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INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

The board (the “Board”) of directors (the “Directors”) of Innovax Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2020, together with comparative figures for the six months ended 31 August 2019, as follows:

FINANCIAL SUMMARY	Six months ended	
	31 August 2020 (unaudited) HK\$'000	31 August 2019 (unaudited) HK\$'000
Total revenue	20,771	43,320
Corporate finance advisory services	13,566	19,352
Placing and underwriting services	3,042	18,738
Securities dealing and brokerage services	876	3,353
Asset management services	273	403
Interest income from securities financing services	3,014	1,474
Loss for the period	(6,646)	(2,324)
Basic loss per share (HK cents)	(1.66)	(0.58)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

		Six months ended	
		31 August 2020	31 August 2019
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue			
Corporate finance advisory services	5	13,566	19,352
Placing and underwriting services	5	3,042	18,738
Securities dealing and brokerage services	5	876	3,353
Asset management services	5	273	403
Interest income from securities financing services	5	3,014	1,474
		<u>20,771</u>	43,320
Total revenue		20,771	43,320
Other income	7	3,929	1,562
Other gains and losses	8	7,824	122
		<u>32,524</u>	45,004
		(5,263)	(9,246)
Administrative and operating expenses		(5,263)	(9,246)
Impairment allowance on financial instruments, net of reversal	9	(289)	(144)
Staff costs	10	(33,569)	(38,290)
Finance costs	11	(49)	(54)
		<u>(39,170)</u>	(47,734)
Total expenses		(39,170)	(47,734)
Loss before tax	12	(6,646)	(2,730)
Income tax credit	13	—	406
		<u>(6,646)</u>	(2,324)
Loss and total comprehensive income for the period		(6,646)	(2,324)
Loss per share			
Basic (HK cents)	15	(1.66)	(0.58)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at	
		31 August 2020 (unaudited) HK\$'000	29 February 2020 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property and equipment	16	3,296	4,279
Right-of-use assets	17	2,185	915
Intangible asset	18	500	500
Deferred tax assets	30	1,492	1,492
Other receivables, deposits and prepayments	21	<u>485</u>	<u>230</u>
Total non-current assets		<u>7,958</u>	<u>7,416</u>
Current assets			
Accounts receivable	19	86,388	84,663
Contract assets	20	3,789	7,116
Other receivables, deposits and prepayments	21	28,037	8,176
Tax recoverable		3,839	3,839
Financial assets at fair value through profit or loss	22	58,400	37,083
Cash and bank balances	23	44,542	97,349
Cash held on behalf of customers	24	<u>94,588</u>	<u>54,589</u>
Total current assets		<u>319,583</u>	<u>292,815</u>
Total assets		<u>327,541</u>	<u>300,231</u>
Current liabilities			
Accounts payable	25	100,622	66,649
Other payables and accruals	26	1,104	2,124
Contract liabilities	27	305	545
Lease liabilities	28	1,341	931
Tax payable		<u>1,292</u>	<u>1,292</u>
Total current liabilities		<u>104,664</u>	<u>71,541</u>
Net current assets		<u>214,919</u>	<u>221,274</u>
Total assets less current liabilities		<u>222,877</u>	<u>228,690</u>

		As at	
		31 August	29 February
		2020	2020
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Equity			
Share capital	29	4,000	4,000
Reserves		<u>218,044</u>	<u>224,690</u>
Total equity		<u>222,044</u>	<u>228,690</u>
Non-current liabilities			
Lease liabilities	28	<u>833</u>	<u>—</u>
Total non-current liabilities and equity		<u><u>222,877</u></u>	<u><u>228,690</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

Except as described in note 3, the accounting policies applied are consistent with annual report for the year ended 29 February 2020, as described in those annual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 August 2020 are the same as those presented in the Group’s annual financial statements for the year ended 29 February 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 March 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements:

- Amendments to HKFRS 3: Definition of a Business

- Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8: Definition of Material
- Conceptual Framework for Financial Reporting (Revised)

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

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.

Expected credit loss (“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 35 to the unaudited condensed consolidated financial statements.

Income taxes

No deferred tax asset was recognised during the period ended 31 August 2020. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

5. REVENUE

Performance obligations for contracts with customers

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.

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.

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.

