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INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Innovax Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 August 2018 (the “**Prospectus**”), the 2018/19 annual report of the Company dated 27 June 2019 and the 2019/20 interim report of the Company dated 28 November 2019 of the Company in relation to the utilisation of the net proceeds of the initial public offering of the Company (the “**Global Offering**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

CHANGE IN USE OF PROCEEDS

The net proceeds of the Group raised from the Global Offering was approximately HK\$158 million, after deducting the underwriting fees, commissions and other listing expenses (the “**Net Proceeds**”). As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds as follows:

- (i) approximately HK\$80 million will be used for increasing the Group’s capital for the expansion of the Group’s placing and underwriting business;
- (ii) approximately HK\$33 million will be used for increasing the Group’s capital for the Group’s securities financing business;
- (iii) approximately HK\$15 million will be used for enhancing and developing the Group’s corporate finance advisory business by attracting more talents and expanding the Group’s corporate finance team;
- (iv) approximately HK\$15 million will be used for 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; and
- (v) approximately HK\$15 million will be used for the Group’s working capital requirement and general corporate purposes.

As at the date of this announcement, after revised allocation, the Company utilised approximately HK\$132.12 million, accounting for approximately 83.62% of the Net Proceeds. For the reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” below in this announcement, the Board has resolved to reallocate the Net Proceeds as follows:

Use of Net Proceeds	Planned allocation of Net Proceeds as stated in the Prospectus	Proposed change of allocation of Net Proceeds	Revised allocation of Net Proceeds	Utilised amount as at the date of this announcement (after revised allocation)	Remaining unutilised amount after revised allocation
Increasing the Group’s capital for the expansion of the Group’s placing and underwriting business (<i>Note</i>)	HK\$80 million	– HK\$40 million	HK\$40 million	HK\$40 million	—
Increasing the Group’s capital for the expansion of the Group’s securities financing business	HK\$33 million	+ HK\$59.03 million	HK\$92.03 million	HK\$68 million	HK\$24.03 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\$14.1 million	HK\$0.9 million	HK\$0.9 million	—
Expanding the Group’s asset management business by					
(a) attracting more talents and expanding the Group’s asset management team and	HK\$5.25 million	– HK\$4.93 million	HK\$0.32 million	HK\$0.32 million	—
(b) increasing seed money to establish new funds	HK\$9.75 million	—	HK\$9.75 million	HK\$7.9 million	HK\$1.85 million
The Group’s working capital requirement and general corporate purposes	HK\$15 million	—	HK\$15 million	HK\$15 million	—
Total	HK\$158 million	—	HK\$158 million	HK\$132.12 million	HK\$25.88 million

Note: As at the date of this announcement, before revised allocation, Net Proceeds utilised for maintaining minimum liquid capital requirement under the FRR was approximately HK\$80 million. After the reallocation, such utilised amount of Net Proceeds is reduced to approximately HK\$40 million. For details, please refer to the reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” set out below in this announcement.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The amount of underwriting commitment that the Group may undertake for IPO projects depends on the availability of the Group's capital resources and is constrained by the minimum liquid capital requirement under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (the "FRR"). Since the Group is able to fulfil the minimum liquid capital requirement under the FRR by way of alternative financing provided by financial institutions instead of relying solely on the fund raised from the Global Offering, the Group could utilise such portion of the Net Proceeds for better utilisation of the Net Proceeds in order to provide a better return to shareholders of the Company.

In view of the above, the Board has resolved to reduce the amount of Net Proceeds used for maintaining the minimum liquid capital as required under the FRR and to replace it with financing from financial institutions and to reallocate approximately HK\$40 million of the Net Proceeds to one of the Group's principal business being securities financing business including the margin financing business which could immediately generate interest income to the Group. The Directors consider that the Group's placing and underwriting business will not be affected by such reallocation since the Group is able to fulfil the minimum capital requirement under the FRR for its placing and underwriting business by way of alternative financing with financial institutions.

Meanwhile, taking account of the Group's recent business development and the uncertainties over the global economic environment, the Board considers that it is for the benefit of the Company and its Shareholders as a whole to apply the Unutilised Proceeds, originally allocated in (i) enhancing and developing the Group's corporate finance advisory business of approximately HK\$14.1 million and (ii) expanding the Group's asset management business by attracting more talents and expanding the Group's asset management team of approximately HK\$4.93 million, to the Group's securities financing business including the margin financing business for similar reason stated above.

Therefore, the Board has resolved to reallocate a total of approximately HK\$59.03 million for expansion of its securities financing business. The original allocation of approximately HK\$9.75 million for enhancing the Group's asset management business by increasing seed money to establish new funds remain unchanged.

It is expected that the remaining unutilised amount after the revised allocation of approximately HK\$25.88 million will be utilised by 28 February 2021.

The Board considers that the above changes in reallocation of the Net Proceeds have allowed the Company to deploy its financial resources more efficiently and therefore, is in the best interest of the Company and its shareholders as a whole.

The Directors confirm that the reallocation does not have material effect on the Group's business strategies as set out in the Prospectus and there are no material changes in the nature of business of the Group as set out in the Prospectus.

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

Hong Kong, 21 April 2020

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