



# **INNOVAX HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2680

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# **ANNUAL REPORT 2019/20**

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## 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

### AUDIT COMMITTEE

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

### 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 to C, 20/F, Neich Tower  
128 Gloucester Road  
Wanchai, Hong Kong

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### COMPANY SECRETARY

Ms. Chau Lok Yi

### LEGAL ADVISERS

Jingtian & Gongcheng LLP  
Suites 3203–3207  
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](http://www.innovax.hk)

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Innovax Holdings Limited (the "Company"), I hereby present the annual report and audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 29 February 2020 (the "Year").

## OVERVIEW

Established in Hong Kong since 2014, Innovax Holdings Limited, together with its subsidiaries is 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.

## HURDLING THE OBSTACLES AND EXPANDING THE GROUP'S LAYOUT

The Year was filled with uncertainty and vulnerability amid the spread of pandemic and social unrest in Hong Kong. In addition to the US President Trump's re-election campaign strategy deployment and the domestic political-economic instability, the financial market is inevitably a crystal ball with volatility.

Nevertheless, the Group had been staying alert to this unprecedentedly difficult market condition during the Year and the Group had made its effort to maintain its business growth. The volatile stock market had affected the corporate financial advisory service business of the Group during the Year. Yet, we are more than motivated that the other businesses of the Group had experienced moderate growth in their business performance.

Subsequent to the year ended 29 February 2020, the outbreak of novel coronavirus (COVID-19) pandemic has seemed to be alleviated with the effort of the governments of different countries. To cushion the economic hit caused by the pandemic, China has been rolling out policies to shore up the business confidence. In March and April 2020, the State Council has called on the local governments swiftly to implement favorable policies like offering subsidized loans to agricultural firms and small businesses, exempting social insurance payments and housing provident funds for corporate employers, deferring loan repayment deadlines for small and medium sized entities, and instructing local companies to make full use of these policies. It also initiated a more proactive monetary policy and fiscal policy in 2020 to encourage economic growth including tax reduction, and targeted measures like interest rate cuts and RRR cuts etc. With such proactive policies, there shall be a positive effect on restoring the economic recovery and even the public confidence to the market. In addition, the interest rate cut cycle initiated by the US Federal Reserve in the fourth quarter of last year, and the recent implementation of quantitative easing policies by the multi-national central banks in the world to fight against the epidemic, will directly increase market liquidity, and ultimately inevitably cause asset price inflation and push up market valuation.

Meanwhile, despite the tumbling market due to uncertainties around the COVID-19 outbreak and outlook for key economies, Hong Kong's deal volume matched its Q1 2019 level. Still, the Hong Kong economy and financial markets in 2020 very much depend on whether the pandemic can be contained soon so that tourism and other business activities can be resumed.

## Chairman's Statement (Continued)

Development of the pandemic and its full impact on the global economy remain unknown, which could postpone the listing timetables of IPO and fund raising activities for companies. On the other hand, quantitative easing, economic stimulus and relief measures introduced by China as well as different countries to confront challenges from the outbreak could stimulate the global capital market dramatically post-pandemic. Hence, IPO and other fund raising activities could become even more explosively active by then.

### EXPLORING THE INNOVATIVE AND NEW REALM FOR OUR BUSINESS

In 2020, the Group will strengthen development and extend its footprints in the Greater Bay Area and the Yangtze River Delta region, stepping into the industry frontier of "New Economy" concepts. The Group shall recruit more experienced industry professionals, and fully penetrate in areas of 5G, artificial intelligence, biotechnology, healthcare and various new industries in "New Economy" such as online consumption.

The ecology of the financial market is traditionally and always risky yet full of opportunities. With the precious operating experience of last year, in the face of the upcoming challenges this year, the Group will maintain a stable daily operation, supplement by technological innovation with more creativity and inspirations. Strive to expand its business, in addition to work hard to consolidate the overall business continuity and synergy, the Group shall also increase capital investment in advanced technology, actively and seriously, to create professional platforms for fundraising, financing, investment and asset management. On one hand, the Group shall persistently help customers achieve their business plans, development and achieve investment and wealth creation goals, on the other hand, it shall seize the new market opportunities and business opportunities to create a more brilliant and better win-win result for both its clients and the Group.

With the effort made in 2019, the Group has started to strengthen its business structure by exploring new business opportunities so as to diversify income streams and risk. The promising business results in the Year has been a testimony of the Group's work and business strategies made during the Year. The time ahead will not be easy, yet, the Board believes that the preparation during the Year will allow the Group to withstand the volatile market condition and hurdle the challenges ahead. In the year to come, the Board shall continue to be cautious and stay alert to the ever-changing market conditions while remain very positive towards the growth of the Group. In 2020, the Group shall continue with this business strategy and continue to create long-term benefits for its Shareholders.

### ACKNOWLEDGEMENT

During this hard time and difficult business environment, on behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, and our Directors for their dedication and perseverance. I would also like to express our sincere gratitude to our clients for their invaluable patronage and to the shareholders for their continued confidence in and support for the Group. I would also like to sincerely thank our business partners, banks for their continuous support throughout the year. In the year to come, we hope that we will continue working together to achieve new development for the Group, to fulfil dreams for our employees, and to generate a greater return for our shareholders.

**Chung Chi Man**

*Chairman*

Hong Kong, 28 May 2020

# 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 COVID-19 pandemic 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 COVID-19 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.

## Management Discussion and Analysis (Continued)

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 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 was also approximately a 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 a 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 report, 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 dividend 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.

\* For identification only.

## Management Discussion and Analysis (Continued)

The outbreak of COVID-19 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 acts 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.

## Management Discussion and Analysis (Continued)

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 future dealing services to clients in return for commission income.

## Management Discussion and Analysis (Continued)

### 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 the 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 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.

## Management Discussion and Analysis (Continued)

### 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 report.

### 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 Note 33 to 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.

## Management Discussion and Analysis (Continued)

Moreover, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

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

## Management Discussion and Analysis (Continued)

### 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).

## Management Discussion and Analysis (Continued)

### EVENT AFTER THE REPORTING PERIOD

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

### 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 in 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 (Note)	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	—
<b>Total</b>	<b>HK\$158 million</b>	<b>—</b>	<b>HK\$158 million</b>	<b>HK\$132 million</b>	<b>HK\$26 million</b>

## Management Discussion and Analysis (Continued)

*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 have 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.

## Management Discussion and Analysis (Continued)

### 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 with the market changes. The Company shall continue to develop 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 the 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 the 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 the 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.

## Biographies of Directors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. CHUNG Chi Man (鍾志文)**, aged 47, is the founder of the Group, the chairman and an executive Director of the Company. Mr. Chung was appointed as a Director on 14 June 2016 and was re-designated as an executive Director on 4 May 2018. He was appointed as the chairman of the Company on 4 May 2018. He is also the director of Innovax Capital Limited, Innovax Securities Limited, Innovax Asset Management Limited and Innovax Futures Limited. He has acted as a responsible officer of Innovax Capital Limited for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 25 February 2015 and 30 May 2019 respectively. Mr. Chung is primarily responsible for overall strategic planning and development of the Group as well as overseeing the general management of the Group.

Mr. Chung has over 25 years of experience in financial services, accounting and management as well as investment consultancy. He started his career in international bank and served as various senior managerial and financial advisory positions in various companies.

Mr. Chung obtained a bachelor degree in business administration from the Chinese University of Hong Kong in December 1995. He was awarded Sir Edward Youde Memorial Scholarship in 1992 and is fellow member of the Association of Chartered Certified Accountant since July 2001.

**Mr. POON Siu Kuen, Calvin (潘兆權)**, aged 49, joined the Group and was appointed as a director and head of corporate finance department of Innovax Capital Limited in February 2015. He was appointed as an executive Director and the chief executive officer of the Company on 4 May 2018. He has acted as a responsible officer of Innovax Capital Limited for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since December 2017 and February 2015, respectively. He is also one of the sponsor principals of Innovax Capital Limited. Mr. Poon is primarily responsible for overall management of our Group and supervision and management of our corporate finance advisory business.

Mr. Poon has over 20 years of experience in corporate finance. Prior to joining the Group, Mr. Poon worked as an accountant at KPMG Hong Kong from December 1996 to February 2000. From July 2001 to December 2005, he was employed by Kingsway Capital Limited, a financial services company, as an associate director, where he handled various IPO projects, M&A transactions and fund raising exercises. He then joined China Everbright Capital Limited, a financial services company from December 2005 to February 2015 with his last position being the executive director of the corporate finance department.

Mr. Poon obtained a bachelor degree in civil engineering and a master degree in practising accounting from Monash University in Australia in October 1995 and November 2000, respectively. He has been an associate member of CPA Australia since September 1997, and advanced to full CPA status in April 2000.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LO Wai Kwan (羅惠均)**, aged 46, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital Limited on 16 March 2015.

Mr. Lo is a senior finance executive with over 20 years of experience in the consumer goods industry. From September 2005 to December 2009, Mr. Lo worked as the Global Head of Marketing Finance Planning of British American Tobacco p.l.c., London, a tobacco company. He has served as the regional head of corporate finance for the Asia Pacific and Middle East region of British American Tobacco Asia Pacific Region Limited, a tobacco company, since January 2010. He is responsible for strategic planning, setting, monitoring and reporting of key performance targets.

## Biographies of Directors and Senior Management (Continued)

Mr. Lo obtained a bachelor degree in business administration from the Chinese University of Hong Kong in December 1996. He further obtained a master degree of business administration from the University of Western Ontario in Canada in October 2004. He has been a member of the American Institute of Certified Public Accountants since August 1998.

**Dr. WU Kwun Hing (胡觀興)**, aged 53, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital Limited on 16 March 2015.

Dr. Wu has over 28 years of experience in engineering, including extensive experience on major infrastructure projects. Dr. Wu is currently chief tunnel ventilation and station air-conditioning engineer of Oriental Consultants Global Co. Ltd since May 2018. From September 1992 to November 2017, Dr. Wu worked at WSP (Asia) Limited (formerly known as Parsons Brinckerhoff (Asia) Limited), an engineering professional services firm, with his last position being a technical director. In December 2017, he founded SimEng Technologies Limited, an engineering consultancy company, and served as the director.

Dr. Wu obtained a bachelor degree in mechanical engineering from the Hong Kong Polytechnic University in 1992 and a PhD in mechanical engineering from the Hong Kong University of Science and Technology in 2008.

**Mr. CHOI Wai Ping (蔡偉平)**, aged 46, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital Limited on 22 March 2016.

Mr. Choi is a chartered engineer with 20 years of experience specialising in information and communication technology, electronics engineering, software engineering and health informatics. From December 1998 to February 2000, Mr. Choi worked at the Automation Systems Division of the Hong Kong Productivity Council, with his last position being an associate consultant. He was then employed as a software engineer and senior engineer of Gemalto Technologies (Asia) Limited, an electrical and electronic products distributor, between March 2000 to and June 2007, responsible for the development of Smart Card Operating System of EMV Banking Card and Mobile Sim Card. He joined MaCaPS International Limited, a security and information protection system company, in November 2007 and is currently a general manager of such company.

Mr. Choi obtained a bachelor degree in computer engineering from the City University of Hong Kong in November 1995. He obtained his master degree of philosophy in electronics engineering and a master degree of arts in arbitration and dispute resolution from the City University of Hong Kong in November 2001 and November 2007, respectively.

Mr. Choi was registered as a chartered engineer with the Engineering Council in the United Kingdom since 2004. Mr. Choi is currently a member of the Institution of Engineering and Technology in the United Kingdom.

He is also a member of the Chartered Institution of Arbitrators of the United Kingdom and an accredited construction mediator of the Hong Kong Construction Arbitration Centre.

**Ms. CHAN Ka Lai, Vanessa (陳嘉麗)**, aged 46, was appointed as an independent non-executive Director on 24 August 2018. She is mainly responsible for supervising and providing independent advice to the Board.

## Biographies of Directors and Senior Management (Continued)

Ms. Chan is a professional accountant with over 20 years of experience in auditing, accounting and financial management. Currently, Ms. Chan is the operating director of WA C&E Limited which specialising in providing business advisory services. She is currently an independent non-executive director of Tycoon Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3390). She worked in China Agri-Industries Holdings Limited, a stated-owned enterprise previously listed on the Main Board of the Stock Exchange, from November 2009 to December 2018 with the last position as financial controller. Prior to joining China Agri-Industries Holdings Limited, she worked as an accounting manager of The Kowloon Motor Bus Co. (1933) Ltd. from August 2005 to February 2008 and worked in KPMG Hong Kong from July 1995 to August 2005 with the last position as senior manager.