Asset management services

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

Disaggregation of revenue from contracts with customers

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

	Six months ended	
	31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)
Corporate finance advisory services		
Sponsor fee income	6,350	13,657
Advisory fee income — financial and independent financial advisory	3,665	1,262
Advisory fee income — compliance advisory	3,551	4,433
	13,566	19,352
Placing and underwriting services		
Placing and underwriting fee income	3,042	18,738
Securities dealing and brokerage services		
Commission income — Hong Kong equities	872	1,515
Commission income — Subscription of initial public offering (“IPO”)	4	1,838
	876	3,353
Asset management services		
Management fee income	273	403
Interest income from securities financing services		
Interest income — Margin clients	2,997	1,413
Interest income — Cash clients	17	61
	3,014	1,474
Total	20,771	43,320

	Six months ended	
	31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)
Timing of revenue recognition		
At a point in time	3,918	22,091
Over time	13,839	19,755
	17,757	41,846
Interest revenue	3,014	1,474
Total	20,771	43,320

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

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

6. SEGMENT INFORMATION

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

For the periods ended 31 August 2020 and 2019, the Group has also carried other businesses in addition to corporate financial advisory services, however no discrete financial information is available for identifying operating segments among different services, therefore no further analysis of segment information is presented.

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

Major customer

During the period ended 31 August 2020, the following external customer contributed more than 10% of total revenue of the Group.

	Six months ended	
	31 August 2020 <i>HK\$'000</i> (unaudited)	31 August 2019 <i>HK\$'000</i> (unaudited)
Customer A	<u><u>4,350</u></u>	<u><u>N/A*</u></u>

* The corresponding customer did not contribute more than 10% of total revenue of the Group during the period ended 31 August 2019.

7. OTHER INCOME

	Six months ended	
	31 August 2020 <i>HK\$'000</i> (unaudited)	31 August 2019 <i>HK\$'000</i> (unaudited)
Interest income from bank balances	176	1,368
Interest income from other receivables	315	—
Dividend income	1,972	—
Handling fee income	147	188
Others	<u>1,319</u>	<u>6</u>
	<u><u>3,929</u></u>	<u><u>1,562</u></u>

8. OTHER GAINS AND LOSSES

	Six months ended	
	31 August 2020 <i>HK\$'000</i> (unaudited)	31 August 2019 <i>HK\$'000</i> (unaudited)
Realized gain on financial assets at fair value through profit or loss	1,518	122
Unrealized gain on financial assets at fair value through profit or loss	<u>6,306</u>	<u>—</u>
	<u><u>7,824</u></u>	<u><u>122</u></u>

9. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	Six months ended	
	31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)
Reversal of impairment losses on accounts receivable	90	6
Reversal/(provision) of impairment losses on contract assets	103	(38)
Impairment losses on other receivables	<u>(482)</u>	<u>(112)</u>
	<u>(289)</u>	<u>(144)</u>

10. STAFF COSTS

	Six months ended	
	31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)
Directors' emoluments	4,658	6,038
Other staffs		
Salaries and allowance	15,281	17,314
Bonuses	13,277	14,532
Contributions to Mandatory Provident Fund Scheme ("MPF Scheme")	<u>353</u>	<u>406</u>
	<u>33,569</u>	<u>38,290</u>

11. FINANCE COSTS

	Six months ended	
	31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)
Interest expenses — broker	30	12
Interest expenses — lease liabilities	<u>19</u>	<u>42</u>
	<u>49</u>	<u>54</u>

12. LOSS BEFORE TAX

Six months ended	
31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)

Loss for the period has been arrived at after charging:

Depreciation of property and equipment	991	439
Depreciation of right-of-use assets	<u>926</u>	<u>897</u>

13. INCOME TAX CREDIT

Six months ended	
31 August 2020 HK\$'000 (unaudited)	31 August 2019 HK\$'000 (unaudited)

Hong Kong Profits Tax:

— Current tax	—	1,656
Deferred tax credit	<u>—</u>	<u>(2,062)</u>
	<u>—</u>	<u>(406)</u>

14. DIVIDEND

The Board does not recommend of payment of any dividend for the six months ended 31 August 2020 and 2019.

15. LOSS PER SHARE

Six months ended	
31 August 2020 (unaudited)	31 August 2019 (unaudited)

Loss for the purpose of basic loss per share:

Loss for the period attributable to owners of the Company (HK\$'000)	<u>(6,646)</u>	<u>(2,324)</u>
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Number of shares:

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>400,000,000</u>	<u>400,000,000</u>
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No diluted loss per share is presented as there were no potential dilutive shares during six months ended 31 August 2020 and 2019.

