Total	**HK$158 million**	**HK$136.4 million**	**HK$21.6 million**

As at 31 August 2019, approximately 86.3% of the net proceeds raised has been utilized as intended. The remaining unutilized 13.7% of the net proceeds are placed in licensed banks in Hong Kong as at 31 August 2019 and they are expected to be utilized by end of the year ended 28 February 2021 in accordance with the expected timelines set out in the Prospectus.

During the Period, the Group has applied the net proceeds according to the disclosure in the Prospectus gradually as follows: as there was slowdown in domestic and cross-border merger and acquisition and other fund raising activities and a downturn of local economy, 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. The Group's business performance has maintained healthy development during the Period, the Company believes that it has taken an appropriate strategy in the use of proceeds from Listing.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there was no material adverse change in the Group's financial and trading position or prospects as at 31 August 2019.

OUTLOOK AND PROSPECT

Clouded with the unresolved trade frictions, alongside with the deadlock of civil unrest in Hong Kong, the overall economic condition and the financial market remain uncertain. The negative impact of the ongoing protests in Hong Kong has begun slamming the economy of the city. Tourism and local consumptions were hard-hit. Tourism to Hong Kong drastically dropped for 40% in August 2019, compared to that in the corresponding period in 2018 which was the worst decline since 2003 SARS epidemic. Credit rating agency Moody's has downgraded the rating of Hong Kong from "stable" to "negative", reflecting what it called the rising risk of "an erosion in the strength of Hong Kong's institutions" amid of the social turmoil. Seemingly no way to abate the escalating unrest in Hong Kong, the already low risk appetite in the market is expected to continue to diminish. The equity market and fund raising activities, especially via IPO are expected to suffer because of the negative and murky picture of the global and domestic outlook.

Worse still, the business environment had become more difficult with the changes in rules and regulations in Hong Kong. There was a consultation paper regarding codification of general waivers and principles relating to IPOs and listed issuers which proposes more stringent listing requirements for listed issuers to deter backdoor listings in Hong Kong. Higher requirements for capital raising activities have been persistently implemented in recent years which affected the market sentiment for fund raising activities. As a matter of fact, there were only 86 placing activities during the second quarter in 2019 while for the corresponding period in 2018, there were already 136 placing activities in Hong Kong.

Affected by this gloomy atmosphere, the Group experienced a decline in revenue in the corporate finance advisory services during the Period. Nevertheless, thanks to the enormous effort of the Group's staff and the insights of the management, the Group was able to maintain a healthy growth, if not a drastic improvement in other business segments.

Nevertheless, there are recent signs that the tensions between the US and China are soothing with the agreement of the 13th round of trade talks in early September 2019. China took the lead to unveil tariff exemption list for US imports including soybeans and pork from the US. Meanwhile, the deadline for Brexit is approaching in October 2019 though, the market seems to be more prepared for the possible consequence whether it is a "deal or no-deal" Brexit. On the other hand, China, in response to the slowdown of GDP growth, has increased support and announced on 6 September 2019, a cut in the RRR for the third time this year, releasing 900 billion yuan ($126.35 billion) in liquidity into the economy.

Facing the challenging environment, the Company shall continue to take a cautious attitude towards the business development of the Group while gradually grabbing hold of potential business opportunities. During the time when the economy seemed volatile, the Group had taken the chance to build up its team and better prepare for the challenges and opportunities ahead. To open up more income source, in June 2019, the Group has obtained Type 2 licence (dealing in future contracts), aiming to further develop future dealing business. With expansion of business in years ahead, the Group believes that manpower is always the utmost important assets of its business, therefore, during the Period upon Listing of Shares of the Company, the Group had rewarded its employees for their hard work and promoted some of the Group's staff. The Group believed it would be more than united towards the same goal to improve its business for the years to come. Meanwhile, Hong Kong's stock market still ranked the 3rd largest in Asia and the 5th largest in the world in terms of market capitalisation in 2018. In these years, Hong Kong remains a key offshore capital raising centre for Chinese enterprises. Together with China's "One Belt One Road" and cross-border Stock Connect, the Company shall continue to look for potential businesses from other places especially in the Guangdong-Hong Kong-Macao Greater Bay Area. Besides, the Group understands that the industry is ever-evolving and it shall continue to keep up with the compliance knowledge while creating competitive advantage so that the Group can provide high quality and customized services to its clients. With the goal to lead the Group to healthy and sustainable growth, the Group, with the solid foundation laid in previous years and by the listing of shares in 2018, shall strategically maintain high liquidity level so that the Company is more than prepared to hurdle over any obstacles that may be brought by the unpredictable market conditions.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the six months ended 31 August 2019 and up to the date of this report.