Ms. Chan obtained a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University in October 1995. She is a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2006 and the Association of Chartered Certified Accountants since October 2006. Ms. Chan is also a member of the Hong Kong Institute of Chartered Secretaries and Administrators since March 2004 and the Hong Kong Institute of Directors since January 2018.

### SENIOR MANAGEMENT

**Mr. SO Hin Pong (蘇顯邦)**, aged 63, was appointed as the chief executive officer and executive director of Innovax Securities Limited on 27 March 2017. He is the responsible officer for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities of Innovax Securities Limited and is mainly responsible for supervising and managing the Group's securities dealing and brokerage business and securities financing business. He is also a responsible officer for Type 9 (asset management) regulated activity of Innovax Asset Management Limited.

Mr. So has over 30 years of experience in the finance and securities industry. Prior to joining the Group, Mr. So worked at Sun Hung Kai Group from February 1982 to June 2001, during which he had served as (i) executive director of Sun Sun Fund, a fund launched by Sun Hung Kai Group; and (ii) senior manager of the management and marketing department of SHK Fund Management Limited, where he managed the AEs' business activities. He then worked at China Everbright Limited (Stock Code: 165), a company listed on the Main Board of the Stock Exchange, from June 2001 to March 2011 and China Everbright Securities International Limited, an affiliate company of China Everbright Limited, from April 2011 to March 2017. He had served as the responsible officer for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the operating subsidiaries of China Everbright Limited and China Everbright Securities International Limited during the respective periods.

Mr. So obtained the Diploma in Advanced Financial Management from the Asia International Open University in Macau in July 1995 and the Diploma in Finance from the Chinese University of Hong Kong in October 1997.

**Mr. LI Lap Sun (李立新)**, aged 53, was appointed as the chief investment officer and executive director of Innovax Asset Management Limited in March 2017. He is mainly responsible for supervising and managing the Group's asset management business.

Mr. Li has over 20 years of experience in finance and asset management. Mr. Li worked at Merrill Lynch (Asia Pacific) Limited from March 1994 to August 2004, with his last position being a director. He then worked at Goldman Sachs (Asia) L.L.C. as an executive director in the equities division from October 2004 to March 2007. During the period from June 2007 to March 2017, Mr. Li served as the fund manager of Spitzer Asset Management Limited ("Spitzer Asset") (a licensed corporation which carried out Type 9 (asset management) regulated activity), which is principally engaged in the provision of asset management services and he was a director of Spitzer Asset during the period from 15 February 2017 to 21 March 2017. He was also a responsible officer of Spitzer Asset to carry out Type 9 (asset management) regulated activity from 14 June 2007 to 21 March 2017.

## Biographies of Directors and Senior Management (Continued)

Mr. Li obtained a bachelor degree of arts in economics from the University of California, Los Angeles in the US in June 1989 and a master degree in business administration from the University of Southern California in the United States in May 1992.

Mr. Li is the independent non-executive director of BCI Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8412), since March 2017. Save as disclosed above, Mr. Li has not held any directorship in any other publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this Annual Report.

**Ms. CHAU Lok Yi (周樂怡)**, aged 40, is the Group's chief financial officer and company secretary of the Company and is mainly responsible for overall management of financial and company secretarial matters of the Group. Ms. Chau joined the Group in May 2017.

Ms. Chau has over 15 years of experience in accounting. Prior to joining our Group, Ms. Chau worked at the finance and operations department of Oriental Patron Securities Limited, a company providing equity research, underwriting and securities brokerage services, from August 2003 to February 2005 with her last position being an accountant. Since February 2005, she worked at Morison Heng CPA Limited as a senior audit manager.

Ms. Chau obtained a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University in November 2003. She obtained her master degree in business administration from The University of Iowa in December 2016. She has been a member of the Hong Kong Institute of Certified Public Accountants since July 2007.

**Mr. LAM King Fung (林景烽)**, aged 39, is the chief operation officer and head of compliance of the Company and is mainly responsible for the business operation and regulatory compliance matters of the Group. Mr. Lam joined the Group in May 2017.

Mr. Lam has over 10 years of experience in regulatory compliance. Prior to joining the Group, Mr. Lam has been working with China Everbright Securities International Limited ("CESIL") from October 2010 to April 2017 with his last position as Senior Vice President of Legal, Compliance and Company Secretarial Department. CESIL is a subsidiary of Everbright Securities Company Limited (HKEx listed 6178.HK), which is an integrated financial group major in providing financial services in Hong Kong under the licensing regime of Securities and Futures Commission of Hong Kong.

Mr. Lam has obtained a bachelor degree of business in risk management from the Monash University of Australia in April 2005 and a master degree of corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Lam is also a member of The Hong Kong Institute of Chartered Secretaries since 2015.

### COMPANY SECRETARY

**Ms. CHAU Lok Yi (周樂怡)**, aged 40, was appointed as the company secretary of the Company on 4 May 2018. For details of her education and experience, please refer to the paragraph headed "SENIOR MANAGEMENT" in this section.

## Report of the Directors

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The Board of the Company is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended 29 February 2020.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company, together with its subsidiaries (the "Group"), is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future 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 three operating subsidiaries including Innovax Capital Limited, Innovax Securities Limited and Innovax Asset Management Limited.

An analysis of the principal activities of the Group during the year ended 29 February 2020 is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 39 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 5 to 15 and the "Chairman's Statement" as set out on pages 3 to 4 of this report. Such discussion forms part of this "Report of the Directors".

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees, customers, suppliers and other that have a significant impact on the Company and on which the Company's success depends are also discussed in the Environmental, Social and Governance Report on pages 43 to 57 of this Annual Report.

### FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 122 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

### SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 29 February 2020 and details of the shares issued during the year ended 29 February 2020 are set out in Note 29 to the consolidated financial statements.

### SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 39 to the consolidated financial statements.

## Report of the Directors (Continued)

### KEY RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

Further details are set out in the "Management Discussion and Analysis" section of this Annual Report and the Environmental, Social and Governance Report on pages 43 to 57 of this annual report.

### KEY RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals and development. During the year ended 29 February 2020, there were no material and significant disputes between the Group and its employees and customers.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmental-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 29 February 2020 shall be disclosed in the and the Environmental, Social and Governance Report on pages 43 to 57 of this annual report.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 29 February 2020, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Associations of the Company or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

### PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 29 February 2020 are set out in Note 18 to the consolidated financial statements. There were no investment properties of the Group during the year ended 29 February 2020.

## Report of the Directors (Continued)

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### DEBENTURE ISSUED

The Group did not issue any debenture during the Year and up to the date of this annual report.

### EQUITY-LINKED AGREEMENTS

Save for disclosed in “Share Option Scheme” as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 29 February 2020.

### DIVIDEND

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

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Year are set out in the section of “Consolidated Statement of Changes in Equity” in the consolidated financial statements on page 64 of this annual report.

Details of the movements in the reserves of the Company during the year ended 29 February 2020 are set out in Note 40 to the consolidated financial statements.

### BANK LOANS AND OTHER BORROWINGS

As at 29 February 2020, the Group has no bank loans (as at 28 February 2019: Nil) and amounts due to a director (as at 28 February 2019: Nil). Particulars of bank loans and other borrowings of the Group as at 29 February 2020 are set out in the section headed “Management Discussion and Analysis” in this Annual Report.

### MAJOR CUSTOMERS

As at 29 February 2020, sales to the Group’s five largest customers accounted for 48.2% of the total sales for the year and sales to the largest customer included therein amounted to 14.9%. None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

Due to the Group’s business nature, the Group does not have major suppliers.

## Report of the Directors (Continued)

### EMPLOYEE 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.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee which is based on the Group's performance and the executives' respective contributions to the Group.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

The Directors' remuneration cost incurred by the Group for the year ended 29 February 2020 was HK\$12.2 million (for the year ended 28 February 2019: HK\$6.5 million).

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 29 February 2020.

### RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 29 February 2020 are disclosed in Note 34 to the consolidated financial statements. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. The Directors confirm that the above related party transactions were conducted on normal commercial terms and on arm's length basis.

During the year ended 29 February 2020, the Group had provided securities dealing and brokerage services to Mr. Chung, Mr. Poon Siu Kuen, Calvin, Mr. So Hin Pong and Ms. Chau Lok Yi, all connected persons of the Company.

The investment management agreement signed between Innovax Asset Management and Innovax Alpha SPC (the "Investment Management Agreement") constituted a connected transaction or continuing connected transaction of the Company under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The Investment Management Agreement as disclosed in Note 34 to the consolidated financial statements is a continuing connected transaction which is fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules. Save as the connected transaction and continuing connected transactions disclosed above, the Directors consider that all other related party transactions disclosed in Note 34 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) throughout the year ended 29 February 2020.

## Report of the Directors (Continued)

### DIRECTORS

The Directors who held office during the year ended 29 February 2020 and up to the date of this Annual Report are:

#### Executive Directors

Mr. Chung Chi Man (*Chairman*)

Mr. Poon Siu Kuen, Calvin (*Chief Executive Officer*)

#### 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* (*Resigned on 11 March 2020*)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographies of Directors and Senior Management" on pages 16 to 19 of this Annual Report.

In accordance with Article 83(3) of the articles of association of the Company (the "Articles"), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the member after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the company and shall then be eligible for re-election.

Meanwhile, in accordance with Article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Poon Siu Kuen, Calvin and Mr. Lo Wai Kwan will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors regarding their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

### PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. In accordance with the provisions of Section 470 of the Hong Kong Companies Ordinance, the aforesaid approved indemnity clause for the benefit of the Directors was effective during the financial year ended 29 February 2020 and at the time when this Directors' report prepared by the Directors was adopted in accordance with Section 391(1) (a) of the Hong Kong Companies Ordinance.

## Report of the Directors (Continued)

### DIRECTORS' SERVICE CONTRACT

During the year ended 29 February 2020 and up to the date of this annual report, none of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by employing company within one year without payment of compensation, other than statutory compensation.

### RETIREMENT BENEFITS PLANS

The MPF Scheme is registered the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits schemes contribution arising from the MPF Scheme charged to the profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

### CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosed in Note 34 to the consolidated financial statements of this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders (as defined in below section) or their subsidiaries, during the year ended 29 February 2020.

### 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 (collectively 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 our 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 core business of our Group currently excluded or possibly in the future to be engaged by the Group in Hong Kong or such other countries as our Group may conduct or carry on business from time to time.

The Controlling Shareholders have confirmed to the Company that during the year ended 29 February 2020 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.

## Report of the Directors (Continued)

For the year ended 29 February 2020 and up to the date of this report, save and except for the interest the Directors have in the Company and its subsidiaries and disclosed in the section headed “Relationship with our Controlling Shareholders — Excluded Business” in the Prospectus, 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’ INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors or his/her connected entities has or had a material interest, either directly or indirectly, in any transaction, arrangement or 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 Year and up to the date of this report.

### DIRECTORS’ INTEREST IN A COMPETING BUSINESS

During the Year and up to the date of this report, 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
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 money lending licence. CCFI has ceased its business since 30 September 2019.

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

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

### DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” below, at no time during the year ended 29 February 2020 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company’s subsidiary or holding company or a subsidiary of the Company’s holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Report of the Directors (Continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 29 February 2020, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

#### Interest in Shares of the Company

Name of Director	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (%) (Note 3)
Mr. Chung Chi Man ("Mr. Chung")	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 Billion Shine International Investment Limited ("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 29 February 2020.

#### 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 in associated Corporation (%)
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.

Save as disclosed above, as at 29 February 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Directors (Continued)

### INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

So far as is known to the Directors, as at 29 February 2020 and the date of this annual report, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

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 29 February 2020.

Save as disclosed above, as at 29 February 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### SHARE OPTION SCHEME

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 "Adoption Date"). 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 the benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

## Report of the Directors (Continued)

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date. The maximum number of shares comprised in option to any one individual shall be 1% of the Shares in issue as of the date of grant in any 12-month period up to the date of grant. There is no such requirement for the minimum period for which an option must be held before it can be exercised. The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date and the remaining life of the Share Option Scheme is 9 years.

