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INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Innovax Holdings Limited (the “**Company**”) is pleased to present to its shareholders the consolidated results of the Company and its subsidiaries (the “**Group**”), which is extracted from the audited consolidated financial statements for the year ended 29 February 2020 (the “**Year**”), together with the comparative figures for the year ended 28 February 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended	
		29 February 2020 <i>HK\$'000</i>	28 February 2019 <i>HK\$'000</i>
Revenue			
Corporate finance advisory services	3	51,975	66,754
Placing and underwriting services	3	34,525	13,991
Securities dealing and brokerage services	3	5,232	3,487
Asset management services	3	717	658
Interest income from securities financing services	3	4,227	299
Total revenue		96,676	85,189
Other income	5	2,933	1,494
Other gains and losses	6	(6,172)	—
		93,437	86,683

		Year ended	
		29 February	28 February
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative and operating expenses		(18,500)	(14,667)
Impairment allowance on financial instruments, net of reversal	7	(576)	(214)
Staff costs	8	(70,859)	(43,903)
Finance costs	9	(228)	(234)
Listing expenses		<u>—</u>	<u>(9,640)</u>
 Total expenses		 <u>(90,163)</u>	 <u>(68,658)</u>
 Profit before tax	 10	 3,274	 18,025
Income tax expense	11	<u>(1,667)</u>	<u>(5,766)</u>
 Profit and total comprehensive income for the year		 <u>1,607</u>	 <u>12,259</u>
 Earnings per share			
Basic (HK cents)	13	0.4	3.54
Diluted (HK cents)	13	<u>N/A</u>	<u>3.54</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at	
		29 February 2020 <i>HK\$'000</i>	28 February 2019 <i>HK\$'000</i>
Non-current assets			
Property and equipment		4,279	1,023
Right-of-use assets		915	—
Intangible asset		500	500
Deferred tax assets		1,492	65
Other receivables, deposits and prepayments	16	<u>230</u>	<u>709</u>
Total non-current assets		<u>7,416</u>	<u>2,297</u>
Current assets			
Accounts receivable	14	84,663	11,691
Contract assets	15	7,116	4,107
Other receivables, deposits and prepayments	16	8,176	3,486
Tax recoverable		3,839	—
Financial assets at fair value through profit or loss	19	37,083	—
Cash and cash equivalents		97,349	216,999
Cash held on behalf of customers		<u>54,589</u>	<u>37,109</u>
Total current assets		<u>292,815</u>	<u>273,392</u>
Total assets		<u>300,231</u>	<u>275,689</u>

		As at	
		29 February	28 February
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Accounts payable	<i>17</i>	66,649	39,275
Other payables and accruals		2,124	1,439
Contract liabilities	<i>18</i>	545	1,370
Lease liabilities		931	—
Tax payable		1,292	6,471
		<u>71,541</u>	<u>48,555</u>
Total current liabilities			
		<u>71,541</u>	<u>48,555</u>
Net current assets		<u>221,274</u>	<u>224,837</u>
Total assets less current liabilities		<u>228,690</u>	<u>227,134</u>
Equity			
Share capital		4,000	4,000
Reserves		<u>224,690</u>	<u>223,134</u>
Total equity		<u>228,690</u>	<u>227,134</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Innovax Holdings Limited (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. Mr. Chung is also the Chairman of the board of directors of the Company. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong (the “**Stock Exchange**”) with effect from 14 September 2018.

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

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

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

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

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.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 March 2019.

As at 1 March 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the Group at the date of initial application by applying HKFRS 16.C8(b)(i) transition. 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. 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;
- ii. 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.

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 incremental borrowing rate applied is 3.5%.

	At 1 March 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 28 February 2019	<u>2,934</u>
Lease liabilities discounted at relevant incremental borrowing rates	<u>2,783</u>
Lease liabilities as at 1 March 2019	<u>2,783</u>
Analysed as	
Current	1,884
Non-current	<u>899</u>

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

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>2,732</u>

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

	Carrying amounts previously reported at 28 February 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 March 2019 <i>HK\$'000</i>
Non-current Assets			
Right-of-use assets	—	2,732	2,732
Capital and Reserves			
Share premium and retained profits	223,134	(51)	223,083
Current Liabilities			
Lease liabilities	—	1,884	1,884
Non-current liabilities			
Lease liabilities	<u>—</u>	<u>899</u>	<u>899</u>