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

Throughout the six months ended 31 August 2019 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") on 24 August 2018 which comprise four independent non-executive Directors, namely Ms. Chan Ka Lai, Vanessa (Chairlady), Mr. Lo Wai Kwan, Dr. Wu Kwun Hing and Mr. Cheung Kwok Kwan JP. The audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The Audit Committee has reviewed with management of the Company the Group's unaudited condensed consolidated interim financial statements for the six months ended 31 August 2019 including the accounting principles and practices adopted by the Group.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group as set out in this interim report had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but this report had been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company of all Directors that they have fully complied with the required standard as set out in the Model Code throughout the Period.

DIRECTORS' INTEREST IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party throughout the Period and up to the date of this report.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the Period, the Directors (with the exception of the independent non-executive Directors) who have an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Director	Name of Company	Nature of Business	Nature of Interest
Mr. Chung Chi Man	China Capital Finance International Holdings Limited ("CCFI")	Money Lending Business	100% shareholder of CCFI

For details of the money lending business operated by CCFI, please refer to the section headed "Relationship with Our Controlling Shareholders — Excluded business" in the Prospectus.

Meanwhile, in July 2019, the money lending licence of CCFI has expired and there is currently no plan for renewal of the license money lending license.

DEED OF NON-COMPETITION

The controlling shareholders as defined in the Listing Rules and, in the context of the Company, means Mr. Chung Chi Man and Billion Shine International Investment Limited (the "Controlling Shareholders"), have entered into the deed of non-competition dated 24 August 2018 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of the Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in Hong Kong or such other countries as the Group may conduct or carry on business from time to time.

The Controlling Shareholders have confirmed to the Company that during the Period and up to the date of this report, they and their respective close associates (as defined under the Listing Rules) have complied with the undertakings contained in the Deed of Non-competition. For the Period and up to the date of this report, save and except for the interest the Directors have in the Company and its subsidiaries, none of the Directors, the Controlling Shareholders or their respective close associates (as defined under the Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 August 2019 and the date of this report, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

Interest in Shares of the Company

Name of Director	Capacity/Nature of interest	Number and class of securities(Note 1)	Approximate percentage of interest in the Company(Note 3)
Mr. Chung Chi Man	Interest in controlled corporation(Note 2)	300,000,000 Shares (L)	75%

Notes:

(1) The letter "L" denotes a person's long position in the Shares.

(2) Mr. Chung and BSI are the Controlling Shareholders. Mr. Chung owns the entire issued share capital of BSI. By virtue of the SFO, Mr. Chung is deemed to be interested in such Shares held by BSI.

(3) The calculation is based on the total number of 400,000,000 Shares in issue as at the date of this report.

Interest in Shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number and class of securities(Note 1)	Approximate percentage of shareholding
Mr. Chung Chi Man	BSI	Beneficial owner	110 shares (L)	100%

Note:

1. The letter "L" denotes a person's long position in the shares.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 August 2019 and the date of this report, the following persons have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of members of the Group:

Name of Shareholder	Capacity/Nature of interest	Number and class of securities(Note 1)	Approximate percentage of shareholding(Note 3)
BSI	Beneficial owner	300,000,000 Shares (L)	75%
Ms. Lee Yin Har	Interest of spouse(Note 2)	300,000,000 Shares (L)	75%

Notes:

(1) The letter "L" a person's with long position in the Shares.

(2) Ms. Lee Yin Har is the spouse of Mr. Chung. She is deemed, or taken to be, interested in all Shares in which Mr. Chung is interested in for the purpose of the SFO.

(3) The calculation is based on the total number of 400,000,000 Shares in issue as at the date of this report.

INTERESTS OF COMPLIANCE ADVISER

As at 31 August 2019, save and except for (i) the participation of Sinolink Securities (Hong Kong) Limited ("Sinolink") as one of the joint sponsor, joint global coordinator, joint bookrunner and joint lead manager in relation to the Listing; and (ii) the compliance adviser's agreement entered into between the Company and Sinolink dated 17 May 2018, neither Sinolink nor any of its directors, employees or close associates had any interest in the securities of the Company.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period and as at the date of this interim results report, there was no non-financial event that may cause material effects on the results of the Company.