The exercise price must not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 28 February 2019. As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 40,000,000, representing approximately 10% of the issued shares of the Company.

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 where are convertible or exchangeable into Shares as at 29 February 2020 and up to the date of this report.

### MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 29 February 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Year and up to the date of this report.

### USE OF NET PROCEEDS FROM THE LISTING

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. HK\$132 million of the net proceeds has been utilized as at 29 February 2020 (approximately 83.5% of the total net proceeds) and the remaining HK\$26 million (approximately 16.5% of the total net proceeds) unutilized proceeds is placed in licensed banks in Hong Kong.

Subsequently, on 21 April 2020, the Company has announced the change in the use of proceeds. Details of the use of proceeds and the changes are set out in the "Management Discussion and Analysis" section in this report.

### INTERESTS OF COMPLIANCE ADVISER

As at 29 February 2020, save and except for (i) the participation of Sinolink Securities (Hong Kong) Limited ("Sinolink") as 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.

## Report of the Directors (Continued)

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### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at 15 June 2020, being the latest practicable date for ascertaining the contents set out in this report prior to its printing, the Company has maintained the prescribed percentage of public float under the Listing Rules.

### CHARITABLE DONATIONS

During the Year, the Group made HK\$ Nil charitable and other donations (28 February 2019: HK\$1,000,000).

### TAX RELIEF

The Company is not aware of any relief on taxation to the Shareholders by reasons of their holdings of the Shares. If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or exercise of any rights in relation to the Shares, they are advised to consult their professional advisers.

### EVENT AFTER THE REPORTING PERIOD

The event after the end of the Year is disclosed in the "Management Discussion and Analysis" and Note 41 to the consolidated financial statements.

### AUDITOR

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

**Chung Chi Man**

*Chairman*

28 May 2020

# Corporate Governance Report

The Board of Directors and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

## CORPORATE GOVERNANCE PRACTICES

During the year ended 29 February 2020 and up to the date of this report, 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 report.

## BOARD OF DIRECTORS

The Board currently consists of six Directors, comprising two executive Directors namely Mr. Chung Chi Man and Mr. Poon Siu Kuen, Calvin and four independent non-executive Directors, namely Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping and Ms. Chan Ka Lai, Vanessa. Mr. Chung Chi Man is currently the chairman of the Board.

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 16 to 19 of this Annual Report. None of the members of the Board is related to one another.

The Company has entered into a service contract with each of our executive Directors. The Group has also entered into a letter of appointment with each of our independent non-executive Directors.

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The powers and duties of the Board include convening general meetings and reporting the Board's work at the Shareholders' meetings, determining the Group's business and investment plans, preparing the annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of the Company's registered capital as well as exercising other powers, functions and duties as conferred by the Articles.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

## Corporate Governance Report (Continued)

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chung Chi Man is currently the chairman of the Board (the “Chairman”) and Mr. Poon Siu Kuen, Calvin is the chief executive officer of the Company (the “Chief Executive Officer”). The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors written annual confirmation of their independence pursuant to the Listing Rules and the Company considers that each of them is independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

### APPOINTMENT AND RE-ELECTION AND REMOVAL OF DIRECTORS

The procedure and process of appointment, re-election and removal of directors are laid down in the Company’s Articles which provide that at each annual general meeting one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

### 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.

## Corporate Governance Report (Continued)

### DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by meetings with the senior management of the Company.

During the year ended 29 February 2020, the Directors complied with the Code Provision A.6.5 of the Corporate Governance Code on participation in continuous professional training as follows:

	Mode of participation	
	a	b
<b>Executive Directors</b>		
Mr. Chung Chi Man	✓	✓
Mr. Poon Siu Kuen, Calvin	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Lo Wai Kwan	—	✓
Dr. Wu Kwun Hing	—	✓
Mr. Choi Wai Ping	—	✓
Ms. Chan Ka Lai, Vanessa	—	✓
Mr. Cheung Kwok Kwan <i>JP (Resigned on 11 March 2020)</i>	—	✓

a: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.

b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

### BOARD MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the Year ended 29 February 2020, the Board convened 6 meetings and the Chairman held 6 meetings with the independent non-executive directors without the presence of other directors.

During the year ended 29 February 2020, the Company held 1 general meeting on 28 June 2019.

## Corporate Governance Report (Continued)

Details of the attendance of the Directors for the board meetings and general meeting during the year ended 29 February 2020 are as follows:

	Attendance/Number of	
	Board meetings entitled to attend	General meetings entitled to attend
<b>Executive Directors</b>		
Mr. Chung Chi Man	6/6	1/1
Mr. Poon Siu Kuen, Calvin	6/6	1/1
<b>Independent non-executive Directors</b>		
Mr. Lo Wai Kwan	3/3	1/1
Dr. Wu Kwun Hing	3/3	1/1
Mr. Choi Wai Ping	3/3	1/1
Ms. Chan Ka Lai, Vanessa	3/3	1/1
Mr. Cheung Kwok Kwan <i>JP (Resigned on 11 March 2020)</i>	3/3	1/1

### BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of our Group's activities.

#### Audit Committee

The Company has established the audit committee (the "Audit Committee") on 24 August 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. As at the date of this report, the Audit Committee consists of three members, namely Ms. Chan Ka Lai, Vanessa, Mr. Lo Wai Kwan and Dr. Wu Kwun Hing, all being independent non-executive Directors. Our Audit Committee is chaired by Ms. Chan Ka Lai, Vanessa, who has possessed the appropriate professional qualifications.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board.

## Corporate Governance Report (Continued)

During the year ended 29 February 2020, 2 Audit Committee meetings were held. The attendance of each member is set out below:

Independent Non-executive Directors	Attendance/Number of Audit Committee meetings entitled to attend
Ms. Chan Ka Lai, Vanessa ( <i>Committee Chairlady</i> )	2/2
Mr. Lo Wai Kwan	2/2
Dr. Wu Kwun Hing	2/2
Mr. Cheung Kwok Kwan <i>JP</i> ( <i>Resigned on 11 March 2020</i> )	2/2

The works performed by the Audit Committee during the year ended 29 February 2020 include the followings:

- reviewed and discussed the annual results of the Group for the year ended 28 February 2019.
- reviewed and discussed the interim results of the Group for the six months ended 31 August 2019.
- reviewed the financial reporting system, risk management and internal control systems of the Group.
- reviewed the accounting principles and practices adopted by the Group.
- reviewed the effectiveness of the internal audit of the Company.
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.
- considered the re-election of auditor of the Company and discussing with the auditor about the audit plan.

The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

### Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") on 24 August 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of four members, namely Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping and Ms. Chan Ka Lai, Vanessa, all being independent non-executive Directors. Our Remuneration Committee is chaired by Mr. Lo Wai Kwan.

The primary duties of our Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

## Corporate Governance Report (Continued)

The Remuneration Committee shall meet at least once annually, or more frequently if circumstances require, to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

During the year ended 29 February 2020, 1 Remuneration Committee meeting was held. The attendance of each member is set out below:

	<b>Attendance/Number of Remuneration Committee meetings entitled to attend</b>
Mr. Lo Wai Kwan ( <i>Committee Chairman</i> )	1/1
Dr. Wu Kwun Hing	1/1
Mr. Choi Wai Ping	1/1
Ms. Chan Ka Lai, Vanessa	1/1

The remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of the Directors and senior management members. The remuneration policy is subject to review by and the recommendations of the Remuneration Committee.

The works performed by the Remuneration Committee during the Year include the following:

- reviewed and determined the policy for the remuneration of Directors and senior management.
- assessed performance of executive Directors.
- reviewed and recommended the remuneration package of the Directors and senior management of the Company.
- reviewed and approved the terms of executive Directors' service contract.

No Director nor any of his/her associates was involved in deciding his/her own remuneration.

### Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") on 24 August 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of four members, namely Dr. Wu Kwun Hing, Mr. Lo Wai Kwan, Mr. Choi Wai Ping and Ms. Chan Ka Lai, Vanessa, all being independent non-executive Directors. Our Nomination Committee is chaired by Dr. Wu Kwun Hing.

The primary function of our Nomination Committee is to review the structure, size and diversity (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, make recommendations on any proposed changes to the Board to complement our corporate strategy and make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee shall meet at least once a year, or more frequently if circumstances require to review the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors and to develop and evaluate the corporate governance practices of the Company.

## Corporate Governance Report (Continued)

During the year ended 29 February 2020, 1 Nomination Committee meeting was held. The attendance of each member is set out below:

	<b>Attendance/Number of Nomination Committee meetings entitled to attend</b>
Dr. Wu Kwun Hing ( <i>Committee Chairman</i> )	1/1
Mr. Lo Wai Kwan	1/1
Mr. Choi Wai Ping	1/1
Ms. Chan Ka Lai, Vanessa	1/1

The works performed by the Nomination Committee during the Year include the following:

- reviewed the structure, size and composition of the Board according to the board diversity and the development of the Company and the market situation.
- assessed the independence of independent non-executive Directors.
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

### NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") on 28 May 2019 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

- (1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

## Corporate Governance Report (Continued)

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

### BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") on 28 May 2019.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

Nomination Committee has considered measurable objectives based on gender, age, professional experience and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the board diversity of the Company, as appropriate, to ensure its continued effectiveness at least once annually.

The current Board consists of a diverse mix of Board members with different appropriate skills, knowledges and experience to promote and achieve better performance of the Company.

### REMUNERATION POLICY

The Directors and senior management of the Group receive compensation in the form of salaries, director fees, benefits-in-kind, discretionary bonuses related to the performance of the Group, and options which may be granted under the share option scheme. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to the Group's business and operations. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, salaries and bonus paid by comparable companies, responsibilities and performance of the Group.

### REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration (including share-based compensation) of members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 29 February 2020 is set out below:

Annual Remuneration	Number of individuals
HK\$0 to HK\$1,000,000	—
HK\$1,000,001 to HK\$2,000,000	4

## Corporate Governance Report (Continued)

### CORPORATE GOVERNANCE FUNCTION

The Board assumes the responsibility for overseeing the overall management and strategic planning of our Group through directing and supervising our affairs. The Directors (including independent non-executive Directors) will be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities. Directors may make further enquiries for more information and have separate and independent access to our senior management and operational staff. There is also procedure in place to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at our expense to assist them in performing their duties to the Company.

### RISK MANAGEMENT AND INTERNAL CONTROLS

#### Responsibility of the Board

The Board is committed to the maintenance of good corporate governance, practices and procedures, and implements an effective risk management and internal control systems of the Group. The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness and conducts a review on an annual basis. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

The Board as a whole is responsible for identifying and considering the disclosure requirements and guidelines regarding inside information. Meanwhile, the compliance department of the Company is responsible for maintaining the watch list and restricted list and monitoring clients' trading and staff dealing. The Company's public side staff who are exposed to inside information must maintain the confidentiality of such information and may use it only for the business purpose for which it was communicated.

The Group does not have an internal audit function. Taking into account the size, nature and complexity of the Group's business, the Board has sufficient capacity to oversee the design and implementation of the risk management and internal control system and to assess its effectiveness, and accordingly there is no immediate need to set up an internal audit function within the Group.

## Corporate Governance Report (Continued)

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

### Risk identification

- Identify risks that may potentially affect the Group's business and operations.

### Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

### Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

### Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control at Board and Audit Committee meetings regularly.

In relation to the handling and dissemination of inside information, the Group has implemented an information disclosure policy to ensure potential inside information is being captured and confidentiality of such information is being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy is summarised as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

During the Year, the Group engaged an independent consulting firm to review the effectiveness of its risk management and internal control system. The scope of review was determined by the Board. The independent consulting firm submitted a report of findings and areas for improvement to the management. The management presented these findings and areas for improvements to the Board and Audit Committee. Having considered (i) the existence of the risk management and internal control system; (ii) the findings of the independent consulting firm; (iii) the management will take into account the areas for improvement suggested by the independent consulting firm and further enhance the risk management and internal control system, the Board and Audit Committee were of the view that the Group had no material internal control deficiencies and its risk management and internal control systems were effective and adequate.