2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021. (proposed deferral to 1 January 2023)

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Group anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “**obscuring**” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “**could influence**” to “**could reasonably be expected to influence**”; and
- include the use of the phrase “**primary users**” rather than simply referring to “**users**” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 March 2019. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Corporate finance advisory services		
Sponsor fee income	37,286	53,564
Advisory fee income — financial and independent financial advisory	5,784	5,478
Advisory fee income — compliance advisory	<u>8,905</u>	<u>7,712</u>
	<u>51,975</u>	<u>66,754</u>
Placing and underwriting services		
Underwriting fee income	<u>34,525</u>	13,991
Securities dealing and brokerage services		
Commission income — Hong Kong equities	2,188	1,023
Commission income — Subscription of initial public offering (“ IPO ”) and placing	<u>3,044</u>	<u>2,464</u>
	<u>5,232</u>	<u>3,487</u>
Asset management services		
Management fee income	<u>717</u>	658
Sub-total — Revenue from contracts with customers	<u>92,449</u>	<u>84,890</u>
Interest income from securities financing services		
Interest income — Margin clients	4,142	228
Interest income — Cash clients	<u>85</u>	<u>71</u>
	<u>4,227</u>	<u>299</u>
Total	<u><u>96,676</u></u>	<u><u>85,189</u></u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	39,757	17,478
Over time	<u>52,692</u>	<u>67,412</u>
	<u>92,449</u>	<u>84,890</u>
Interest revenue	<u>4,227</u>	<u>299</u>
Total	<u><u>96,676</u></u>	<u><u>85,189</u></u>

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.

4. SEGMENT INFORMATION

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

For the years ended 29 February 2020 and 28 February 2019, the Group has also carried other businesses in addition to corporate financial advisory services, however no discrete financial information is available for identifying operating segments among different services, therefore no further analysis of segment information is presented.

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

Major customer

During the years ended 29 February 2020 and 28 February 2019, the following external customer contributed more than 10% of total revenue of the Group.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	14,360	N/A*
Customer B	<u>N/A*</u>	<u>12,485</u>

* The corresponding customer did not contribute more than 10% of total revenue of the Group during the years ended 29 February 2020 and 28 February 2019 respectively.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from bank balances	2,351	1,269
Interest income from other receivables	106	—
Handling fee income	475	162
Others	<u>1</u>	<u>63</u>
	<u>2,933</u>	<u>1,494</u>

6. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Realized gain on financial assets at fair value through profit or loss	300	—
Unrealized loss on financial assets at fair value through profit or loss	<u>(6,472)</u>	<u>—</u>
	<u>(6,172)</u>	<u>—</u>

7. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Provision) reversal of impairment losses on accounts receivable	(267)	216
Impairment losses on contract assets	(150)	(411)
Impairment losses on other receivables	<u>(159)</u>	<u>(19)</u>
	<u>(576)</u>	<u>(214)</u>

8. STAFF COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Directors' emoluments	12,196	6,466
Other staffs		
Salaries and allowance	34,689	28,759
Bonuses	23,192	7,913
Contributions to Mandatory Provident Fund Scheme ("MPF Scheme")	<u>782</u>	<u>765</u>
	<u><u>70,859</u></u>	<u><u>43,903</u></u>

9. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses — bank loans	—	162
Interest expenses — broker	160	72
Interest expenses — lease liabilities	<u>68</u>	<u>—</u>
	<u><u>228</u></u>	<u><u>234</u></u>

10. PROFIT BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property and equipment	1,296	866
Depreciation of right-of-use assets	1,817	—
Auditor's remuneration	1,500	1,420
Operating lease rentals in respect of rented premises		
— Minimum lease payments	<u>—</u>	<u>1,826</u>

11. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
— Current tax	3,277	5,853
(Overprovision)/underprovision in respect of prior year	(183)	32
Deferred tax credit	<u>(1,427)</u>	<u>(119)</u>
	<u><u>1,667</u></u>	<u><u>5,766</u></u>

Hong Kong profit tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 29 February 2020 (2019: HK\$5,000,000).