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

Hong Kong, 28 October 2019

As at the date of this report, 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.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 31 August 2019 (unaudited) HK$'000	Six months ended 31 August 2018 (unaudited) HK$'000
Revenue			
Corporate finance advisory services	5	**19,352**	28,676
Placing and underwriting services	5	**18,738**	18
Securities dealing and brokerage services	5	**3,353**	798
Asset management services	5	**403**	338
Interest income from securities financing services	5	**1,474**	153
Total revenue		**43,320**	29,983
Other income	7	**1,562**	197
Gain on financial assets at fair value through profit or loss		**122**	—
		45,004	30,180
Administrative and operating expenses		**(9,246)**	(4,969)
Impairment allowance on financial instruments, net of reversal	8	**(144)**	293
Listing expenses		**—**	(7,326)
Staff costs	9	**(38,290)**	(16,067)
Finance costs	10	**(54)**	(191)
Total expenses		**(47,734)**	(28,260)
(Loss)/Profit before tax	11	**(2,730)**	1,920
Income tax credit/(expense)	12	**406**	(1,048)
(Loss)/Profit and total comprehensive (expenses)/income for the period		**(2,324)**	872
Earnings per share			
Basic (HK cents)	14	**(0.58)**	0.29

Condensed Consolidated Statements of Financial Position

	Notes	As at 31 August 2019 (unaudited) HK$'000	As at 28 February 2019 (audited) HK$'000
Non-current assets			
Property and equipment	15	**611**	1,023
Right-of-use assets		**1,869**	—
Intangible asset	16	**500**	500
Deferred tax assets	27	**2,127**	65
Other receivables, deposits and prepayments	20	**738**	709
Total non-current assets		**5,845**	2,297
Current assets			
Accounts receivable	17	**68,121**	11,691
Contract assets	18	**5,971**	4,107
Other receivables, deposits and prepayments	20	**5,765**	3,486
Financial assets at fair value through profit or loss	19	**7,972**	—
Cash and cash equivalents	21	**145,667**	216,999
Cash held on behalf of customers	22	**52,167**	37,109
Total current assets		**285,663**	273,392
Total assets		**291,508**	275,689
Current liabilities			
Accounts payable	23	**53,721**	39,275
Other payables and accruals	24	**1,742**	1,439
Contract liabilities	25	**1,231**	1,370
Tax payable		**8,127**	6,471
Total current liabilities		**64,821**	48,555
Net current assets		**220,842**	224,837
Total assets less current liabilities		**226,687**	227,134
Equity			
Share capital	26	**4,000**	4,000
Reserves		**220,822**	223,134
Total equity		**224,822**	227,134
Non-current liabilities			
Lease liabilities		**1,865**	—
Total non-current liabilities and equity		**226,687**	227,134

Condensed Consolidated Statements of Changes in Equity

	Share capital HK$'000 (note 26)	Share premium HK$'000	Retained profits HK$'000	Total equity HK$'000
At 28 February 2019	4,000	169,663	53,471	227,134
Impact on initial application of HKFRS 16	—	—	12	12
At 1 March 2019	4,000	169,663	53,483	227,146
Loss and total comprehensive expenses for the period	—	—	(2,324)	(2,324)
At 31 August 2019	4,000	169,663	51,159	224,822

	Share capital HK$'000 (note 26)	Share premium HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 March 2018	1	—	46,212	46,213
Profit and total comprehensive income for the period	—	—	872	872
Dividend (note 13)	—	—	(5,000)	(5,000)
At 31 August 2018	1	—	42,084	42,085

Note: Ordinary shares issued for 1 share at par value of US$1.

Condensed Consolidated Statements of Cash Flows

		Six months ended	
		31 August 2019 HK$'000 (unaudited)	31 August 2018 HK$'000 (unaudited)
CASH USED IN OPERATIONS		**(63,850)**	(6,795)
NET CASH USED IN OPERATING ACTIVITIES		**(63,850)**	(6,795)
INVESTING ACTIVITIES			
Purchases of property and equipment	15	**(27)**	(113)
Prepaid rental for right-of-use assets		**(12)**	—
Investment in financial assets at FVTPL		**(7,850)**	—
Interest received		**1,367**	—
NET CASH USED IN INVESTING ACTIVITIES		**(6,522)**	(113)
FINANCING ACTIVITIES			
Dividend paid	13	**—**	(5,000)
Lease payment		**(960)**	—
Repayment to a director		**—**	(1,673)
Repayment of bank loans		**—**	(8,130)
NET CASH USED IN FINANCING ACTIVITIES		**(960)**	(14,803)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(71,332)**	(21,711)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**216,999**	56,105
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**145,667**	34,394

Notes to the Condensed 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 (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 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, futures dealing and asset management services.