## Corporate Governance Report (Continued)

### COMPANY SECRETARY

The company secretary of the Company, Ms. Chau Lok Yi (the “Company Secretary”), is a full time employee of the Company. During the year ended 29 February 2020, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 19 of this annual report in the section of “Biographies of Directors and Senior Management”.

### AUDITOR REMUNERATION

Deloitte Touche Tohmatsu was engaged as the auditor of the Company for the year ended 29 February 2020, provided the following services to the Group.

	2020 HK\$'000	2019 HK\$'000
Audit services	1,500	1,420
Listing services	—	2,280
Internal control review services	—	164
<b>Total</b>	<b>1,500</b>	<b>3,864</b>

### ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 29 February 2020, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently; and
- made judgements and estimates that were prudent, fair and reasonable.

The report of the auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor’s Report from pages 58 to 61 of this report.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

## Corporate Governance Report (Continued)

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman of the Board as well as chairpersons of the Remuneration Committee, Audit Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

### SHAREHOLDERS' RIGHTS

#### Right to Convene Extraordinary General Meeting

Pursuant to Article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### Right to Put Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary at the principal place of business in Hong Kong of the Company at Unit A to C, 20/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

#### Right to Put Forward Enquiries to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Unit A to C, 20/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.

#### Dividend Policy

The Company has adopted a policy on payment of dividends on 28 May 2019. Whether dividends will be paid and the amount of dividends to be paid will depend on, among other things, our profitability, financial condition, business development, future prospects, future cash flow and such other factors as the Directors may consider relevant at the time of declaration of any dividends subject to the discretion of the Directors.

#### Changes in constitutional documents

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Articles. During the Year, there has been no changes in the constitutional documents of the Company during the year ended 29 February 2020.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

Innovax Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group” or “we”) are pleased to present our 2019/20 Environmental, Social and Governance (the “ESG”) Report. This Report reflects the sustainability strategy of the Group, including our environmental, social and governance initiatives and performances. We also want to take this opportunity to communicate these achievements with our stakeholders.

This Report is published in both Chinese and English and is available on the websites of the Hong Kong Exchanges and Clearing Limited and the Company.

## Reporting Standard and Principles

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”), which is the Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited. We adhered to the four reporting principles of “Materiality”, “Quantitative”, “Balance” and “Consistency” set out in the Guide. A content index with reference to the ESG Reporting Guide is provided at the last pages of this Report for the easy referencing of the stakeholders.

Principle	Meaning and Our Practice
Materiality	Materiality means issues covered in the Report are important to investors and other stakeholders. We identified key ESG issues through our regular engagements with stakeholders and the assessment of our management.
Quantitative	Key performance indicators (KPIs) are reported in a measurable manner where appropriate. Historical KPIs results are provided for comparison.
Balance	Both achievements and challenges are covered in this report to reflect an unbiased, objective picture on our performances.
Consistency	The reporting scope and approach remain consistent with the previous years for meaningful comparison.

## Reporting Period and Scope

The information disclosed in this report covers the financial year from 1 March 2019 to 29 February 2020 (the “Reporting Period” or “Year 2019/2020”). Figures for the last year, for the period from 1 March 2018 to 28 February 2019 (the “Year 2018/2019”) are also presented for reference for comparison. Unless otherwise specified, this report covers the operation of corporate finance advisory services of the Group, which includes the office in Chinachem Century Tower (the “Wanchai office”). The Group will continuously improve our sustainable development strategy and expand the scope of the disclosure progressively in line with our business development.

## Confirmation and Approval

The Group has established internal controls and a formal review process to ensure that the information presented in this Report is as accurate and reliable as possible. The Board of Directors (the “Board”) of the Company has the overall responsibility for the establishment and disclosure of relevant measures and key performance indicators (the “KPIs”). This report has been reviewed and approved by the Board in 28 May 2020.

## Environmental, Social and Governance Report (Continued)

### ESG GOVERNANCE AND RISK MANAGEMENT

As part of our corporate governance, the Board has the overall responsibility in overseeing the Group's ESG strategy and performance on matters about environmental protection, employment, operational responsibility and community investment.

The Group acknowledges that risk management is an integral part of good corporate governance. The Board continuously monitors the effectiveness of risk management and internal control systems of the Group to identify, evaluate and respond to various risks, including ESG risks. The Board also takes appropriate measures to avoid or mitigate risks that may adversely affect our business.

Audit committee regularly reviews the Group's risk management and internal control work, and receives reports from the senior management to confirm that the internal control mechanism is effective. The Group regularly reviews industry-relevant risks in order to update the internal control and risk management process in a timely manner.

### STAKEHOLDERS ENGAGEMENT

Understanding and responding to the needs and expectation of stakeholders from different sectors helps the Group in formulating and adjusting our sustainability strategies.

The Group's stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on. We identified clients, shareholders, employees, business partners, regulatory authorities and the community as our key stakeholders.

The Group engages its key stakeholders via multiple channels to gather their feedback. Meetings, workshops and other communicative means are held across daily operations for both internal and external stakeholder groups. Every feedback from stakeholders guides us to identify material environmental, social and governance issues, as well as to address risks and seize development opportunities.

Throughout the stakeholders' engagement, we identified that quality of services, customer data protection and privacy, anti-corruption, and employee training and development are the more material ESG issues for the Group. Our policies regarding these issues are disclosed in the respective sections of this Report.

#### Your Feedback

We always hope to promote communication between the Group and our stakeholders. We sincerely invite you to provide your valuable opinion. Your input can help us further enhance our sustainability management. If you have any questions or suggestions regarding our sustainability policies or the content of this Report, please forward your comments to us through [compliance@innovax.hk](mailto:compliance@innovax.hk). Your feedback will be highly appreciated.

### OPERATING PRACTICES

The Group is committed to upholding the highest standard of corporate governance and business integrity in our activities. We have formulated the Supply Chain Management, Product Responsibility and Anti-Corruption Policy Statement (collectively known as "Operation Policy Statement") in order to manage social risks in our daily operation.

## Environmental, Social and Governance Report (Continued)

### Anti-Corruption and Anti-Money Laundering (“AML”)

We believe that integrity is the foundation of fulfilling corporate social responsibilities. The Group recognises its responsibility to conduct businesses in an honest and ethical manner. The Group ensures that all services offered comply with applicable laws and regulations in Hong Kong, including but not limited to the Prevention of Bribery Ordinance (Cap. 201) and internal requirements for professional conduct. During the Reporting Period, to the best knowledge of our directors, the Group and our employees were not involved in any legal cases in relation to corruption.

As a financial service provider, prevention and detection of money laundering is part of our core social responsibilities. Our Policy on Prevention of Money Laundering and Terrorist Financing (the “AML Policy”) sets forth the responsibilities of employees in preventing money laundering and terrorist financing. It provides clear procedures, as summarized in the following graph, to prevent and suppress such activities in our operation.

The Group arranges training on anti-money laundering and anti-terrorist financing for employees and regularly communicates with them on the importance of compliance and business conduct. During the Reporting Period, to the best knowledge of our directors, we are not aware of any non-compliance cases against relevant laws and regulations, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) in Hong Kong.

#### AML Procedures



### Products and Services Responsibility

The Group values each client and continuously strives to improve our services to satisfy their needs. The Operation Policy Statement outlines our commitment to providing customers services information in an accurate and timely manner and safeguarding data security.

## Environmental, Social and Governance Report (Continued)

We have established a complaint handling process to protect the interest of our clients. All written and verbal complaints received are reported to the compliance officer, who is responsible to conduct investigations and respond to the complainant within a reasonable period. We also conduct independent reviews on the complaint handling procedures regularly.

To protect clients' privacy, we have maintained control over our information systems. We have provided guidance to the related personnel on the handling and storage of client data. Restricted access right to folders and files are limited to respective team members only. We also set up a firewall to prevent leakage of confidential information. For our sales and marketing, we promise to provide objective, accurate, honest and fair information in all marketing communication channels, including printed materials and advertisements.

To the best knowledge of our directors, the Group is not aware of any significant non-compliance with laws and regulations in relation to product responsibility during the Reporting Period, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486), the Securities and Futures Ordinance (Cap. 571) in Hong Kong and the Listing Rules within the Reporting Period. Our operation does not involve health and safety issues relating to products and services provided. We are not aware of any cases of non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy.

### Supply Chain Management

The Group does not produce any physical products; therefore, we do not have significant procurement. Our suppliers mainly include professional services providers, property management, as well as office supplies vendors.

We maintain strategic partnerships with and support our suppliers to optimize the environmental and social impacts along our value chain. We take into account the following aspects of potential suppliers, including compliance with laws and regulations, past experiences, environmental sustainability, products and services quality and the current market price. We prefer selecting suppliers who share the same environmental, social and ethical values with us, so as to integrate our sustainability strategy into our daily operation.

## OUR PEOPLE

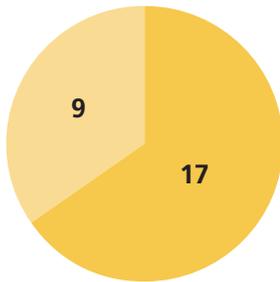
Employees are the foundation for a business's success and future development. As a caring and responsible corporation, we are devoted to providing a decent working environment for our employees. Policies relating to employment management, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare are set out in the Staff Handbook and the Employment and Labour Practices Policy Statement.

## Environmental, Social and Governance Report (Continued)

The Group provides different channels to facilitate open communications among all employees. We inform employees of important corporate announcements and updated policies through email. As of 29 February 2020, we have 26 full-time staff in our Wanchai office. The following graphs show their distribution by gender, age and employment category.

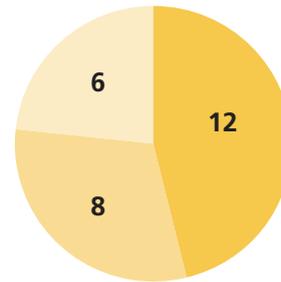
### Employees by Gender

■ Male ■ Female



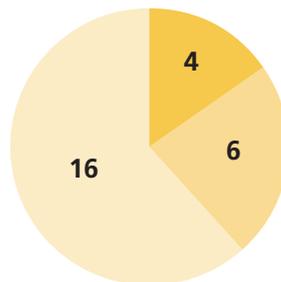
### Employees by Age

■ 21–30 ■ 31–40 ■ 41–50



### Employees by Category

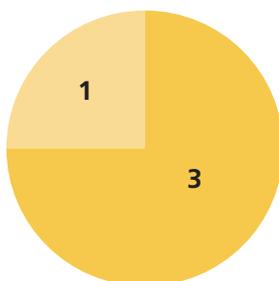
■ Senior Management ■ Middle Management  
■ General Staff



Staff dismissal records with reasons are provided by respective department heads and documented by the human resources department together with the approval record. Employee turnover statistics in the Reporting Period is shown in the graphs below.

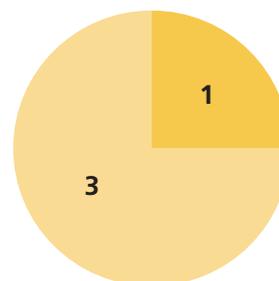
### Employees Turnover by Gender

■ Male ■ Female



### Employees Turnover by Age

■ 21–30 ■ 31–40



## Environmental, Social and Governance Report (Continued)

### Equal Opportunity

We emphasize diversity and are committed to providing a free from discrimination and harassment workplace for employees from different backgrounds. To create a diverse talent pool and ensure our recruitment process is free from any forms of discrimination, we adopt consistent selection criteria and neutral wording in job advertisements. The same principle is also applied in career development and training, regardless of employees' gender, age, nationality, ethnicity, religion, disability or sexual orientation. We provide employees with information related to equal opportunity, discrimination and harassment. An employee who believes that he/she is subjected to any kind of harassment could report to the designated person of the Group.

### Remuneration and Benefits

The Group ensures our remuneration is attractive and decent. The basic monthly salary takes into account of the responsibilities and skills required for the position and the qualifications and experience of the employee. We may offer a discretionary bonus to staff based on the performance of the Group and that of the employee. This is to reward efforts made by our staff in the preceding year and encourage them to continue contributing to the development of the Group.

Our management reviews the remuneration annually based on the employee's performance, the Group's financial results, as well as changes to the cost of living and the general economic condition. The Group also adopts a share option scheme for eligible employees (including Directors) in order to provide incentives and foster mutual growth of the participants and the Group.