13. EARNINGS PER SHARE

	2020	2019
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company (HK\$'000)	<u>1,607</u>	<u>12,259</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>400,000,000</u>	<u>346,027,397</u>

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

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

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

14. ACCOUNTS RECEIVABLE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from:		
— Corporate finance advisory services	11,316	8,033
— Securities dealing and brokerage services	4,339	688
— Securities financing services		
— Secured margin loan	69,421	1,799
— Placing and underwriting services	—	1,261
— Asset management services	48	104
Less: allowance for credit loss	<u>(461)</u>	<u>(194)</u>
	<u>84,663</u>	<u>11,691</u>

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

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

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

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. The Group has taken into consideration of these collaterals for loss allowance calculation for the accounts receivable arising from margin financing services.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	11,305	8,029
31–60 days	1,456	157
61–90 days	2,460	1,300
91–181 days	482	600
Less: impairment allowance	<u>(356)</u>	<u>(188)</u>
	<u>15,347</u>	<u>9,898</u>

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, of HK\$47,000 (2019: HK\$102,000).

15. 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.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	7,350	4,591
Less: impairment allowance	<u>(234)</u>	<u>(484)</u>
	<u>7,116</u>	<u>4,107</u>

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deposits with the Stock Exchange and a clearing house	230	205
Disbursement receivables arising from corporate finance advisory service	1,467	995
Interest receivable	160	108
Loan receivables from staff	5,500	—
Prepayment	690	2,368
Utility deposit	537	538
Less: impairment allowance	<u>(178)</u>	<u>(19)</u>
	<u>8,406</u>	<u>4,195</u>
Analysed as		
Non-current	230	709
Current	<u>8,176</u>	<u>3,486</u>
	<u>8,406</u>	<u>4,195</u>

The loan receivables from staff are unsecured, bear interest at 3% p.a. and repayable within 1 year.

17. ACCOUNTS PAYABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts payable arising from:		
— Securities dealing and brokerage services	66,534	37,796
— Placing and underwriting services	<u>115</u>	<u>1,479</u>
	<u>66,649</u>	<u>39,275</u>

The settlement terms of 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. 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\$46,000 (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.

At 29 February 2020, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$54,589,000 (2019: HK\$37,109,000).

18. CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sponsor fee	—	675
Advisory fee	<u>545</u>	<u>695</u>
	<u><u>545</u></u>	<u><u>1,370</u></u>

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets measured at FVTPL		
— Equity securities listed in Hong Kong	<u><u>37,083</u></u>	<u><u>—</u></u>

Amount above consists of an equity investment of 10,446,000 shares of Taizhou Water Group Co., Ltd. the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1542). The shares held by the Group accounted for 5.22% of the issued capital of the investee.

20. EVENT AFTER THE REPORTING PERIOD

On 21 April 2020, the Company announced that there was a change of use of proceed of the initial public offering of the Company (the “**Global Offering**”). Details for the change of use of proceeds are set out in the announcement dated 21 April 2020 and the “Management discussion and analysis” section in this announcement.

Since early 2020, the novel coronavirus pandemic has spread globally, causing disruption to business and economic activity. This raises uncertainty on the business operation and may affect the impairment assessment of the financial assets and loan commitments of the Group. The expected credit loss (“**ECL**”) and other relevant cash flow forecasts as at 29 February 2020 was estimated based on a range of forecast economic conditions as at that date including the impact of the coronavirus outbreak.

The degree of the impact depends on the duration of the pandemic, the implementation of preventive measures and fiscal easing policies posted by the impacted countries. As the situation is rapidly evolving, the Directors do not consider it is practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group and the management will continue to monitor the situation closely and actively respond to the impacts on the Group’s financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2019, the tension between China and the United States (US) together with the weakening European economy and the ambiguity for Brexit had put a gloomy drape to the macro-economy. The growth of the major economies showed sign of slowing down during 2019. The Chinese economy had grown by 6% in 2019, meeting the Beijing's official expectation though, was the slowest pace since the first quarter of 1992. Meanwhile, the growth of US economy experienced a slowdown from 2.9% in 2018 to only 2.1% in 2019, which was well-short of the 3% growth target set by the White House. The situation was even worsened with the novel coronavirus pandemic (COVID-19) occurred in early 2020. In February 2020, the 2020 stock market crash began and the stock markets worldwide reported their largest one-week declines since the 2008 financial crisis.