The unaudited condensed 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. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described in note 3, the accounting policies applied are consistent with annual report for the year ended 28 February 2019, as described in those annual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 August 2019 are the same as those presented in the Group's annual financial statements for the year ended 28 February 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 March 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

1	HKFRS 16	Leases
2	Amendments to HKFRS 9	Prepayment features with negative compensation
3	HK(IFRIC)-Int 23	Uncertainty over income tax treatments
4	Amendments to HKAS 19	Plan amendment, curtailment or settlement
5	Amendments to HKAS 28	Long-term interests in associates and joint ventures
6	Amendments to HKFRSs	Annual improvements to IFRSs 2015–2017 Cycle

Note: The list above includes only the new and amendments to HKFRSs that are mandatorily effective for the current period. If entities apply any other amendments to HKFRSs in advance of their effective dates, the above list should be updated to reflect the early application.

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

1. Leases

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after 1 March 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

— the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

— the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

— the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

— the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 March 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 March 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 March 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.

	At 1 March 2019 HK$'000
Operating lease commitments disclosed as at 28 February 2019	**2,934**
Less:	
Recognition exemption — Rent free period	**(71)**
Discounting effects using relevant incremental borrowing rates	**(80)**
Lease liabilities as at 1 March 2019	**2,783**
Analysed as	
— Non-current	**2,783**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 March 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**2,783**
Accrued lease liabilities	(a)	**12**
		2,795
By class:		
— Land and buildings		**2,795**

Note:

(a) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 March 2019 was adjusted to right-of-use assets at transition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 March 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 28 February 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 March 2019 HK$'000
Non-current asset				
Property and equipment		1,023	—	1,023
Right-of-use assets		—	2,795	2,795
Intangible asset		500	—	500
Deferred tax assets		65	—	65
Other receivable, deposits and prepayments		709	—	709
		2,297	2,795	5,092
Current asset				
Accounts receivable		11,691	—	11,691
Contract assets		4,107	—	4,107
Other receivable, deposits and prepayments		3,486	—	3,486
Cash and cash equivalents		216,999	—	216,999
Cash held on behalf of clients		37,109	—	37,109
Total current asset		273,392	—	273,392
Total asset		275,689	2,795	278,484
Current liabilities				
Accounts payable		39,275	—	39,275
Other payables and accruals		1,439	—	1,439
Contract liabilities		1,370	—	1,370
Tax payable		6,471	—	6,471
Total current liabilities		48,555	—	48,555

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

	Notes	Carrying amounts previously reported at 28 February 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 March 2019
		HK$'000	HK$'000	HK$'000
Net current assets		224,837	—	224,837
Total asset less current liabilities		227,134	2,795	229,929
Equity				
Share capital		4,000	—	4,000
Reserves		223,134	12	223,146
Total equity		227,134	12	227,146
Non current liabilities				
Lease liabilities		—	2,783	2,783
Total non-current liabilities and equity		227,134	2,795	229,929

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 31 August 2019, movements in working capital have been computed based on opening statement of financial position as at 1 March 2019 as disclosed above.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.5%.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out as follows.

ECL for accounts receivable

The ECL for accounts receivable is based on the Group's historical default rates taking into consideration forward-looking information that is reasonably supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Term loans with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The estimates would include the amount and timing of future cash flows, guarantee and collateral values when determining impairment allowances. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Income taxes

Deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$12,124,000 (28 February 2019: HK$7,412,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

5. REVENUE

Performance obligations for contracts with customers

Securities dealing and brokerage services

The Group provides securities dealing and brokerage services to customers on securities and futures trading. Commission income from securities dealing and brokerage services is determined at a certain percentage of the transaction value of the trades executed and is recognised as revenue on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

Placing and underwriting services

The Group provides underwriting, sub-underwriting and placing services to customers. The revenue is recognised at a point in time when the transactions are executed and services are completed.

Corporate finance advisory services

The Group provides sponsor and financial advisory services to customers. The revenue is recognised over time. Since the contracts provide the Group an enforceable right to payment for performance completed up to date and the performance does not create an asset with an alternative use, the sponsor or financial advisory fees are recognised over time. Payments are received by installments in accordance to the completion of milestones as specified in the sponsor mandate.

5. REVENUE (Continued)

Performance obligations for contracts with customers (Continued)

Asset management services

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account. Management fee is normally due on the anniversary date while performance fee is normally due at the end of the relevant performance period.