16. PROPERTY AND EQUIPMENT

	Computer and software <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
As at 1 March 2019	729	487	1,387	82	2,685
Additions	<u>57</u>	<u>—</u>	<u>4,495</u>	<u>—</u>	<u>4,552</u>
As at 29 February 2020	786	487	5,882	82	7,237
Additions	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>
As at 31 August 2020	<u>794</u>	<u>487</u>	<u>5,882</u>	<u>82</u>	<u>7,245</u>
Depreciation					
As at 1 March 2019	353	281	990	38	1,662
Charge for the year	<u>170</u>	<u>120</u>	<u>985</u>	<u>21</u>	<u>1,296</u>
As at 29 February 2020	523	401	1,975	59	2,958
Charge for the period	<u>84</u>	<u>30</u>	<u>867</u>	<u>10</u>	<u>991</u>
As at 31 August 2020	<u>607</u>	<u>431</u>	<u>2,842</u>	<u>69</u>	<u>3,949</u>
Carrying amount					
As at 31 August 2020	<u><u>187</u></u>	<u><u>56</u></u>	<u><u>3,040</u></u>	<u><u>13</u></u>	<u><u>3,296</u></u>
As at 29 February 2020	<u><u>263</u></u>	<u><u>86</u></u>	<u><u>3,907</u></u>	<u><u>23</u></u>	<u><u>4,279</u></u>

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%

17. RIGHT-OF-USE ASSETS

**Leased
properties**
HK\$'000

As at 1 March 2019	
Carrying amount	<u>2,732</u>
As at 29 February 2020	
Carrying amount	<u>915</u>
As at 31 August 2020	
Carrying amount	<u>2,185</u>
For the year ended 29 February 2020	
Depreciation charge	<u>(1,817)</u>
For the period ended 31 August 2020	
Depreciation charge	<u>(926)</u>
Total cash outflow for leases	<u><u>(972)</u></u>

As at 31 August 2020 and 29 February 2020, the Group leases various office for its operations. Lease contracts are entered into for fixed term of 2–2.5 years (29 February 2020: 2 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.

18. INTANGIBLE ASSET

**Stock
Exchange
trading rights**
HK\$'000

COST

At 1 March 2019, 29 February 2020 and 31 August 2020	<u><u>500</u></u>
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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.

19. ACCOUNTS RECEIVABLE

	As at	
	31 August 2020 <i>HK\$'000</i> (unaudited)	29 February 2020 <i>HK\$'000</i> (audited)
Accounts receivable arising from:		
— Corporate finance advisory services	3,821	11,316
— Securities dealing and brokerage services	5,404	4,339
— Securities financing services		
— Secured margin loan	76,025	69,421
— Placing and underwriting services	1,459	—
— Asset management services	50	48
Less: impairment allowance	<u>(371)</u>	<u>(461)</u>
	<u>86,388</u>	<u>84,663</u>

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

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

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

Based on the agreement terms with margin clients, the Group is permitted to sell or repledge the securities in the securities account in the absence of default by the margin clients.

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:

	As at	
	31 August 2020 HK\$'000 (unaudited)	29 February 2020 HK\$'000 (audited)
0–30 days	7,659	11,305
31–60 days	798	1,456
61–90 days	85	2,460
91–181 days	2,192	482
Less: impairment allowance	<u>(256)</u>	<u>(356)</u>
	<u>10,478</u>	<u>15,347</u>

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

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party as disclosed in note 33, of HK\$50,000 (29 February 2020: HK\$47,000).

20. CONTRACT ASSETS

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

	As at	
	31 August 2020 HK\$'000 (unaudited)	29 February 2020 HK\$'000 (audited)
Contract assets	3,920	7,350
Less: impairment allowance	<u>(131)</u>	<u>(234)</u>
	<u>3,789</u>	<u>7,116</u>

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

— sponsor mandates

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

The Group requires certain customers to provide upfront deposits range from 13% to 31% of total contract sum upon signing of the mandates as part of its credit risk management policies. Afterwards, the Group would require stage payments upon the submission of the listing application by customers to the Stock Exchange, upon the hearing of the listing application and upon the listing of the applicant's shares on the Stock Exchange.

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

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

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	31 August 2020 HK\$'000 (unaudited)	29 February 2020 HK\$'000 (audited)
Deposits	12,000	—
Deposits with the Stock Exchange and a clearing house	205	230
Disbursement receivables arising from corporate finance advisory service	1,175	1,467
Interest receivable	7	160
Loan receivable from staff (<i>Note 1</i>)	7,500	5,500
Loan receivable (<i>Note 2</i>)	7,500	—
Prepayment	244	690
Utility deposit	551	537
Less: impairment allowance	<u>(660)</u>	<u>(178)</u>
	<u>28,522</u>	<u>8,406</u>
Analysed as		
Non-current	485	230
Current	<u>28,037</u>	<u>8,176</u>
	<u>28,522</u>	<u>8,406</u>

Note 1: The loan receivable from staff is unsecured, bears interest at 3% per annum (29 February 2020: 3% per annum) and repayable within 1 year.