Glutted with the global economic turmoil which resulted a cautious investment sentiment, the economy of Hong Kong was even crippled by the social unrest in mid-2019. The Hong Kong economy had contracted for 1.2% in the second half of 2019, the very first decline since 2009. The situation was even disrupted in early 2020 when the effect of novel coronavirus outbreak swept in. Taking the first two months of 2020 together, retail sales volume plunged by 33.9% from a year earlier. The business environment of retail trade will remain extremely austere in the near term, as the COVID-19 pandemic has brought inbound tourism to a standstill and severely dented local consumption demand.

The Hang Seng Index ended at the point of 26,129 at the end of February 2020 which represented an approximately 8.7% decrease over the 12 months period. The Hang Seng Index had been somehow battered by the macro-economy during the Year though, the Hong Kong Stock market was still active. The Federal Reserve has started an interest rate cut which further encourage capital inflow to the stock market. The fund raising size in Hong Kong Stock Exchange increased by 9.1% to HK\$314.2 billion in 2019. The average daily turnover for the first two months of 2020 was \$109.5 billion, an increase of 14% when compared with \$95.9 billion for the same period last year. The trade value for Shanghai-Hong Kong Stock Connect — Northbound Trading as at 31 December 2019 reached RMB4,753.6 billion which was almost double of the trade value of RMB2,662.3 billion for 2018. These figures had reflected the market was affected by the decline of willingness for investment due to risk aversion, yet there seems positivity in the future of the financial market in Hong Kong.

Business Overview

Facing such an extremely hard operating environment, the Company has not been shaken by the drastic changes in the market. Instead, positively and actively, the Group has started to optimize the business structure and income mix, promote diversified income sources, and increase the proportion of securities financing business. The Group has continued to provide various quality financial services to its clients. The business has been developing steadily, if not rapidly during the Year. The Group is more than encouraged by the outstanding business performance in different business segments, especially in the placing and underwriting services, securities dealing and brokerage services and securities financing services businesses.

The total revenue of the Group increased from approximately HK\$85.2 million for the year ended 28 February 2019 to approximately HK\$96.7 million for the year ended 29 February 2020, representing an increase of approximately 13.5%. The corporate finance advisory service business had experienced a drop in revenue from approximately HK\$66.8 million in 2019 to approximately HK\$52.0 million, which was in line with the general market sentiment during the Year. Apart from that, most of the Group's business segments showed satisfactory growth in revenue. Few to highlight include the income generated from the placing and underwriting business which had been increased for more than double as compared to the corresponding period last year and the remarkable development of the securities financing services segment. The interest income from this segment had benefited from the elevated outstanding balance margin loans during the Year, shooting up from HK\$299,000 to HK\$4.2 million, which demonstrated an approximately 14 times increase than that in 2019. There were also approximately 28% increase in the number of securities accounts during the Year, broadening the Group's client base while increasing its commission income generated from securities dealing service. On the premise that the average daily turnover of the Hong Kong securities market had fallen by 19% year-on-year last year, the brokerage commission income had increased by 40% during the Year. The Board believes that with the aspiration to provide quality services to the Group's clients, the number of securities accounts and income from this segment shall maintain stable growth.

More encouraging was that, not only did the Group's business developed steadily during the Year. Together with the revenue, its reputation in the industry had also improved, cementing its brand name in the market. The ranking of Innovax Securities Limited among the market participants in Hong Kong Stock Exchange had risen by 100 during the Year and as at the date of this announcement, which further showed that the Group is becoming more competitive in the industry.

During the year ended 29 February 2020 and subsequent to the Year, through a series of transactions conducted between 31 December 2019 and 6 April 2020, the Group, acquired a total of 10,701,000 Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1542) (“**Taizhou Water**”), (the “**Acquisitions**”) to expand the investment portfolio with quality assets and for relatively high divided payment.

Details of the Acquisitions are set out in the announcements dated 2 January 2020, 16 January 2020 and 7 April 2020.

Business Review

Corporate Finance Advisory Services

The corporate finance advisory services of the Group 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 drop in revenue of approximately 22.2%, from approximately HK\$66.8 million for the year ended 28 February 2019 to approximately HK\$52.0 million during the year ended 29 February 2020.

During the Year, the Group was engaged in a total of 74 corporate finance advisory projects, which included 35 IPO sponsorship projects, 16 financial and independent financial advisory projects and 23 compliance advisory projects, while the Group was engaged in a total of 78 corporate finance advisory projects, which included 39 IPO sponsorship projects, 17 financial and independent financial advisory projects and 22 compliance advisory projects during the year ended 28 February 2019.