Disaggregation of revenue from contracts with customers

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

	Six months ended	
	31 August 2019 HK$'000 (unaudited)	31 August 2018 HK$'000 (unaudited)
Corporate finance advisory services		
Sponsor fee income	**13,657**	20,730
Advisory fee income — financial and independent financial advisory	**1,262**	3,974
Advisory fee income — compliance advisory	**4,433**	3,972
	19,352	28,676
Placing and underwriting services		
Underwriting fee income	**18,738**	18
Securities dealing and brokerage services		
Commission income — Hong Kong equities	**1,515**	691
Commission income — Subscription of initial public offering ("IPO") and placing	**1,838**	107
	3,353	798
Asset management services		
Management fee income	**403**	338
Interest income from securities financing services		
Interest income — Margin clients	**1,413**	132
Interest income — Cash clients	**61**	21
	1,474	153
Total	**43,320**	29,983

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	Six months ended	
	31 August 2019 HK$'000 (unaudited)	31 August 2018 HK$'000 (unaudited)
Timing of revenue recognition		
At a point in time	**22,091**	816
Over time	**19,755**	29,014
	41,846	29,830
Interest revenue	**1,474**	153
Total	**43,320**	29,983

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applied the practical expedient for contracts with original expected duration less than one year, and did not disclose the aggregate amount of transaction price allocated to performance obligations of the corporate finance advisory services that are unsatisfied (or partly unsatisfied). The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. 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 period ended 31 August 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.

6. SEGMENT INFORMATION (Continued)

Major customer

There were no customers contributing over 10% of the Group's total revenue for the period ended 31 August 2019 and 2018.

7. OTHER INCOME

	Six months ended 31 August 2019 HK$'000 (unaudited)	Six months ended 31 August 2018 HK$'000 (unaudited)
Interest income from bank deposits	**1,368**	—
Exchange gain	**—**	1
Handling fee income	**188**	133
Others	**6**	63
	1,562	197

8. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	Six months ended 31 August 2019 HK$'000 (unaudited)	Six months ended 31 August 2018 HK$'000 (unaudited)
Net impairment gain on accounts receivable	**6**	302
Impairment losses on contract assets	**(38)**	5
Impairment losses on other receivables	**(76)**	(14)
Impairment losses on undrawn commitment	**(36)**	—
	(144)	293

9. STAFF COSTS

	Six months ended 31 August 2019 HK$'000 (unaudited)	Six months ended 31 August 2018 HK$'000 (unaudited)
Directors' emoluments	**6,038**	1,357
Other staffs		
Salaries and allowance	**17,314**	13,920
Bonuses	**14,532**	420
Contributions to Mandatory Provident Fund Scheme ("MPF Scheme")	**406**	370
	38,290	16,067

10. FINANCE COSTS

	Six months ended 31 August 2019 HK$'000 (unaudited)	Six months ended 31 August 2018 HK$'000 (unaudited)
Interest expenses — bank loans	**—**	162
Interest expenses — broker	**12**	29
Interest expenses — lease liabilities	**42**	—
	54	191

11. (LOSS)/PROFIT BEFORE TAX

	Six months ended 31 August 2019 HK$'000 (unaudited)	Six months ended 31 August 2018 HK$'000 (unaudited)
(Loss)/Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**439**	420
Depreciation of right-of-use assets	**897**	—
Operating lease rentals in respect of rented premises		
— Minimum lease payments	**—**	889

12. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	31 August 2019 HK$'000 (unaudited)	31 August 2018 HK$'000 (unaudited)
Hong Kong Profits Tax:		
— Current tax	**1,656**	1,100
Deferred tax credit	**(2,062)**	(52)
	(406)	1,048

13. DIVIDEND

The Board does not recommend of payment of any dividend for the six months ended 31 August 2019 (2018: HK$5,000,000).

14. EARNINGS PER SHARE

	Six months ended	
	31 August 2019 HK$'000 (unaudited)	31 August 2018 HK$'000 (unaudited)
Earnings for the purpose of basic earnings per share:		
(Loss)/Profit for the period attributable to owners of the Company (HK$'000)	**(2,324)**	872
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000,000**	300,000,000

The calculation of the basic earnings per share for the period is based on the consolidated profit of HK$872,000 for six months ended 31 August 2018 and a number of 300,000,000 shares on the assumption that the Reorganisation and Capitalisation Issue as described below has been effective on 1 March 2017.