Note 2: The loan receivable is unsecured, bears interest at 9% per annum and repayable within 1 year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at	
31 August 2020	29 February 2020
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(audited)

Financial assets measured at FVTPL

— Equity securities listed in Hong Kong	58,400	37,083
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Amount above consists of an equity investment in 12,747,000 shares (29 February 2020: 10,446,000 shares) of Taizhou Water Group Co., Ltd. the H shares which are listed on the Main Board of the Stock Exchange (Stock Code: 1542). The shares held by the Group accounted for 6.37% (29 February 2020: 5.22%) of the issued capital of the investee.

23. CASH AND BANK BALANCES

Cash and bank balances mainly represent demand deposits at banks which are interest bearing at 0.001% per annum (29 February 2020: 0.01% to 0.125% per annum) and fixed deposits of HK\$2,032,000 (29 February 2020: HK\$33,753,000) with banks with an original maturity within 3 months.

24. 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 unaudited condensed consolidated statements of financial position and recognised the corresponding accounts payable (note 25) 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.

25. ACCOUNTS PAYABLE

As at	
31 August 2020	29 February 2020
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(audited)

Accounts payable arising from:

— Securities dealing and brokerage services	100,526	66,534
— Placing and underwriting services	96	115
	100,622	66,649

The settlement terms of payable to brokers, clearing house and securities trading clients from the ordinary course of business of securities dealing and brokerage services range from one to three days after the trade date of those transactions. Accounts payable from placing and underwriting services are repayable on demand. Short term advances from a broker are repayable upon the allotment of IPO subscription. Included in accounts payable arising from securities dealing and brokerage services are amounts due to directors and key management personnel of the Company of HK\$147,000 (29 February 2020: HK\$46,000).

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

As at 31 August 2020, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$94,588,000 (29 February 2020: HK\$54,589,000).

26. OTHER PAYABLES AND ACCRUALS

	As at	
	31 August 2020 HK\$'000 (unaudited)	29 February 2020 HK\$'000 (audited)
Accrued expenses	898	1,769
Other payables	<u>206</u>	<u>355</u>
	<u>1,104</u>	<u>2,124</u>

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

27. CONTRACT LIABILITIES

	As at	
	31 August 2020 HK\$'000 (unaudited)	29 February 2020 HK\$'000 (audited)
Advisory fee	<u>305</u>	<u>545</u>

Advisory fee income is generally paid in advance prior to the beginning of each mandate and is initially recorded as contract liabilities in the unaudited condensed consolidated statements of financial position. The portion of income received from the clients but not yet earned is recorded as contract liabilities in the unaudited condensed consolidated statements 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 period ended 31 August 2020, advisory fee of HK\$545,000 (29 February 2020: HK\$1,370,000) that was included in the contract liabilities balance at the beginning of the period was recognised as revenue.

28. LEASE LIABILITIES

HK\$'000

Lease liabilities payable:

As at 29 February 2020

Within one year

931

As at 31 August 2020

Within one year

1,341

Within two to five years

833

2,174

29. SHARE CAPITAL

	Par value	Number of shares	Nominal amount	
			US\$'000	HK\$'000
Ordinary shares				
Authorised:				
At 29 February 2020 and 31 August 2020	<u>HK\$0.01</u>	<u>1,000,000,000</u>	<u>—</u>	<u>10,000</u>
Issued and fully paid:				
At 29 February 2020 and 31 August 2020	<u>HK\$0.01</u>	<u>400,000,000</u>	<u>—</u>	<u>4,000</u>

30. DEFERRED TAX ASSET

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

	Tax losses	Temporary difference on accumulated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 March 2019	—	(65)	(65)
Credited to profit or loss for the year	<u>(1,266)</u>	<u>(161)</u>	<u>(1,427)</u>
At 29 February 2020 and 31 August 2020	<u>(1,266)</u>	<u>(226)</u>	<u>(1,492)</u>

31. COMMITMENT

Loan commitment

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

	As at	
	31 August 2020 <i>HK\$'000</i> (unaudited)	29 February 2020 <i>HK\$'000</i> (audited)
Loan commitment	<u>23,838</u>	<u>21,555</u>

Loan commitment 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.

32. CONTINGENT LIABILITIES

As at 31 August 2020, the Group did not have any significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	31 August 2020 <i>HK\$'000</i> (unaudited)	31 August 2019 <i>HK\$'000</i> (unaudited)
Commission income		
Mr. Poon Siu Kuen Calvin	11	—
Mr. So Hin Pong	136	—
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>Note</i>)	<u>273</u>	<u>395</u>

Note: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Established in Hong Kong in 2014, Innovax Holdings Limited (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 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; and (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services, futures dealing as well as asset management services.