The outbreak of novel coronavirus as well as the social unrest had affected the market sentiment negatively during the Year. The market situation was worsened due to more stringent regulatory measures in recent years which further reduced the appetite for fund raising activities in the Hong Kong stock market. According to the HKEX Fact Book 2019 published by the Hong Kong Stock Exchange, the total equity fund raised in 2019 dropped 16.52% from HK\$544.13 billion in 2018 to HK\$454.35 billion in 2019. The Post-IPO fund raised drastically decreased 45.34% from HK\$256.12 billion in 2018 to HK\$140.01 billion in 2019. The fund raised in corporate fund raising transactions (including placing, right issues and open offer) also experienced a decrease of 39.59% from HK\$168.43 billion in 2018 to HK\$101.75 billion in 2019. Meanwhile, the number of listed companies transferred from GEM to Main Board had significantly reduced from 6 in the first quarter 2019 to only 2 in the first quarter of 2020. The performance of the Company in this segment was in line with the market trend in Hong Kong during the Year.

IPO sponsorship services

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

Income generated from IPO sponsorship services was approximately HK\$37.3 million during the Year (2019: approximately HK\$53.6 million). During the Year, the Group was engaged in 35 IPO sponsorship projects, while it was engaged in 39 IPO sponsorship projects during the year ended 28 February 2019.

Financial and independent financial advisory services

The Group acts as (i) financial advisers to clients to advise them on the terms and structures of the proposed transactions, and the relevant implications and compliance matters under the Hong Kong regulatory framework including the Listing Rules, the GEM Listing Rules and the Hong Kong Code on Takeovers and Mergers and Share Buy-backs; 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 services was approximately HK\$5.8 million during the Year (2019: approximately HK\$5.5 million). During the Year, the Group was engaged in 5 financial advisor projects and 11 independent financial advisory projects while it was engaged in 10 financial advisor projects and 7 independent financial advisory projects during the year ended 28 February 2019.

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\$8.9 million during the Year (2019: approximately HK\$7.7 million). During the Year, the Group was engaged in 23 compliance advisory projects, while it was engaged in 22 compliance advisory projects during year ended 28 February 2019.

Placing and Underwriting Services

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

During the Year, the Group completed five placing and underwriting projects (2019: Eight projects), including five transactions as lead manager for IPOs. Income generated from placing and underwriting business was approximately HK\$34.5 million during the Year (2019: approximately HK\$14 million).

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 29 February 2020, the Group had 729 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\$5.2 million during the Year (2019: HK\$3.5 million).

Securities Financing Services

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

As at 29 February 2020, the total outstanding balance of margin loans amounted to approximately HK\$68.8 million (As at 28 February 2019: approximately HK\$1.8 million) and its interest income generated from securities financing services was approximately HK\$4.2 million during the Year (2019: approximately HK\$299,000).

Asset Management Services

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

As at 29 February 2020, the asset under management (“AUM”) of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$3.87 million (equivalent to approximately HK\$30.05 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\$717,000 during the Year (2019: approximately HK\$658,000).

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 Year, the Group has not conducted any business in relation to dealing of future contracts 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 Year, the Group’s revenue recorded a growth of 13.5% to approximately HK\$96.7 million (2019: approximately HK\$85.2 million), mainly driven by growth of placing and underwriting services, securities dealing and brokerage services and interest income from securities financing service segments notwithstanding the decrease in revenue in the corporate finance advisory service segment.

Profit attributable to the owners of the Company

Profit for the Year attributable to owners of the Company amount to approximately HK\$1.6 million (2019: approximately HK\$12.3 million) due to increase in staff cost and administrative and operating expenses during the Year.

Administrative Expenses

The Group's administrative and operating expenses increased by approximately 25.9% from approximately HK\$14.7 million for the year ended 28 February 2019 to approximately HK\$18.5 million for the Year. The increase in administrative expenses and other operating expenses for Year 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 during the Year.

Staff Costs

Staff costs increased by approximately 61.5% from approximately HK\$43.9 million for the year ended 28 February 2019 to approximately HK\$70.9 million for the Year due to the salary increment to employees in general and an increase in discretionary bonus.