Our staff are entitled to a five-day working week, public holidays, paid annual leaves, sick leaves, maternity and paternity leaves, marriage and compassionate leaves. We also provide medical benefits which include outpatient benefits and hospitalization coverage for all employees.

### Training and Development

The Group appreciates the values of career planning and development of employees. We established a procedure of annual performance appraisal. Employees' performance is reviewed against objective standards with a focus on their development needs. We consider that such review can support the employee's career growth and help the Group achieving its business goals. We believe by providing training programmes to our employees, we can improve their performance and nurture their career growth.

As a licensed corporation and a financial and securities services provider, the Group has an obligation to conduct customer due diligence and identify risks for money laundering or terrorist financing. During the Reporting Period, the Group provided training on anti-money laundering and risk management as regular refresher training for all employees. The training ensures that all employees, no matter their work position, are aware of their obligations to develop a risk profile for every customer and report suspicious transactions as stipulated under relevant regulations and guidelines.

## Environmental, Social and Governance Report (Continued)

		Percentage of Employees Trained	Average Training Hours Per Employee
<b>Gender</b>	Male	100%	9
	Female	100%	9

		Percentage of Employees Trained	Average Training Hours Per Employee
<b>Employee Category</b>	Senior Management	100%	9
	Middle Management	100%	9
	General Staff	100%	9

### Health and Safety

Our staff work inside offices and are not exposed to significant occupational health and safety risks. The Employment and Labour Practices Policy Statement states the Group's commitments in maintaining a healthy and safe working environment. Our Staff Handbook provides employees with guidance on health and safety workplace and the key points are summarized as follow:

- Properly maintain all work-related equipment and systems;
- Make sure the use, handling, storage and transport of office supplies and equipment are neat and tidy, safe and free from hazard; and
- Regularly review and update the Health and Safety Policy and notified all employees on its updates.

With consideration to our mode of operation and response to the coronavirus pandemic occurred in January 2020, our Wanchai office has been adopting the "Work from Home" practice since late January 2020, so as to safeguard the health of our staff.

The Group complies with the relevant laws and regulations, such as the Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong. To the best knowledge of our directors, no cases of work-related injuries or fatalities were recorded during the Reporting Period.

## Environmental, Social and Governance Report (Continued)

### Labour Standards

Child labour and forced labour infringe basic human rights and put a corporate's reputation at risks. The Group adheres to local labour laws and standards and is committed to prohibiting the use of child labour and forced labour.

To prevent hiring child labour by mistake, the Group has set minimum working age requirement and verified the age of applicant by scrutinizing various identification documents before hiring. We avoid forced labour by assuring employees' right to terminate their employment. Normal working hours are stipulated in the Staff Handbook.

During the Reporting Period, to the best knowledge of our directors, the Group was not aware of any non-compliance with relevant labour laws and regulations, including but not limited to the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Mandatory Provident Fund Schemes Ordinance (Cap. 485) and Minimum Wage Ordinance, (Cap. 608) of Hong Kong. To the best knowledge of our directors, no cases of non-compliance with laws and regulations in relation to employment, child labour and forced labour were identified in the Wanchai office during the Reporting Period.

## PROTECTING THE ENVIRONMENT

The Group runs its business inside offices and we do not create a significant impact on the environment. Despite that, we strive to protect the environment and reduce the environmental impact of our business operation along our value chain. The Group has formulated its Environmental Protection Policy Statement to guide its direction in minimising the negative impacts of its operation on the environment regarding air emissions, water and waste management and use of energy and other resources.

During the Reporting Period, to the best knowledge of our directors, the Group was not aware of any cases of non-compliance in relation to environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance (Cap. 311), Water Pollution Control Ordinance (Cap. 358) and Waste Disposal Ordinance (Cap. 354) in Hong Kong.

### Energy Consumption and Air Emissions

In line with our commitments stated in the Environmental Protection Policy Statement, we have implemented a number of measures to increase energy efficiency and reduce emissions:

- Switch off the lights in public areas during lunch and non-working hours
- Adopt lighting zoning system
- Keep good maintenance of electrical appliances and replace malfunctioning equipment
- Set the air-conditioning temperature at an optimal temperature
- Simplify workflow to reduce business trips

## Environmental, Social and Governance Report (Continued)

As a key step to establish an emission management strategy, the Group has commissioned a consultant to quantify the air and greenhouse gas emissions of our operation. The following table lists the energy consumption and gas emissions during the Reporting Period.

Environmental KPIs	Year 2019/20	Year 2018/19	Unit
Total energy consumption	19.50	20	MWh
Energy intensity per office floor area	0.19	0.20 <sup>a</sup>	MWh/m <sup>2</sup>
Energy intensity per employee	0.75	1.05	MWh/person
Total GHG emissions	15.60	16.02	tonnes CO <sub>2</sub> e
GHG intensity per office floor area	0.15	0.16 <sup>a</sup>	tonnes CO <sub>2</sub> e/m <sup>2</sup>
GHG intensity per employee	0.60	0.84	tonnes CO <sub>2</sub> e/person

Notes:

- (a) Energy and GHG intensity per office floor area for Year 2018/2019 have been adjusted to reflect the actual situation.
- (b) The Group did not produce significant air emission in years 2018/2019 and 2019/2020.

### Water and Waste Management

The Group is well aware that reasonable use of resources is essential to sustainable development. The Environmental Protection Policy Statement also sets out our commitment to optimise the use of water and raw materials. We have adopted a series of measures to effectively manage the use of resources and handle wastes:

- Encourage employees to conserve water
- Use paper from sustainable sources or made with recycled materials
- Adopt electronic communications and filing to reduce the use of paper
- Recommend double-sided paper use
- Adopt online facsimile (internet fax) system
- Avoid using disposables
- Set up recycling bins and waste recyclers to collect wastes regularly

We do not consume a significant amount of water or generate a large amount of sewage. The water we use comes from the Water Supplies Department of Hong Kong and we do not have any issue in sourcing water. The property manager of our Wanchai office cannot provide the water consumption data for individual tenant, so we have no water usage data could be disclosed. Wastewater produced is directly discharged to the sewerage network.

## Environmental, Social and Governance Report (Continued)

We do not generate hazardous waste in our daily operation and our non-hazardous waste mainly consists of paper and other general refuse. The amount of non-hazardous waste generated during the Reporting Period is summarized in the following table.

Environmental Key Performance Indicators	Year 2019/20	Year 2018/19	Unit
Total non-hazardous waste produced	1.88 <sup>a</sup>	2.06	tonnes
Non-hazardous waste intensity per office floor area	0.02	0.02 <sup>b</sup>	tonnes/m <sup>2</sup>
Non-hazardous waste intensity per employee	0.07	0.11	tonnes/person

Notes:

(a) Estimated based on the figure of Year 2018/2019.

(b) Non-hazardous waste intensity per office floor area for Year 2018/2019 has been adjusted to reflect the actual situation.

### Environment and Natural Resources

The Group understands the need to protect the planet for present and future generations and is making ongoing efforts to use fewer natural resources. The Group operates its business with environmental concerns in mind and encourages good environmental practices.

The Group is working to reduce its consumption of energy and natural resources, to reduce waste, and use environmental friendly products and services whenever possible. To identify the environmental improvement opportunities, the Group will improve the data collection system in order to review the effectiveness of the emissions and waste reduction measures, as well as the energy and water efficiency initiatives. The Group also uses internal channels, such as emails and notices, to raise environmental awareness and cultivate green values among our staff.

## COMMUNITY INVESTMENT

We are a caring enterprise and devoted to making contributions to the community where we operate. The Group has established its Community Investment Policy Statement and is committed to fostering a positive relationship with the community.

The Group also continuously encourages our staff to participate in any kinds of voluntary works held by external organizations. The Group joined the Earth Hour 2019 to show the support to combat climate change.

## Environmental, Social and Governance Report (Continued)

### HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas and Aspects	Section/Explanation	Page Number
<b>A. Environmental</b>		
<i>Aspect A1: Emissions</i>		
<u>General Disclosure</u> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the Environment	50–52
KPI A1.1 The types of emissions and respective emission data.	Protecting the Environment	51
KPI A1.2 Greenhouse gas emissions in total and intensity.	Energy Consumption and Air Emissions	51
KPI A1.3 Total hazardous waste produced and intensity.	No hazardous waste was produced	—
KPI A1.4 Total non-hazardous waste produced and intensity.	Water and Waste Management	52
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Protecting the Environment	50–52
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Water and Waste Management	51–52
<i>Aspect A2: Use of Resources</i>		
<u>General Disclosure</u> Policies on the efficient use of resources, including energy, water and other raw materials.	Protecting the Environment	50–52
KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity.	Energy Consumption and Air Emissions	51
KPI A2.2 Water consumption in total and intensity.	Data not available from property management	—
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Energy Consumption and Air Emissions	50–51

## Environmental, Social and Governance Report (Continued)

Subject Areas and Aspects	Section/Explanation	Page Number
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water and Waste Management	51
KPI A2.5 Total packaging material used for finished products and with reference to per unit produced.	The Group does not produce tangible goods and involve any packaging materials.	—
<p><i>Aspect A3: Environment and Natural Resources</i></p> <p><u>General Disclosure</u></p> <p>Policies on minimising the issuer's significant impact on the environment and natural resources.</p>	Environment and Natural Resources	52
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Immaterial for the Group	—
<p><b>B. Social</b></p> <p><b><i>Employment and Labour Standards</i></b></p>		
<p><i>Aspect B1: Employment</i></p>		
<p><u>General Disclosure</u></p>		
<p>Information on:</p>		
<p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p>		
<p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>		
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Our People	47
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Our People	47

## Environmental, Social and Governance Report (Continued)

Subject Areas and Aspects	Section/Explanation	Page Number
<p><i>Aspect B2: Health and Safety</i>  <u>General Disclosure</u>            Information on:            (a) the policies; and            (b) compliance with relevant laws and regulations that have a significant impact on the issuer</p>	Health and Safety	49
<p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>		
KPI B2.1 Number and rate of work-related fatalities.	No work-related fatalities are occurred	—
KPI B2.2 Lost days due to work injury.	No lost days due to work injury	—
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	49
<p><i>Aspect B3: Development and Training</i>  <u>General Disclosure</u>            Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Training and Development	48–49
KPI B3.1 The percentage of employees trained by gender and employee category.	Training and Development	49
KPI B3.2 The average training hours completed per employee by gender and employee category.	Training and Development	49
<p><i>Aspect B4: Labour Standards</i>  <u>General Disclosure</u>            Information on:            (a) the policies; and            (b) compliance with relevant laws and regulations that have a significant impact on the issuer</p>	Labour Standards	50
<p>relating to preventing child and forced labour.</p>		

## Environmental, Social and Governance Report (Continued)

Subject Areas and Aspects	Section/Explanation	Page Number
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	50
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	N/A	—
<b>Operating Practices</b>		
<i>Aspect B5: Supply Chain Management</i>		
<u>General Disclosure</u> Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	46
KPI B5.1 Number of suppliers by geographical region.	Immaterial for the Group	—
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Immaterial for the Group	—
<i>Aspect B6: Product Responsibility</i>		
<u>General Disclosure</u> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Products and Services Responsibility	45–46
relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not produce tangible goods.	—
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Products and Services Responsibility	45–46
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	N/A	—
KPI B6.4 Description of quality assurance process and recall procedures.	Products and Services Responsibility	45–46
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Products and Services Responsibility	45–46

## Environmental, Social and Governance Report (Continued)

Subject Areas and Aspects	Section/Explanation	Page Number
<p><i>Aspect B7: Anti-Corruption</i>  <u>General Disclosure</u>            Information on:            (a) the policies; and            (b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	Anti-Corruption and Anti-Money Laundering	45
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption and Anti-Money Laundering	45
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	N/A	—
<p><b>Community</b>  <i>Aspect B8: Community Investment</i>  <u>General Disclosure</u>            Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	Community Investment	52
KPI B8.1 Focus areas of contribution.	N/A	—
KPI B8.2 Resources contributed to the focus area.	N/A	—

## Independent Auditor's Report

# Deloitte.

# 德勤

### To the Members of Innovax Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Innovax Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 62 to 121, which comprise the consolidated statement of financial position as at 29 February 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 29 February 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report (Continued)

During the audit of the Group, we identified the following key audit matters:

Key audit matter	How our audit addressed the key audit matter
<p><i>Revenue recognition on sponsor fee income and recognition of contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services</i></p> <p>We identified the recognition on sponsor fee income, contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services as a key audit matter due to its significance to the consolidated financial statements.</p> <p>As set out in notes 3 and 5 to the consolidated financial statements, 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 fee income is recognised over time based on input method, in which the Group recognised sponsor fee income on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation ("percentage of completion").</p> <p>Payments are received by installments in accordance to the completion of milestones as specified in the sponsor mandates as set out in note 5 to the consolidated financial statements. As set out in notes 22 and 28 to the consolidated financial statements, contract assets represent the sponsor fee income arising from business of sponsor fee income recognised after work is performed but not yet billed to customers and the portion of fee received from the clients but not yet earned is recorded as contract liabilities.</p> <p>As set out in note 5 to the consolidated financial statements, the revenue from sponsor fee income amounted to HK\$37,286,000 for the year ended 29 February 2020. As set out in notes 22 and 28 to the consolidated financial statements, the contract assets (net of impairment allowance of HK\$234,000) and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services amounted to HK\$7,116,000 and HK\$nil respectively as at 29 February 2020.</p>	<p>Our procedures in relation to the revenue recognition on sponsor fee income, and recognition of contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services included:</p> <ul style="list-style-type: none"> <li>— Obtaining an understanding on the key controls over the revenue recognition on sponsor fee income and the input method used by the management in recognising revenue;</li> <li>— Checking the percentage of completion of all sponsor mandates by comparing the actual staff hours incurred up to date to the total expected staff hours, assessing the reasonableness of the total expected staff hours and examining relevant supporting documentation;</li> <li>— Recomputing the sponsor fee income arising from corporate finance advisory services for all mandates based on the percentage of completion and the contract value for each sponsor mandate and agreeing the contract value to the underlying sponsor mandate; and</li> <li>— Determining whether the contract assets and liabilities are properly recognised by checking to the supporting evidence for work performed and billings and settlement of billings during the year and subsequent to the year end.</li> </ul>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

## Independent Auditor's Report (Continued)

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ha Hong Yiu, Vico.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 May 2020

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended	
		29 February 2020 HK\$'000	28 February 2019 HK\$'000
Revenue			
Corporate finance advisory services	5	51,975	66,754
Placing and underwriting services	5	34,525	13,991
Securities dealing and brokerage services	5	5,232	3,487
Asset management services	5	717	658
Interest income from securities financing services	5	4,227	299
Total revenue		96,676	85,189
Other income	7	2,933	1,494
Other gains and losses	8	(6,172)	—
		93,437	86,683
Administrative and operating expenses		(18,500)	(14,667)
Impairment allowance on financial instruments, net of reversal	9	(576)	(214)
Staff costs	10	(70,859)	(43,903)
Finance costs	11	(228)	(234)
Listing expenses		—	(9,640)
Total expenses		(90,163)	(68,658)
Profit before tax	12	3,274	18,025
Income tax expense	13	(1,667)	(5,766)
Profit and total comprehensive income for the year		1,607	12,259
Earnings per share			
Basic (HK cents)	15	0.4	3.54
Diluted (HK cents)	15	N/A	3.54

## Consolidated Statement of Financial Position

		As at	
	Notes	29 February 2020 HK\$'000	28 February 2019 HK\$'000
Non-current assets			
Property and equipment	18	4,279	1,023
Right-of-use assets	19	915	—
Intangible asset	20	500	500
Deferred tax assets	30	1,492	65
Other receivables, deposits and prepayments	23	230	709
<b>Total non-current assets</b>		<b>7,416</b>	2,297
Current assets			
Accounts receivable	21	84,663	11,691
Contract assets	22	7,116	4,107
Other receivables, deposits and prepayments	23	8,176	3,486
Tax recoverable		3,839	—
Financial assets at fair value through profit or loss	32	37,083	—
Cash and cash equivalents	24	97,349	216,999
Cash held on behalf of customers	25	54,589	37,109
<b>Total current assets</b>		<b>292,815</b>	273,392
<b>Total assets</b>		<b>300,231</b>	275,689
Current liabilities			
Accounts payable	26	66,649	39,275
Other payables and accruals	27	2,124	1,439
Contract liabilities	28	545	1,370
Lease liabilities	31	931	—
Tax payable		1,292	6,471
<b>Total current liabilities</b>		<b>71,541</b>	48,555
<b>Net current assets</b>		<b>221,274</b>	224,837
<b>Total assets less current liabilities</b>		<b>228,690</b>	227,134
Equity			
Share capital	29	4,000	4,000
Reserves		224,690	223,134
<b>Total equity</b>		<b>228,690</b>	227,134

The consolidated financial statements on page 62 to 121 were approved and authorised for issue by the board of directors on 28 May 2020 and signed on its behalf by:

**Chung Chi Man**  
Director

**Poon Siu Kuen, Calvin**  
Director

## Consolidated Statement of Changes in Equity

	Share capital HK\$'000 (note 29)	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 year	—	—	12,259	12,259
Issue of shares pursuant to global offering	1,000	179,000	—	180,000
Share issue expenses	—	(6,338)	—	(6,338)
Capitalisation issue on 14 September 2018	2,999	(2,999)	—	—
Dividend (note 14)	—	—	(5,000)	(5,000)
At 28 February 2019	4,000	169,663	53,471	227,134
Impact on initial application of HKFRS 16 (note 2)	—	—	(51)	(51)
At 1 March 2019	4,000	169,663	53,420	227,083
Profit and total comprehensive income for the year	—	—	1,607	1,607
At 29 February 2020	4,000	169,663	55,027	228,690

## Consolidated Statement of Cash Flows

	Notes	Year ended	
		29 February 2020 HK\$'000	28 February 2019 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>3,274</b>	18,025
Adjustments for:			
Interest expense	11	<b>228</b>	234
Interest income	7	<b>(2,457)</b>	(1,269)
Depreciation of property and equipment	18	<b>1,296</b>	866
Depreciation of right-of-use assets	19	<b>1,817</b>	—
Impairment allowance on financial instruments, net of reversal	9	<b>576</b>	214
Realized gain on financial assets at fair value through profit or loss	8	<b>(300)</b>	—
Unrealized loss on financial assets at fair value through profit or loss	8	<b>6,472</b>	—
Operating cash flows before movements in working capital		<b>10,906</b>	18,070
(Increase) decrease in accounts receivable		<b>(73,239)</b>	22,579
Increase in contract assets		<b>(3,159)</b>	(1,163)
Decrease (increase) in other receivables, deposits and prepayments		<b>1,157</b>	(3,368)
Increase in cash held on behalf of customers		<b>(17,480)</b>	(3,412)
Increase (decrease) in accounts payable		<b>27,374</b>	(11,358)
Increase (decrease) in other payables and accruals		<b>685</b>	(17,326)
Decrease in contract liabilities		<b>(825)</b>	(1,520)
Cash (used in)/generated from operations		<b>(54,581)</b>	2,502
Income tax paid		<b>(12,112)</b>	(1,285)
Interests paid		<b>(228)</b>	(234)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>		<b>(66,921)</b>	983
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	18	<b>(4,552)</b>	(217)
Proceeds from disposal of financial assets at fair value through profit or loss		<b>8,150</b>	—
Purchase of financial assets at fair value through profit or loss		<b>(51,405)</b>	—
Interest received		<b>2,430</b>	1,269
Loan receivable from staff		<b>(8,500)</b>	—
Repayment received from staff		<b>3,000</b>	—
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(50,877)</b>	1,052
<b>FINANCING ACTIVITIES</b>			
Repayment of bank loans		—	(8,130)
Dividend paid		—	(5,000)
Repayment to a director		—	(1,673)
Repayment of lease liabilities		<b>(1,852)</b>	—
Issue of shares pursuant to global offering		—	180,000
Share issue expenses		—	(6,338)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(1,852)</b>	158,859
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(119,650)</b>	160,894
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>216,999</b>	56,105
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>97,349</b>	216,999

# Notes to the Consolidated Financial Statements

For the year ended 29 February 2020

## 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 Company and its subsidiaries (collectively referred to 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 finance 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

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

#### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

##### 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%.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

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

#### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

##### 2.1 HKFRS 16 Leases (Continued)

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

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

#### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

##### 2.1 HKFRS 16 Leases (Continued)

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

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

#### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

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

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> 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 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

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

#### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

##### 2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs (Continued)

###### *Amendments to HKAS 1 and HKAS 8 Definition of Material (Continued)*

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis. Except for investment in shares which are measured at fair value at the end of each reporting period, as set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 March 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of assets less than residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### Impairment on tangible, right-of-use and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment on tangible, right-of-use and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 March 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

Financial assets

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit and loss ("FVTPL").

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, other receivables, cash held on behalf of customers and cash and cash equivalents), contract assets and loan commitment. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For accounts receivable and contract assets arising from corporate finance advisory services, placing and underwriting services and asset management services, the Group applies the simplified approach (as defined in HKFRS 9) in measuring ECL.

For other financial assets, the Group applies the general approach to measure ECL, that is to recognise a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on the lifetime ECL.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (Continued)*

(ii) Definition of default

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

ECL are probability-weighted estimate of credit losses. Credit losses are measured at the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancement that are integral to the contract terms.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

Financial assets (Continued)

*Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL (Continued)

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk. The loss allowances are measured on either of the following bases: (1) 12-month ECL: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including accounts and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation ("percentage of completion"), that best depict the Group's performance in transferring control of goods or services.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve/will be transferred to retained profits.

#### Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

*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 cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

##### *Right-of-use assets (Continued)*

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *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.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises 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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

The Group as a lessee (prior to 1 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans, which is the Mandatory Provident Fund Scheme ("MPF Scheme"), are recognised as an expense when employees have rendered service entitling them to the contributions.

#### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 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 and contract assets**

The ECL for accounts receivable and contract assets are 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.

The provision of ECL is sensitive to changes in estimates. The estimates would include the amount and timing of future cash flows 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. Details of expected credit loss, the information about the ECL and the Group's accounts receivable and contract assets are disclosed in note 36.

#### **Income taxes**

No 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\$11,062,000 (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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 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.

##### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 5. REVENUE (Continued)

#### Disaggregation of revenue from contracts with customers

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

	2020 HK\$'000	2019 HK\$'000
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	8,905	7,712
	<b>51,975</b>	66,754
Placing and underwriting services		
Underwriting fee income	34,525	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	3,044	2,464
	<b>5,232</b>	3,487
Asset management services		
Management fee income	717	658
Sub-total — Revenue from contracts with customers	<b>92,449</b>	84,890
Interest income from securities financing services		
Interest income — Margin clients	4,142	228
Interest income — Cash clients	85	71
	<b>4,227</b>	299
Total	<b>96,676</b>	85,189

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 5. REVENUE (Continued)

#### Disaggregation of revenue from contracts with customers (Continued)

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

#### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

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

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

#### Major customer

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

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

\* 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.

### 7. OTHER INCOME

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 8. OTHER GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
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	(6,472)	—
	<b>(6,172)</b>	—

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

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

Details of impairment assessment for the year ended 29 February 2020 are set out in note 36.

### 10. STAFF COSTS

	2020 HK\$'000	2019 HK\$'000
Directors' emoluments ( <i>note 16</i> )	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")	782	765
	<b>70,859</b>	43,903

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 11. FINANCE COSTS

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

### 12. PROFIT BEFORE TAX

	2020 HK\$'000	2019 HK\$'000
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	—	1,826

### 13. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax:		
— Current tax	3,277	5,853
(Overprovision)/underprovision in respect of prior years	(183)	32
Deferred tax credit (note 30)	(1,427)	(119)
	<b>1,667</b>	5,766

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 13. INCOME TAX EXPENSE (Continued)

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

Income tax expense for the year is reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before tax	3,274	18,025
Tax at Hong Kong Profit Tax at 16.5%	540	2,974
Tax effect of expenses not deductible for tax purpose	1,068	2,113
Tax effect of income not taxable for tax purpose	(456)	(209)
(Over)/Underprovision in respect of prior years	(183)	32
Tax effect of deductible temporary differences not recognised	95	—
Tax effect of tax loss not recognised	603	856
Income tax expense for the year	1,667	5,766

No 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\$11,062,000 (2019: HK\$7,412,000) due to unpredictable future profit streams for relevant entities. The unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$576,000 relating to impairment allowance on financial instruments (2019: HK\$nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### 14. DIVIDEND

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 15. 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)	1,607	12,259
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,000,000	346,027,397

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.