During the six months ended 31 August 2020 (the “Period”), Deloitte Touche Tohmatsu (“DTT”) has resigned as the auditor of the Company with effect from 28 August 2020, as the Company and DTT could not reach consensus in respect of the audit fee of the Company for the financial year ending 28 February 2021. The Board has resolved to appoint BDO Limited as the new auditor of the Company with effect from 28 August 2020 to fill the casual vacancy following the resignation of DTT and to hold office until the conclusion of the next annual general meeting of the Company.

The total revenue of the Group decreased from approximately HK\$43.3 million for the six months ended 31 August 2019 to approximately HK\$20.8 million for the Period, representing a decrease of approximately 52.0% mainly attributable to the decrease in revenue from corporate finance advisory services and placing and underwriting services as a result of the global outbreak of COVID-19 (the “Pandemic”) which has delayed the progress of the Group’s IPO sponsorship projects.

Market Review

During the Period, uncertainties in the global economy remained, with the Pandemic, the persisting geopolitical tension between the two big economies, China and the United States (the “US”) as well as the social issues in Hong Kong.

In Hong Kong, the real GDP fell notably by 9.0% year-on-year in the second quarter of 2020, following the record decline of 9.1% in the preceding quarter. Small businesses are struggling and the unemployment rate had continued to surge to 6.2%, the highest in more than 15 years.

In early 2020, China and the US had reached Phase One Agreement in relation to the trade war, but tension between the two seemed yet to be ceased. The Sino-US relationship had sunk to its lowest level with the US President Donald Trump ordering the closure of the Chinese consulate in Houston to close

over concerns about economic espionage. To make things worse, the Pandemic lockdown in the US further devastated the US economy which shrank at a 32.9% annual rate from April through June in 2020, making it the worst drop on record. On the other side of the globe, China's economic growth also suffered the most severe blow, with the first GDP contraction on record in the first quarter of 2020.

Nevertheless, various governments had deployed massive relief measures to help the countries through the recessions. In the US, the Federal Reserve (the "Fed") added trillions of dollars in monetary stimulus. The Fed had also implemented measures including interest rate cuts, loans and asset purchases, and regulation changes. Meanwhile, the People's Bank of China had launched various policies to tackle the crisis. A number of interest rates have been cut since the beginning of the 2020. It cut its benchmark one-and five-year prime rates twice, once in February 2020 and then again in April 2020. This brought the one-year rate down from 4.15% to 3.85% and the five-year rate down from 4.80% to 4.65%. With the Pandemic gradually be contained since March 2020 while the global economic sentiment improved, the financial markets started to rebound, and most of the stock indices recouped their earlier losses in June 2020.

Meanwhile, the conflicts between China and the US had somehow created both hard times and opportunities for Hong Kong stock market. In March, the Hang Seng Index had dropped for 18.8% over the 12 months period and reached its lowest of 21,696 on 23 March 2020. The number of newly listed companies (including the number of transfer of listings from GEM to Main Board) also decreased to 15 in March 2020 when compared to 19 for the corresponding period in 2019 which indicated that investors remained prudent to the uncertain market conditions. On the other hand, Nasdaq had decided to put a minimum value on the size of IPOs. Out of 155 Chinese companies that listed on Nasdaq since 2000, 40 grossed IPO proceeds were below \$25 million, this deterred some Chinese companies to go listed in the US but turned to Hong Kong Stock Exchange instead. With the secondary listing of China concept stocks, the IPO market in Hong Kong had in fact remained active in such turbulent environment. At the end of August 2020, market capitalization in the security market rose to HK\$42.6 trillion, indicating an increase of 42% from HK\$30.0 trillion for the same period last year. Despite the volatile macro-economy, the capital market was beginning to become more stable in Hong Kong during the second half of 2020 when the market started to digest the negative tidings of the economy.

Business Review

Corporate Finance Advisory Services

The corporate finance advisory services mainly comprise services including (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services. The Group's corporate finance advisory business recorded a decrease in revenue of approximately 29.9%, from approximately HK\$19.4 million for the period ended 31 August 2019 to approximately HK\$13.6 million during the period ended 31 August 2020.

During the Period, the Group was engaged in a total of 57 corporate finance advisory projects, which included 27 IPO sponsorship projects, 10 financial and independent financial advisory projects and 20 compliance advisory projects, while we were engaged in a total of 64 corporate finance advisory projects, which included 34 IPO sponsorship projects, 10 financial and independent financial advisory projects and 20 compliance advisory projects during the corresponding period in 2019.