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 29 February 2020, the Group's net current assets amounted to HK\$221.3 million (as at 28 February 2019: HK\$224.8 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 4.09 times (as at 28 February 2019: 5.63 times). Bank balances amounted to approximately HK\$97.3 million (as at 28 February 2019: HK\$217 million). As at 29 February 2020 and 28 February 2019, the Group's debts including payables incurred not in the ordinary course of business were HK\$Nil, representing a gearing ratio of Nil.

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 the Year.

As at 29 February 2020 and as at the date of this announcement, 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 Year, 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 29 February 2020 and up to the date of this announcement.

Pledge of Assets

As at 29 February 2020, 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 29 February 2020, the Group did not have any significant capital commitment and contingent liabilities (As at 28 February 2019: Nil).

Operating Lease Commitment, Underwriting Commitment and Loan Commitment

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

Employees and Remuneration Policies

As at 29 February 2020, the Group employed 47 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\$70.9 million during the Year (2019: approximately HK\$43.9 million), representing an increase of approximately HK\$27 million due to the salary increment to employees in general and an increase in discretionary bonus.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 29 February 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Significant Investments Held by the Group

Significant Investments

As at 29 February 2020, the Group maintained an equity investment at fair value through profit and loss with total carrying amount of approximately HK\$43.56 million. The details of the equity investment as at 29 February 2020 are set out as follows:

29 February 2020

Stock Code	Name of the investee	Percentage of shareholding in the listed securities held by the Group as at 29 February 2020	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 29 February 2020	Fair value of the investment in listed securities as at 29 February 2020 <i>HK\$'000</i>	Carrying value of the investment in listed securities as at 29 February 2020 <i>HK\$'000</i>	Fair value losses of the investment in listed securities as at 29 February 2020 <i>HK\$'000</i>	Unrealized loss for the year ended 29 February 2020 <i>HK\$'000</i>
Equity investments at fair value through profit and loss							
1542	Taizhou Water Group Co., Ltd	5.22%	12.4%	37,083	43,555	(6,472)	(6,472)
	Total			<u>37,083</u>	<u>43,555</u>	<u>(6,472)</u>	<u>(6,472)</u>

Performance and prospects of the investee

Taizhou Water Group Co., Ltd. (“Taizhou Water”)

Taizhou Water together with its subsidiaries (the “**Taizhou Water Group**”) are principally engaged in supplying raw water, municipal water and tap water directly to end-users and the installation of the water pipelines for distributing tap water to end-users. As mentioned in its annual report for the year ended 31 December 2019, the Taizhou Water Group recorded a total revenue and other income and gains amount to approximately RMB742.1 million for the year. The Taizhou Water Group’s reported a gain of approximately RMB92.5 million attributable to owners of Taizhou Water. The basic earnings per share are RMB0.62 for the year. As at 31 December 2019, the audited consolidated net asset value of the Taizhou Water Group was approximately RMB902.2 million. No dividend was received during the Year.

With the implementation of various policies in relation to ecological environment, the environmental protection industry will have more space for development. According to Taizhou Water's annual report for the year ended 31 December 2019, the Taizhou Water Group will further extend the industrial chain business, explore the development of the environmental protection industry and expand the environmental protection industry to cultivate new profit growth points for the Taizhou Water Group in 2020. The Taizhou Water Group will also scientifically and efficiently promote the construction of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV), the two Zhejiang Province key construction projects.

The Company is optimistic about the long-term development of the water supply industry, and thus is optimistic on the future prospect of Taizhou Water Group. The Group may realize the investments from time to time where to do so is to be in the best interests of the Group or where the terms on which such realization to be particularly favorable to the Group.

As at 29 February 2020, the Group held 10,446,000 H shares of Taizhou Water. Taizhou Water closed at HK\$3.55 as at 28 February 2020.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's gross assets as at 29 February 2020.

Risk Management

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

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

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 29 February 2020 (28 February 2019: HK\$5,000,000).

Event after the Reporting Period

On 21 April 2020, the Company announced that there was a change of use of proceed of the initial public offering of the Company (the "**Global Offering**"). Details for the change of use of proceeds are set out in the announcement dated 21 April 2020 and the "**Use of Proceeds**" section in this announcement.