### 16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

For the year ended 29 February 2020

Name	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Employer's contribution to MPF HK\$'000	Bonuses HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Mr. Chung Chi Man	—	1,500	18	2,200	3,718
Mr. Poon Siu Kuen, Calvin	—	2,400	18	5,080	7,498
<b>Independent Non-executive Directors</b>					
Dr. Wu Kwan Hing	120	—	—	—	120
Mr. Lo Wai Kwun	120	—	—	—	120
Mr. Choi Wai Ping	120	—	—	—	120
Ms. Chan Ka Lai, Vanessa	120	—	—	—	120
Mr. Cheung Kwok Kwan JP	500	—	—	—	500
	980	3,900	36	7,280	12,196

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 28 February 2019

Name	Directors'	Salaries and	Employer's	Bonuses	Total
	fee	allowances	contribution		
	HK\$'000	HK\$'000	to MPF HK\$'000	HK\$'000	HK\$'000
<b>Executive Directors</b>					
Mr. Chung Chi Man	—	880	18	1,000	1,898
Mr. Poon Siu Kuen, Calvin	—	2,080	18	2,000	4,098
<b>Independent Non-executive Directors</b>					
Dr. Wu Kwan Hing	55	7	—	—	62
Mr. Lo Wai Kwun	55	7	—	—	62
Mr. Choi Wai Ping	55	7	—	—	62
Ms. Chan Ka Lai, Vanessa	55	—	—	—	55
Mr. Cheung Kwok Kwan <i>JP</i>	229	—	—	—	229
	449	2,981	36	3,000	6,466

None of the directors or the chief executive, Mr. Poon Siu Kuen, Calvin, waived or agreed to waive any remuneration during the current and prior years.

The discretionary bonus is determined by reference to the duties and responsibilities within the Group and the market conditions.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No amounts were paid or payable to any of the directors as an inducement to join the Group or as compensation for loss of office during with years.

Mr. Cheung Kwok Kwan *JP*, retired as Independent Non-executive Directors of the Group on 29 February 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 17. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in note 16 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	5,460	4,585
Performance related bonuses	11,835	4,070
Retirement benefits	54	54
	<b>17,349</b>	<b>8,709</b>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2020 No. of employees	2019 No. of employees
HK\$nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	—	—
HK\$2,000,001 to HK\$2,500,000	—	2
HK\$2,500,001 to HK\$3,000,000	—	—
HK\$3,000,001 to HK\$3,500,000	—	—
HK\$3,500,001 to HK\$4,000,000	—	—
HK\$4,000,001 to HK\$4,500,000	—	1
HK\$4,500,001 to HK\$5,000,000	—	—
HK\$5,000,001 to HK\$5,500,000	1	—
HK\$5,500,001 to HK\$6,000,000	1	—
HK\$6,000,001 to HK\$6,500,000	—	—
HK\$6,500,001 to HK\$7,000,000	1	—
	<b>3</b>	<b>3</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 18. PROPERTY AND EQUIPMENT

	Computer and software HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvement HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 March 2018	647	483	1,261	77	2,468
Additions	82	4	126	5	217
At 28 February 2019	729	487	1,387	82	2,685
Additions	57	—	4,495	—	4,552
At 29 February 2020	786	487	5,882	82	7,237
<b>Depreciation</b>					
At 1 March 2018	193	160	425	18	796
Charge for the year	160	121	565	20	866
At 28 February 2019	353	281	990	38	1,662
Charge for the year	170	120	985	21	1,296
At 29 February 2020	523	401	1,975	59	2,958
<b>Carrying amounts</b>					
At 29 February 2020	263	86	3,907	23	4,279
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%

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 19. RIGHT-OF-USE ASSETS

	<b>Leased properties</b> HK\$'000
As at 1 March 2019	
Carrying amount	2,732
As at 29 February 2020	
Carrying amount	915
For the year ended 29 February 2020	
Depreciation charge	(1,817)
Total cash outflow for leases	(1,920)

For both years, the Group leases various office for its operations. Lease contracts are entered into for fixed term of two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

### 20. INTANGIBLE ASSET

	<b>Stock Exchange trading rights</b> HK\$'000
<b>COST</b>	
At 1 March 2018, 28 February 2019 and 29 February 2020	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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 21. ACCOUNTS RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
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	(461)	(194)
	<b>84,663</b>	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.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 21. ACCOUNTS RECEIVABLE (Continued)

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 HK\$'000	2019 HK\$'000
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	(356)	(188)
	<b>15,347</b>	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 34, of HK\$47,000 (2019: HK\$102,000).

### 22. 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 HK\$'000	2019 HK\$'000
Contract assets	7,350	4,591
Less: impairment allowance	(234)	(484)
	<b>7,116</b>	4,107

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

- sponsor mandates

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 22. CONTRACT ASSETS (Continued)

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 33% 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 ("Stock Exchange"), upon the hearing of the listing application and upon the listing of the applicant's shares on the 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.

### 23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
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	(178)	(19)
	<b>8,406</b>	4,195
Analysed as		
Non-current	230	709
Current	8,176	3,486
	<b>8,406</b>	4,195

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly represent demand deposits at banks which are interest bearing in the range of 0.01% to 0.125% per annum and fixed deposits of HK\$33,753,000 (2019: HK\$45,000,000) with banks with an original maturity within 3 months.

### 25. 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 consolidated statement of financial position and recognised the corresponding accounts payable (note 26) 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.

### 26. ACCOUNTS PAYABLE

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

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).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 27. OTHER PAYABLES AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Accrued expenses	1,769	1,061
Other payables	355	378
	<b>2,124</b>	1,439

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

### 28. CONTRACT LIABILITIES

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

Sponsor fee income is generally paid in advance prior to the beginning of each project and is initially recorded as contract liabilities in the consolidated statement of financial position. The portion of income received from the clients but not yet earned is recorded as contract liabilities in the consolidated 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.

During the year ended 29 February 2020, sponsor fee and advisory fee of HK\$1,370,000 (2019: HK\$2,890,000) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 29. SHARE CAPITAL

	Par value	Number of shares	Nominal amount	
			US\$'000	HK\$'000
Ordinary shares				
Authorised:				
At 28 February 2019 and 29 February 2020	HK\$0.01	1,000,000,000	—	10,000
Issued and fully paid:				
At 28 February 2019 and 29 February 2020	HK\$0.01	400,000,000	—	4,000

### 30. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and movement therein during the year.

	Tax losses HK\$'000	Temporary difference on accelerated accounting depreciation HK\$'000	Total HK\$'000
Credit to profit or loss for the year	—	(119)	(119)
At 28 February 2019	—	(65)	(65)
Credit to profit or loss for the year	(1,266)	(161)	(1,427)
At 29 February 2020	(1,266)	(226)	(1,492)

### 31. LEASE LIABILITIES

	2020 HK\$'000
Lease liabilities payable:	
Within one year	931

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000
Financial assets measured at FVTPL — Equity securities listed in Hong Kong	37,083

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.

### 33. COMMITMENTS

#### (a) Operating lease commitment

As at 28 February 2019, the Group had commitments for future minimum lease payments under non-controlling operating leases as lessee which fall due as follows:

	2019 HK\$'000
Within one year	1,920
In the second to fifth year inclusive	1,014
	2,934

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

#### (b) Loan commitment

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

	2020 HK\$'000	2019 HK\$'000
Loan commitment	21,555	8,802

Loan commitments represent undrawn loan commitments to margin clients granted by the Group under revolving loan facility arrangement. They are subject to 12-month ECL and the amount of ECL is insignificant.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 34. RELATED PARTY TRANSACTIONS

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

	2020 HK\$'000	2019 HK\$'000
Commission income		
— Mr. Chung Chi Man	—	4
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (note 1)	709	631

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.

### 35. 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 and equity attributable to owners of the Company (comprising issued share capital and reserves).

The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with that class of capital. In view of this, the Group manages its overall capital structure through the 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets at amortised cost</b>		
— Accounts receivable	84,663	11,691
— Other receivables		
Deposits with Stock Exchange and a clearing house	230	205
Disbursement receivables arising from corporate finance advisory service	1,416	976
Interest receivable	160	108
Loan receivables from staff	5,373	—
Utility deposit	537	538
— Cash held on behalf of customers	54,589	37,109
— Cash and cash equivalent	97,349	216,999
<b>Financial asset at FVTPL</b>	<b>37,083</b>	—
	<b>281,400</b>	267,626
<b>Financial liabilities</b>		
Accounts payable	66,649	39,275
Other payables	355	378
	<b>67,004</b>	39,653

#### Fair value measurements

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

The following table gives information about how the fair values of these financial assets are determined.

	Fair value as at 29 February 2020 HK\$'000	Fair value as at 28 February 2019 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL				
— Listed equity investments (Taizhou Water Group Co., Ltd)	37,083	N/A	Level 1	Quoted bid price in an active market.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Fair value measurements (Continued)

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 and price 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 demand and fixed deposits, accounts receivable arising from securities dealing and brokerage services, loans receivable from staff and lease liabilities.

As at 29 February 2020 and 28 February 2019, the interest rate risk is considered to be limited because the Group's exposure to interest rate risk arising from the variable interest bearing assets is low. Accordingly, no sensitivity analysis on interest rate risk was presented.

##### *Price risk*

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL (see note 32).

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the prices of the respective equity instruments had been 5% higher/lower, the post-tax profit for the year ended 29 February 2020 would increase/decrease by HK\$1,854,000 (2019: HK\$nil) as a result of the changes in fair value of investments at FVTPL.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. 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, loans advanced to staff and cash and cash equivalents. As at 29 February 2020 and 28 February 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\$105,000 and HK\$6,000 on the amounts receivable arising from securities financing services which are secured by collaterals as at 29 February 2020 and 28 February 2019.

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, 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

##### Credit risk and impairment assessment (Continued)

As at 29 February 2020 and 28 February 2019, the Group has concentration of credit risk on accounts receivable as 59% (2019: 42%) of the total accounts receivable was due from three customers, which are arising from secured margin loan (2019: corporate finance advisory services and placing and underwriting services).

For accounts receivable, other disbursement receivables and contract assets arising from corporate finance advisory services (2019: accounts receivables, other disbursement receivables 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.

For loan receivables from staff, the Group has assessed the creditability of the staff to repay the loan by conducting various types of assessment. The Group has established a formal loan policy with clear credit review assessment and basis for determining the interest rate and terms depending on the performance and creditability of the staff. The Group's management is monitoring the credit risk closely and on an on-going basis.

Except for accounts receivable, other disbursement receivables and contract assets arising from margin loans and corporate finance advisory services, as well as the loan from staff (2019: accounts receivables, other disbursement receivables and contract assets arising from margin loans and corporate finance advisory services and placing and underwriting services), the impairment allowance determined for other financial assets carried at amortised cost is insignificant.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets (including accounts receivable, other receivables, cash and cash equivalents and cash held on behalf of customers), contract assets and loan commitments, which are subject to ECL assessment:

		Gross carrying amount	
		2020	2019
		HK\$'000	HK\$'000
<b>Financial assets at amortised costs</b>			
Accounts receivable arising from:	21		
— Corporate finance advisory services	Lifetime ECL (not credit-impaired-simplified approach)	11,316	8,033
— Securities dealing and brokerage services	Lifetime ECL (not credit-impaired-simplified approach)	4,339	688
— Securities financing services	12-month ECL	69,421	1,799
— Placing and underwriting services	Lifetime ECL (not credit-impaired-simplified approach)	—	1,261
— Asset management services	Lifetime ECL (not credit-impaired-simplified approach)	48	104
Other receivables	23		
— Deposits and interest receivables (Note 1)	12-month ECL	927	851
— Disbursement receivables arising from corporate finance advisory services	Lifetime ECL (not credit-impaired-simplified approach)	1,467	995
— Loan receivables from staff	12-month ECL	5,500	—
Cash and cash equivalents (Note 1)	24 12-month ECL	97,349	216,999
Cash held on behalf of customers (Note 1)	25 12-month ECL	54,589	37,109
<b>Other items</b>			
Contract assets	22 Lifetime ECL (not credit-impaired-simplified approach)	7,350	4,191
	Lifetime ECL (credit-impaired)	—	400
Loan commitment	33b 12-month ECL	21,555	8,802

Note 1: The credit risk on cash and cash equivalents and cash held on behalf of customers, deposits and interest receivables are limited because the counterparties are major institutional banks, stock exchange and clearing house with sound credit ratings assigned by international credit-rating agencies and major utility companies. They have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL and the amount of ECL is insignificant.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for non credit-impaired accounts receivable other than securities financing based on expected loss rate as at 29 February 2020 and 28 February 2019.