During the second wave of the Pandemic in March 2020, the market capitalisation was HK\$32.8 trillion at the end of March 2020, a decrease of 3% from HK\$33.8 trillion for the same period in 2019. The fund raised by IPO has significantly dropped by 33.5% from HK\$21.2 billion to HK\$14.1 billion. Besides, according to the HKEX Securities and Derivates Markets Quarterly Reports, the number of corporate fund raising transactions (including placing, right issues and open offer) of Hong Kong listed companies had also dropped to about 108 transactions for the period ended 30 June 2020, representing a decrease of approximately 27.5% as compared to about 149 transactions for the corresponding period in 2019. As at 31 August 2020, there were 91 newly listed companies, a decrease of 9.9% when compared to 101 newly listed companies in the corresponding period in 2019. The Company's performance in this segment reflected the gloomy market sentiment. The performance of the Company in this segment was in line with the market trend in Hong Kong during the Period.

IPO sponsorship services

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

Income generated from IPO sponsorship services was approximately HK\$6.4 million during the Period (six months ended 31 August 2019: approximately HK\$13.7 million). During the Period, the Group was engaged in 27 IPO sponsorship projects, while the Group was engaged in 34 IPO sponsorship projects during the period ended 31 August 2019.

Financial and independent financial advisory services

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

Income generated from financial and independent financial advisory service was approximately HK\$3.7 million during the Period (six months ended 31 August 2019: approximately HK\$1.3 million). During the Period, the Group was engaged in 8 financial advisor projects and 2 independent financial advisory projects while the Group was engaged in 4 financial advisor projects and 6 independent financial advisory projects during the period ended 31 August 2019.

Compliance advisory services

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

Income generated from compliance advisory services was approximately HK\$3.6 million during the Period (six months ended 31 August 2019: approximately HK\$4.4 million). During the Period, the Group was engaged in 20 compliance advisory projects, while the Group was engaged in 20 compliance advisory projects during the period ended 31 August 2019.

Placing and Underwriting Services

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

During the Period, the Group completed 6 placing and underwriting projects (six months ended 31 August 2019: 3 projects), including 1 transaction as lead manager for IPOs and 5 placing or sub-placing agent for issue of new shares by listed companies. Income generated from placing and underwriting business was approximately HK\$3.0 million during the Period (six months ended 31 August 2019: HK\$18.7 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 31 August 2020, the Group had 741 securities accounts maintained in Innovax Securities (As at 29 February 2020: 729) and its commission income generated from securities dealing and brokerage business was approximately HK\$876,000 during the Period (six months ended 31 August 2019: approximately HK\$3.4 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 31 August 2020, the total outstanding balance of margin loans amounted to HK\$74.8 million (As at 29 February 2020: approximately HK\$68.8 million) and its interest income generated from securities financing services was approximately HK\$3.0 million during the Period (six months ended 31 August 2019: approximately HK\$1.4 million).

Asset Management Services

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

As at 31 August 2020, the asset under management (“AUM”) of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$4.3 million (equivalent to approximately HK\$33.3 million) (As at 29 February 2020: approximately US\$3.87 million equivalent to approximately HK\$30.05 million). The income generated from asset management business was approximately HK\$273,000 during the Period (six months ended 31 August 2019: approximately HK\$403,000).

Future dealing services

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

Financial Review

Revenue

During the Period, the Group’s revenue recorded a decrease of 52.0% to HK\$20.8 million (six months ended 31 August 2019: HK\$43.3 million), attributable to the decrease in revenue from corporate finance advisory and placing and underwriting services as a result of the Pandemic which has delayed the progress of the Group’s IPO sponsorship projects.

Loss attributable to the owners of the Company

Loss for the Period attributable to owners of the Company amount to approximately HK\$6.6 million (six months ended 31 August 2019: Loss of HK\$2.3 million) attributable to decrease in revenue from corporate finance advisory services and placing and underwriting services as a result of the Pandemic which has delayed the progress of the Group’s IPO sponsorship projects during the six months ended 31 August 2020.

Administrative and Operating Expenses

The Group’s administrative and operating expenses decreased by approximately 42.4% from approximately HK\$9.2 million for the six months ended 31 August 2019 to approximately HK\$5.3 million for the Period. Such decrease was mainly attributable to a decrease in underwriting expenses

and related services expenses by approximately HK\$2.6 million, from approximately HK\$2.6 million for the six months ended 31 August 2019 to approximately HK\$0 for the six months ended 31 August 2020.

Staff Costs

Staff costs decreased by approximately 12.3% from approximately HK\$38.3 million for the six months ended 31 August 2019 to approximately HK\$33.6 million for the Period due to the decrease in salary increment to employees in general and the decrease in discretionary bonus during the Period.