Use of Proceeds

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

Up to 29 February 2020, the Group has utilized HK\$132.0 million, accounting for approximately 83.5% of the net proceeds from Listing. Subsequently, the Group had announced on 21 April 2020, regarding the change of use of proceeds in accordance to the recent market conditions and business development of the Company (the “**Announcement**”). The use of proceeds as at 29 February 2020 and details of the reallocated net proceeds are 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 up to 29 February 2020	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\$0.86 million	HK\$0.04 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\$0.24 million	HK\$0.08 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 million	HK\$26 million

Note: As at 21 April 2020, before revised allocation, net proceeds utilised for maintaining minimum liquid capital requirement under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (the “**FRR**”) was approximately HK\$80 million. After the reallocation, such utilised amount of net proceeds is reduced to approximately HK\$40 million.

As at 29 February 2020, approximately 83.5% of the net proceeds raised has been utilized as intended. The remaining unutilized 16.5% of the net proceeds are placed in licensed banks in Hong Kong as at 29 February 2020.

During the Year, the Group has applied the net proceeds according to the disclosure in the Prospectus gradually as follows: as slowdown in domestic and cross-border merger and acquisition and other fund raising activities and 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. Evident with the steady growth of the Group's business performance, the Company believes that it has taken an appropriate strategy in the use of proceeds from Listing.

As announced on 21 April 2020, 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 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\$26 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.

No Material Adverse Change

As at 29 February 2020, the Directors have confirmed that there was no material adverse change in the Group's financial and trading position or prospects.

Future Plans for Material Investments or Capital Assets

Save as disclosed, the Group did not have any plans for material investments and capital assets as at 29 February 2020.

Outlook and Prospect

The COVID-19 pandemic and intensified Sino-US relationship have caused the slowdown of global and Chinese economic growth. The Chinese economy shrank 6.8% year-on-year in the first quarter of 2020, after a 6% growth in the last three months of 2019. In the year to come, with the gloomy macro-environment, together with the persisting social unrest in Hong Kong, the Hong Kong stock market is anticipated to remain uncertain and volatile.

During the Year, the Company had been preparing itself for its long term growth with steps to diversify its income sources and risk while allocating its resources as appropriate in accordance to the market changes. The Company shall continue to develop in its core business of corporate financial advisory business. The Directors believe that strengthening the corporate financial advisory business will create synergy effect for other business lines like the underwriting and brokerage services in long run. Taking account of the Group's recent business development and the uncertainties over the global economic environment, the Board has revised the use of unutilised proceeds of Global Offering, 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 expansion of its securities financing business including the margin financing business. The Directors believe that with such changes, the Company can deploy the resources of the Company more effectively which is important if not essential for the sustainable development of the Company especially in times of this economic and social turmoil. The Company had also started setting up a money lending business for additional income stream for the Company. The Group has set up "Innovax Credit Limited" during the Year and the Directors believe that the Group will obtain the relevant license soon and it is expected to provide a new income source for the Group. Meanwhile, in view of the recent uncertain market condition which resulted in valuation adjustments of investments to a more reasonable value, the Group shall grab the opportunity to make potential investments with a prudent approach, so that the Group can utilize the resources for positive returns to the Company.

Motivated by the results during the Year, with the preparation the Directors paved for the Group, especially with the expectation that the financial market will resume to be robust after the pandemic, the Company is more than confident that it will maintain progressive growth, not only in its revenue, but also in building up its client base and reputation in the industry. Grabbing hold of the development of Greater Bay Area, the Group shall explore the business opportunities including building up

platforms for its corporate clients and investors in China, Macao and Hong Kong. In the years to come, the Group shall remain cautiously positive in the market and shall persistently and strategically keep itself update with the market and make appropriate adjustment and advancement of its business for sustainable and long-term developments of the Group.

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

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 29 February 2020 and up to the date of this announcement, the Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) contained in Appendix 14 to the Listing Rules (the “**Code Provisions**”) as the basis of the Company's corporate governance practices.

The Board is of the view that the Company has complied with the Code Provisions set out in the CG Code during the Year and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors.

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group's consolidated financial statements for the year ended 29 February 2020, including the accounting principles adopted by the Group, with the Company's management.

As at the date of this announcement, the Audit Committee comprises three members, namely, Ms. Chan Ka Lai, Vanessa (Committee Chairman), Mr. Lo Wai Kwan and Dr. Wu Kwun Hing, all being Independent non-executive Directors of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 29 February 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”), to the amounts set out in the Group's audited

consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement and annual report of the Company for the year ended 29 February 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at www.innovax.hk in due course.

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

Hong Kong, 28 May 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.

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