	Expected loss rate	Gross carrying amount HK\$'000	Lifetime ECL HK\$'000
<b>At 29 February 2020</b>			
Corporate finance advisory service	3.05%	11,316	346
Securities dealing and brokerage services	0.2%	4,339	9
Asset management services	0.8%	48	1
Contract assets (relating to corporate finance advisory services)	3.2%	7,350	234
			590
<b>At 28 February 2019</b>			
Corporate finance advisory services	2%	8,033	162
Placing and underwriting services	2%	1,261	25
Asset management services	0.4%	104	1
Contract assets (relating to corporate finance advisory services)	2%	4,191	84
			272

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable other than securities financing under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000
<b>At 1 March 2018</b>	323
Changes due to financial instruments recognised as at 1 March 2018:	
— Impairment losses reversed	(322)
New financial assets originated or purchased	187
<b>At 28 February 2019</b>	188
Changes due to financial instruments recognised as at 1 March 2019:	
— Impairment losses reversed	(183)
New financial assets originated or purchased	351
<b>At 29 February 2020</b>	356

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

Impairment allowances on contract assets

The movements in the allowance of impairment for the contract assets during the year are as follows:

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
<b>At 1 March 2018</b>	73	—	73
Changes due to financial instrument recognised as at 1 March 2018:			
— Impairment loss recognised	—	400	400
— Impairment loss reversed	(73)	—	(73)
New financial assets originated or purchased	84	—	84
<b>At 28 February 2019</b>	84	400	484
Changes due to financial instrument recognised as at 1 March 2019:			
— Write-offs	—	(400)	(400)
— Impairment losses reversed	(84)	—	(84)
New financial assets originated or purchased	234	—	234
<b>At 29 February 2020</b>	234	—	234

Impairment allowances on other receivables

The ECL for the loan advanced to staff is assessed on an individual basis. The movements in the allowance of impairment for the other receivables during the year are as follows:

	12 Month ECL HK\$'000	Lifetime ECL (not credit-impaired) HK\$'000	Total HK\$'000
<b>At 1 March 2018</b>	—	—	—
New financial assets originated or purchased	19	—	19
<b>At 28 February 2019</b>	19	—	19
Changes due to financial instrument recognized as at 1 March 2019			
— impairment loss reversed	(19)	—	(19)
New financial assets originated or purchased	127	51	178
<b>At 29 February 2020</b>	127	51	178

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

Impairment allowances on securities financing services

The movements in the impairment allowance of accounts receivable from securities financing were as follows:

	<b>12-months ECL HK\$'000</b>
<b>At 1 March 2018</b>	87
Changes due to financial instruments recognised as at 1 March 2018:	
— Impairment losses reversed	(81)
<b>At 28 February 2019</b>	6
Changes due to financial instruments recognised as at 1 March 2019:	
— Impairment losses reversed	(4)
New financial assets originated or purchased	103
<b>At 29 February 2020</b>	105

#### 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.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of each reporting period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

Liquidity risk (Continued)

	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 29 February 2020</b>					
Non-derivative financial liabilities					
Accounts payable	66,649	—	—	66,649	66,649
Lease liabilities	160	320	463	943	931
Other payables	355	—	—	355	355
Loan commitment	21,555	—	—	21,555	21,555
	88,719	320	463	89,502	89,490
<b>At 28 February 2019</b>					
Non-derivative financial liabilities					
Accounts payable	39,275	—	—	39,275	39,275
Other payables	378	—	—	378	378
Loan commitment	8,802	—	—	8,802	8,802
	48,455	—	—	48,455	48,455

#### Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to set off on a net basis.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Offsetting financial assets and financial liabilities (Continued)

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

Type of financial assets	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK\$'000	Net amounts of financial assets recognised in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000	
<b>At 29 February 2020</b>						
Accounts receivable arising from the business of dealing in securities	74,950	(1,305)	73,645	(4,324)	(69,321)	—
<b>At 28 February 2019</b>						
Accounts receivable arising from the business of dealing in securities	7,034	(4,551)	2,483	(688)	(1,793)	—

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Offsetting financial assets and financial liabilities (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements (Continued)

Type of financial liabilities	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities recognised in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral pledged HK\$'000	
<b>At 29 February 2020</b>						
Accounts payable arising from the business of dealing in securities	67,839	(1,305)	66,534	(4,324)	—	62,210
<b>At 28 February 2019</b>						
Accounts payable arising from the business of dealing in securities	42,347	(4,551)	37,796	(688)	—	37,108

### 37. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Option Scheme") pursuant to a resolution passed on 24 August 2018. The major terms of the Option Scheme are summarised as follows:

- i. The purpose of the Option Scheme is to motivate eligible participants to optimise their performance efficiency for the benefit of the Group; and attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.
- ii. The eligible participants of the Option Scheme include 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.
- iii. The maximum number of shares in respect of which options may be granted under the Option Scheme and under any other share option schemes of the company must not in aggregate exceed 10% of the total number of shares.
- iv. An option may be exercised in accordance with the terms of the Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

## Notes to the Consolidated Financial Statements (Continued)

*For the year ended 29 February 2020*

### **37. SHARE OPTION SCHEME (Continued)**

- v. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.
- vi. There is no minimum period for which an option must be held before it can be exercised.
- vii. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.
- viii. The subscription price of a share in respect of any particular option granted under the Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:
  - a. the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
  - b. the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
  - c. the nominal value of a share.

There was no share option granted to eligible participants during the years ended 29 February 2020 and 28 February 2019. There was no outstanding share options at 29 February 2020 and 28 February 2019.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Payables and accruals related to share issue expenses HK\$'000	Dividend payable HK\$'000	Bank loans HK\$'000	Amount due to a director HK\$'000	Total HK\$'000
At 28 February 2018	—	—	—	8,130	1,673	9,803
Payables and accruals related to share issue expenses	—	6,338	—	—	—	6,338
Dividend declared	—	—	5,000	—	—	5,000
Financing cash flows:						
Dividend paid	—	—	(5,000)	—	—	(5,000)
Repayment of bank loans	—	—	—	(8,130)	—	(8,130)
Repayment to a director	—	—	—	—	(1,673)	(1,673)
Share issue expenses paid	—	(6,338)	—	—	—	(6,338)
At 28 February 2019	—	—	—	—	—	—
Adjustment upon application of HKFRS 16	2,783	—	—	—	—	2,783
At 1 March 2019 (restated)	2,783	—	—	—	—	2,783
Financing cash flows:						
Repayment of lease liabilities	(1,920)	—	—	—	—	(1,920)
Finance costs	68	—	—	—	—	68
At 29 February 2020	931	—	—	—	—	931

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Principal activities and place of operation	Class of shares held/paid up issued share capital	Effective interest held as at	
				29 February 2020	28 February 2019
<b>Directly held by the Company</b>					
Crystal Prospect Limited	BVI	Investment holding in Hong Kong	Ordinary shares/ US\$100	100%	100%
<b>Indirectly held by the Company</b>					
Innovax Securities Limited ("ISL")	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	Ordinary shares/ HK\$20,000,000	100%	100%
Innovax Capital Limited ("ICL")	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	Ordinary shares/ HK\$10,000,000	100%	100%
Innovax Asset Management Limited ("IAML")	Hong Kong	Provision of asset management services to clients in Hong Kong	Ordinary shares/ HK\$2,800,000	100%	100%
Innovax Management Limited	BVI	Provision of management services in Hong Kong	Ordinary shares/ US\$100	100%	—
Innovax Futures Limited	Hong Kong	Provision of futures dealing services in Hong Kong	Ordinary shares/ HK\$5,000,000	100%	—
Innovax Consultancy Limited	Hong Kong	Inactive	Ordinary shares/ HK\$1	100%	—
Innovax Credit Limited	Hong Kong	Inactive	Ordinary shares/ HK\$100	100%	—

None of the subsidiaries had issued any debt securities at the end of the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	1	1
<b>Total non-current assets</b>	<b>1</b>	<b>1</b>
Current assets		
Amounts due from subsidiaries	110,864	37,027
Other receivables and prepayments	210	375
Cash and cash equivalents	44,247	119,274
<b>Total current assets</b>	<b>155,321</b>	<b>156,676</b>
<b>Total assets</b>	<b>155,322</b>	<b>156,677</b>
Current liabilities		
Accruals	291	326
<b>Total current liabilities</b>	<b>291</b>	<b>326</b>
<b>Net current assets</b>	<b>155,030</b>	<b>156,350</b>
<b>Total assets less current liabilities</b>	<b>155,031</b>	<b>156,351</b>
Equity		
Share capital (see note 29)	4,000	4,000
Reserves	151,031	152,351
<b>Total equity</b>	<b>155,031</b>	<b>156,351</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 29 February 2020

### 40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

#### Movement in the Company's reserves

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 March 2018	—	(153)	(153)
Loss and total comprehensive expense for the year	—	(12,159)	(12,159)
Issue of shares pursuant to global offering	179,000	—	179,000
Share issue expenses	(6,338)	—	(6,338)
Capitalisation issue on 14 September 2018	(2,999)	—	(2,999)
Dividend	—	(5,000)	(5,000)
At 28 February 2019	169,663	(17,312)	152,351
Loss and total comprehensive expense for the year	—	(1,320)	(1,320)
At 29 February 2020	169,663	(18,632)	151,031

### 41. EVENT AFTER THE REPORTING PERIOD

On 21 April 2020, the Company announced that there was a change of use of proceeds 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 annual report.

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 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, we 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.

## Financial Summary

	For the year ended				29 February 2020 HK\$'000 (Note)
	29 February 2016 HK\$'000	28 February 2017 HK\$'000	28 February 2018 HK\$'000	28 February 2019 HK\$'000	
Revenue					
Corporate finance advisory services	21,271	32,684	54,794	66,754	<b>51,975</b>
Placing and underwriting services	8,497	3,326	24,951	13,991	<b>34,525</b>
Securities dealing and brokerage services	—	—	4,313	3,487	<b>5,232</b>
Asset management services	—	—	247	658	<b>717</b>
Interest income from securities financing services	—	—	69	299	<b>4,227</b>
Total revenue	29,768	36,010	84,374	85,189	<b>96,676</b>
Other income	413	399	44	1,494	<b>2,933</b>
Other losses	(35)	(1)	(366)	—	<b>(6,172)</b>
	30,146	36,408	84,052	86,683	<b>93,437</b>
Administrative and operating expenses	(1,786)	(2,937)	(8,448)	(14,667)	<b>(18,500)</b>
Net impairment allowance on financial instruments, net of reversal	—	—	—	(214)	<b>(576)</b>
Staff costs	(9,504)	(13,200)	(44,605)	(43,903)	<b>(70,859)</b>
Finance costs	(31)	—	(81)	(234)	<b>(228)</b>
Listing expenses	—	—	(123)	(9,640)	<b>—</b>
Total expenses	(11,321)	(16,137)	(53,257)	(68,658)	<b>(90,163)</b>
Profit before tax	18,825	20,271	30,795	18,025	<b>3,274</b>
Income tax expense	(3,098)	(3,424)	(5,364)	(5,766)	<b>(1,667)</b>
Profit and total comprehensive income for the year	15,727	16,847	25,431	12,259	<b>1,607</b>
Earnings per share					
Basic (HK cents)	5.24	5.62	8.48	3.54	<b>0.4</b>
Diluted (HK cents)	N/A	N/A	N/A	3.54	<b>N/A</b>

### Asset and liabilities

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000 (Note)
Total assets	22,949	45,669	131,847	275,689	<b>300,231</b>
Total liabilities	(6,915)	(24,404)	(85,151)	(48,555)	<b>(71,541)</b>
Net assets	16,034	21,265	46,696	227,134	<b>228,690</b>

Note: The amounts for the year ended 29 February 2020 were presented upon the application of HKFRS 16, which the comparative financial information was not restated.