Liquidity, Financial Resources and Capital Structure

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

As at 31 August 2020, the Group's net current assets amounted to HK\$214.9 million (as at 29 February 2020: HK\$221.3 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 3.05 times (as at 29 February 2020: 4.09 times). Bank balances amounted to HK\$44.5 million (as at 29 February 2020: HK\$97.3 million). As at 31 August 2020 and 29 February 2020, the Group's debts including payables incurred not in the ordinary course of business were nil, representing a gearing ratio of approximately nil.

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

As at 31 August 2020 and as at the date of this announcement, there are a total of 400,000,000 issued shares of the Company.

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

Share Option Scheme

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

any of its subsidiaries (collectively, the “Eligible Participants”) to optimize their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

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

The Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into Shares as at 31 August 2020 and up to the date of this announcement.

Pledge of Assets

As at 31 August 2020, the Group did not have any pledged assets (As at 29 February 2020: Nil).

Foreign Currency Exposure

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

Capital Commitments and Contingent Liabilities

As at 31 August 2020, the Group did not have any significant capital commitment and contingent liabilities (As at 29 February 2020: Nil).

Loan Commitment

Details regarding the loan commitment are set out in note 31 to the unaudited condensed consolidated financial statements.

Employees and Remuneration Policies

As at 31 August 2020, the Group employed 45 staff (including executive Directors) (As at 29 February 2020: 47). The employees’ remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Moreover, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Employee benefits expenses was approximately HK\$33.6 million during the Period (six months ended 31 August 2019: approximately HK\$38.3 million), representing a decrease of approximately HK\$4.7 million due to the decrease in salary increment to employees in general and a decrease in discretionary bonus during the Period.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Significant Investments Held by the Group

As at 31 August 2020, the Group maintained an equity investment at fair value through profit and loss with total carrying amount of approximately HK\$58.4 million. The details of the equity investment as at 31 August 2020 are set out as follows:

Stock Code	Name of Investee	Percentage of	Percentage of	Fair value of	Unrealized gain
		the fair value of	the fair value of		
		of shareholding	the investment	the investment	for the period
		in the listed	in listed	in listed	ended
		securities held	securities to	securities as at	31 August 2020
		by the Group	total assets of	the investment	
		as at	the Group as at	in listed	
		31 August 2020	31 August 2020	securities as at	
				31 August 2020	
				HK\$'000	HK\$'000
	Equity investments at fair value through profit and loss				
1542	Taizhou Water Group Co., Ltd	6.37%	15.8%	51,625	5,628
	Total			51,625	5,628

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 interim report for the six months ended 30 June 2020, the Taizhou Water Group recorded a total revenue amount to approximately RMB224.5 million for the period. The Taizhou Water Group’s reported a gain of approximately RMB43.6 million attributable to owners of Taizhou Water. The basic earnings per share are RMB0.22 for the period. As at 30 June 2020, the condensed consolidated net asset value of the Taizhou Water Group was approximately RMB919.9 million. No interim dividend was declared and received during the period.

According to the interim report of Taizhou Water for the six months ended 30 June 2020, Taizhou Water Group will continue to adhere to the concept of “focusing on environmental protection and energy saving, ensuring high-quality water supply and servicing everyone” in the second half of 2020. Taizhou Water Group strived to operate the Taizhou Water Supply System (Phase I) and the Taizhou Water Supply System (Phase II) in a consistent and steady manner, with an aim to ensure the safety of water supply in the second half of 2020. Taizhou Water Group is actively promoting the construction of the key projects while maintaining a stable operation and ensuring the safety of water supply. The Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) have been accredited as the Zhejiang Province Key Construction Project (浙江省重點建設項目), both of which also serve as Taizhou Water Group’s key projects in expanding its downstream business to optimise the industrial chain.

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 31 August 2020, the Group held 12,747,000 H shares of Taizhou Water. Taizhou Water closed at HK\$4.05 as at 31 August 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 31 August 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.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 August 2020 (six months ended 31 August 2019: Nil).

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 31 August 2020, the Group has utilized HK\$156.15 million, accounting for approximately 98.8% 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. Details of the change in use of proceeds are set out in the announcement dated 21 April 2020.