Pursuant to a written resolution of the sole shareholder of the Company passed on 24 August 2018, a total of 299,920,000 shares of HK$0.01 each were allotted and issued at par value to BSI by way of capitalisation of HK$2,999,200 from the Company's share premium account on 14 September 2018. The respective Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

No diluted earnings per share is presented as there were no potential dilutive shares during six months ended 31 August 2019 and 2018.

15. PROPERTY AND EQUIPMENT

	Computer and software HK$'000	Furniture and fixtures HK$'000	Leasehold improvement HK$'000	Office equipment HK$'000	Total HK$'000
Cost					
As at 1 March 2018	647	483	1,261	77	2,468
Additions	82	4	126	5	217
As at 28 February 2019	729	487	1,387	82	2,685
Additions	27	—	—	—	27
As at 31 August 2019	756	487	1,387	82	2,712
Depreciation					
As at 1 March 2018	193	160	425	18	796
Charge for the year	160	121	565	20	866
As at 28 February 2019	353	281	990	38	1,662
Charge for the period	84	60	285	10	439
As at 31 August 2019	437	341	1,275	48	2,101
Carrying amount					
As at 31 August 2019	319	146	112	34	611
As at 28 February 2019	376	206	397	44	1,023

The above items of property and equipment are depreciated on a straight-line basis, at the following rates per annum:

Computer and software	25%
Furniture and fixtures	25%
Leasehold improvement	Over shorter of the lease terms and 25%
Office equipment	25%

16. INTANGIBLE ASSET

	Stock Exchange trading rights HK$'000
COST	
At 1 March 2018, 28 February 2019 and 31 August 2019	500

Intangible asset is considered by the directors of the Company as having an indefinite useful life because the Stock Exchange trading rights are expected to contribute to net cash inflows indefinitely.

The intangible asset will not be amortised until their useful lives are determined to be finite. Instead, the intangible asset was tested for impairment annually.

17. ACCOUNTS RECEIVABLE

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Accounts receivable arising from:		
— Corporate finance advisory services	**5,489**	8,033
— Securities dealing and brokerage services	**1,849**	688
— Securities financing services		
— Secured margin loan	**60,942**	1,799
— Placing and underwriting services	**—**	1,261
— Asset management business	**64**	104
Less: impairment allowance	**(223)**	(194)
	68,121	11,691

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.

17. ACCOUNTS RECEIVABLE (Continued)

Accounts receivable arising from margin financing business 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 business 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 collect 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 business, 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:

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
0–30 days	**3,499**	8,029
31–60 days	**1,498**	157
61–90 days	**1,362**	1,300
91–181 days	**1,043**	600
Less: impairment allowance	**(114)**	(188)
	7,288	9,898

No aging analysis in relation to securities financing services is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party as disclosed in note 30, of HK$64,000 (28 February 2019: HK$102,000).

18. 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.

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Contract assets	**6,093**	4,591
Less: impairment allowance	**(122)**	(484)
	5,971	4,107

Typical payment terms which impact on the amount of contract assets recognised are as follows:

— sponsor mandates

The Group's sponsor mandates include payment schedules which require stage payments over the IPO listing application period once certain specified milestones are reached. The performance obligation is considered satisfied when all the relevant duties of a sponsor as stated in the mandate are completed.

The Group requires certain customers to provide upfront deposits range from 12% to 31% of total contract sum upon signing of the mandates as part of its credit risk management policies. Afterwards, the Group would require stage payments upon the submission of the listing application by customers to The Stock Exchange of Hong Kong Limited ("Stock Exchange"), upon the hearing of the listing application and upon the listing of the applicant's shares on the Stock Exchange.

For unbilled revenue arising from sponsor mandate and advisory contracts that are conditional on the Group's achieving specified milestones as stipulated in the mandates/contracts, they are recognised as contract assets. When the rights become unconditional, the Group typically transfers the contract assets to accounts receivable. For any consideration received from customers for sponsor and advisory services not provided, they are recognised as contract liabilities.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Unlisted trust fund		
Innovax Alpha SPC — Innovax Balanced Fund SP (note 1)	**7,972**	—

Note 1: Mr. Li Lap Sun (key management personnel of the Group) has interests in management shares of Innovax Alpha SPC and participating shares of Innovax Alpha SPC — Innovax Balanced Fund SP which is managed by Innovax Asset Management Limited.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Deposits with the Stock Exchange and a clearing house	**230**	205
Other receivables, deposits and prepayments	**6,368**	4,009
Less: impairment allowance	**(95)**	(19)
	6,503	4,195
Analysed as		
Non-current	**738**	709
Current	**5,765**	3,486
	6,503	4,195

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly represent demand deposits at banks which are interest bearing and fixed deposits of HK$35,003,000 (28 February 2019: HK$45,000,000) with banks with an original maturity within 3 months.

22. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the condensed consolidated statements of financial position and recognised the corresponding accounts payable (note 23) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. The Group is not allowed to use the client's monies to settle its own obligations.

23. ACCOUNTS PAYABLE

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Accounts payable arising from:		
— Securities dealing and brokerage services	**53,625**	37,796
— Placing and underwriting services	**96**	1,479
	53,721	39,275

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$125,000 (28 February 2019: HK$208,000).

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.

As at 31 August 2019, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK$52,167,000 (28 February 2019: HK$37,109,000).

24. OTHER PAYABLES AND ACCRUALS

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Accrued expenses	**1,480**	1,061
Other payables	**262**	378
	1,742	1,439

Other payables are unsecured, non-interest bearing and repayable on demand.

25. CONTRACT LIABILITIES

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Sponsor fee	**625**	675
Advisory fee	**606**	695
	1,231	1,370

Sponsor fee income is generally paid in advance prior to the beginning of each project and is initially record as contract liabilities in the condensed consolidated statements of financial position. The portion of income received from the clients but not yet earned is recorded as contract liabilities in the condensed consolidation statement of financial position and will be reflected as a current liability if such amount represents revenue that the Group expects to recognise within one year from reporting date.

26. SHARE CAPITAL

	Par value	Number of shares	Nominal amount	
			US$'000	HK$'000
Ordinary shares				
Authorised:				
At 28 February 2018	HK$0.01	38,000,000	—	380
— Increase on 24 August 2018 (note i)	HK$0.01	962,000,000	—	9,620
At 28 February 2019 and 31 August 2019	HK$0.01	1,000,000,000	—	10,000
Issued and fully paid:				
At 28 February 2018	HK$0.01	80,000	—	1
— Issuance of ordinary shares on 14 September 2018 (note ii)	HK$0.01	100,000,000	—	1,000
— Capitalisation issue on 14 September 2018 (note iii)	HK$0.01	299,920,000	—	2,999
At 28 February 2019 and 31 August 2019	HK$0.01	400,000,000	—	4,000

Notes:

(i) On 24 August 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of 962,000,000 new shares of the Company.

(ii) On 14 September 2018, 100,000,000 shares of HK$0.01 each were issued at a price of HK$1.8 per share in connection with the Company's initial public offering. The proceeds of HK$1,000,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$179,000,000 (before share issue expense) were credited to the share premium account. Dealings in the shares on the Stock Exchange commenced on 14 September 2018. The respective shares allotted and issued shall rank *pari passu* in all respects with the existing issued shares.

(iii) A total of 299,920,000 shares of HK$0.01 each were allotted and issued at par value to BSI by way of capitalisation of HK$2,999,200 from the Company's share premium account on 14 September 2018. The respective shares allotted and issued shall rank *pari passu* in all respects with the existing issued shares.

27. DEFERRED TAX ASSET

The following are the deferred tax asset recognised by the Group and movement therein during the period.

	Tax losses HK$'000	Temporary difference on accumulated tax depreciation HK$'000	Total HK$'000
At 1 March 2018	—	54	54
Credited to profit or loss for the year	—	(119)	(119)
At 28 February 2019	—	(65)	(65)
Credited to profit or loss for the period	(2,001)	(61)	(2,062)
At 31 August 2019	(2,001)	(126)	(2,127)

28. OPERATING LEASE COMMITMENT AND LOAN COMMITMENT

(a) Operating lease commitment

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-controlling operating leases which fall due as follows:

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Within one year	**1,653**	1,920
In the second to fifth year inclusive	**285**	1,014
	1,938	2,934

Operating leases payments represent rentals payable by the Group for certain of its office properties. The lease terms and rentals of properties are fixed at two to three years.

28. OPERATING LEASE COMMITMENT AND LOAN COMMITMENT (Continued)

(b) Loan commitment

At the end of the reporting period, the Group had loan commitment as follows:

	As at	
	31 August 2019 HK$'000 (unaudited)	28 February 2019 HK$'000 (audited)
Loan commitment	**20,663**	8,802

29. CONTINGENT LIABILITIES

As at 31 August 2019, the Group did not have any significant contingent liabilities.

30. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	For the six months ended	
	31 August 2019 HK$'000 (unaudited)	31 August 2018 HK$'000 (unaudited)
Commission income		
Mr. Chung Chi Man	**—**	2
Mr. So Hin Pong	**—**	—
Ms. Chau Lok Yi	**—**	—
Mr. Lam King Fung	**—**	—
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (note 1)	**395**	128

Note 1: Mr. Li Lap Sun (key management personnel of the Group) has interests in management shares of Innovax Alpha SPC and participating shares of Innovax Alpha SPC — Innovax Balanced Fund SP which is managed by Innovax Asset Management Limited.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure each group entity will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the period.

The capital structure of the Group consists of debt (comprising short-term bank loans) and equity attributable to owners of the Company (comprising issued share capital and retained profits).

The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of short-term bank loans, payment of dividends and issuance of new shares.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with the Hong Kong Securities and Futures Commission (the "SFC") for the businesses they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by the SF(FR)R) in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

32. FINANCIAL INSTRUMENTS

Fair value measurements

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Financial risk management

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's risk management strategy is to identify and analyse the various risks the Group's exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level. The principal financial risks inherent in the Group's business are market risk (includes interest rate risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate cash and cash equivalents, accounts receivable and accounts payable arising from securities dealing and brokerage services, short term advances from a broker and cash flow interest rate risk in relation to variable-rate short-term bank loans.

As at 31 August 2019 and 28 February 2018, the interest rate risk is considered to be limited because the Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Accordingly, no sensitivity analysis on interest rate risk was presented.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment

Credit risk arises when a counterparty is unable or unwilling to meet a commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its accounts receivable from customers and cash and cash equivalents. As at 31 August 2019, the carrying amounts of financial assets at amortised cost, represent the maximum credit exposure without taking account of collaterals held. In addition, the Group is also exposed to credit risk arising from loan commitments. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and loan commitments, except that the credit risks associated with accounts receivable arising from securities financing services, is mitigated because they are secured over listed securities.

The Group recognised a loss allowance of HK$73,000 on the amounts receivable arising from securities financing services which are secured by collaterals as at 31 August 2019. (31 August 2018: HK$17,000)

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Group evaluates the credit risk for each loan application on the basis of the repayment abilities of the customers having regard to their financial position, employment status, past due record and collaterals pledged to the Group.

Credits are granted according to the hierarchy of approval authorities within the Group. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The Group adopts a prudent approach to credit risk management framework. Its credit policy is timely revised to align with the prevailing credit environment which is continuously affected by changes in business, economy, regulatory requirements, money market, and social conditions.

In order to minimise the credit risk on secured margin financing and IPO financing, the management is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls in relation to the securities dealing and brokerage services. In addition, the Group requests collateral from individual margin client and the value of such collateral has to be maintained at certain level in proportion to the outstanding balance due from the margin client. The Group closely monitors the volatility of the market prices of the securities collateral taking into consideration of their current market prices and historical price movements, latest information and news of the related listed companies and other relevant factors regarding the financial market that may impact the market prices of the securities collateral. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Monitoring of credit risk on accounts receivable from corporate finance businesses is performed by the management on an on-going basis.

As at 31 August 2019 and 28 February 2019, the Group has concentration of credit risk on accounts receivable as 73% and 42% of the total accounts receivable was due from three customers.

For accounts receivable and contract assets arising from corporate finance advisory services and placing and underwriting services, the Group applied expected loss rate based on that of counterparties with similar credit ratings, with adjustment to reflect current conditions and forecasts of future economic conditions through the use of financial market analysis and individual stock analysis, as appropriate. Except for accounts receivable and contract assets arising from corporate finance advisory services and placing and underwriting services, the impairment allowance determined for other financial assets carried at amortised cost is insignificant.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

The Group takes into consideration forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not changed in the estimation techniques or significant assumptions during the reporting period.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deems adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value hierarchy as at 31 August 2019			
	Level 1 **HK$'000** (unaudited)	**Level 2** **HK$'000** (unaudited)	**Level 3** **HK$'000** (unaudited)	**Total** **HK$'000** (unaudited)
Financial assets at FVTPL				
Unlisted trust fund	—	7,972	—	7,972

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial instruments	**Fair value as at 31 August 2019** HK$'000 (unaudited)	**Fair value hierarchy**	**Valuation technique and key inputs**
Unlisted trust fund	7,972	Level 2	Note 1

Note 1: Net asset value of the fund calculated based on the quoted price of underlying investments.

33. EVENT AFTER THE REPORTING PERIOD

From 1 September 2019 to the date of this interim report, there was no non-financial event that may cause material effects on the results of the Company.

34. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements was approved and authorised for issue by the board of directors on 28 October 2019.