The use of proceeds as at 31 August 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 31 August 2020	Remaining unutilised amount after revised allocation
Increasing the Group's capital for the expansion of the Group's placing and underwriting business (<i>Note</i>)	HK\$80 million	-HK\$40 million	HK\$40 million	HK\$40 million	—
Increasing the Group's capital for the expansion of the Group's securities financing business	HK\$33 million	+HK\$59.03 million	HK\$92.03 million	HK\$92.03 million	—
Enhancing and developing the Group's corporate finance advisory business by attracting more talents and expanding the Group's corporate finance team	HK\$15 million	-HK\$14.1 million	HK\$0.9 million	HK\$0.9 million	—
Expanding the Group's asset management business by					
(a) attracting more talents and expanding the Group's asset management team and	HK\$5.25 million	-HK\$4.93 million	HK\$0.32 million	HK\$0.32 million	—
(b) increasing seed money to establish new funds	HK\$9.75 million	—	HK\$9.75 million	HK\$7.9 million	HK\$1.85 million
The Group's working capital requirement and general corporate purposes	HK\$15 million	—	HK\$15 million	HK\$15 million	—
Total	HK\$158 million	—	HK\$158 million	HK\$156.15 million	HK\$1.85 million

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

As at 31 August 2020, approximately 98.8% of the net proceeds raised have been utilized as intended. The remaining unutilized 1.2% of the net proceeds are placed in licensed banks in Hong Kong as at 31 August 2020. The Company will continue to monitor market conditions and expect to use the remaining unutilized net proceeds of HK\$1.85 million in the manner consistent with the disclosure set out above by the end of 2021.

No Material Adverse Change

The Directors have confirmed that there was no material adverse change in the Group's financial and trading position or prospects as at 31 August 2020.

Outlook and Prospect

First half of the 2020 was not an easy start for the world. The Pandemic and the geopolitical frictions between China and the US had slowed down the economic growth. Many had been pessimistic to the short-term growth of world economy.

Thanks to the prompt actions of the governments to assist with the economic recovery while the lockdowns and control measures gradually relaxed, the worst seems to be over in many major economies and the negative sentiments towards the Pandemic have soothed since June 2020. Recently, in September 2020, Fed has upgraded their projections on the 2020 economy outlook with a growth rate of 4%. As a matter of fact, the Hong Kong Stock Market, being a well-established financial market in the world, had been a testimony that the financial market had remained relatively stable during the first six months of 2020. With the “New Economy” companies evolving, like Tencent, Alibaba and Xiaomi Corporation, whose shares had risen to 2-years high in August 2020 and the V-shape rebound of economic recovery is expected especially for the Chinese market, the Company is confident that the financial market shall remain robust in the second half of the year.

During the Period, the results of the Group has also proven the Group has been developing gradually in parallel with the market. The Company believes that challenges also create opportunities for the well-prepared. During the Period, the Company had continued to equip 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 has been continuing 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.

Meanwhile, in 2019, the Company had also started setting up a money lending business, Innovax Credit Limited, for additional income stream for the Company. Money lending license was granted to Innovax Credit Limited in September 2020. It is expected to provide a new income source for the Group. In addition, 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 great caution, so that the Group can utilize the resources for positive returns to the Company.

Looking ahead, it is expected that the economy will resume gradually yet in a rather bumpy manner. The Company will take a prudent approach on its business development. The Board shall continue to walk with two feet, strengthening the current business, cementing the reputation of the Group as an integrated platform for providing financial and securities services and expanding the Group’s client base in the market while staying alert to the market conditions and adjust business strategies accordingly and looking for new potential investment projects. With the effort it made, the Board is more than confident that the Group will be able to overcome this hard time and prosper in the years to come.

OTHER INFORMATION AND CORPORATE GOVERNANCE

Deed of Non-Competition

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

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

Directors' and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 August 2020 and the date of this announcement, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

Interest in Shares of the Company

Name of Director	Capacity/Nature of interest	Number and class of securities ^(Note 1)	Approximate percentage of interest in the Company ^(Note 3)
Mr. Chung Chi Man ("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 the date of this announcement.

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)	Approximate percentage of shareholding
Mr. Chung Chi Man	BSI	Beneficial owner	110 shares (L)	100%

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

Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, as at 31 August 2020 and the date of this announcement, the following persons (which are not Directors or chief executives of the Company) have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of members of the Group:

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

Notes:

- (1) The letter “L” a person’s with long position in the Shares.
- (2) Ms. Lee Yin Har is the spouse of Mr. Chung. She is deemed, or taken to be, interested in all Shares in which Mr. Chung is interested in for the purpose of the SFO.
- (3) The calculation is based on the total number of 400,000,000 Shares in issue as at the date of this announcement.

DIRECTORS’ INTEREST IN CONTRACTS

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

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

Throughout the six months ended 31 August 2020 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the six months ended 31 August 2020 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company established its audit committee (the “Audit Committee”) on 24 August 2018. As at the date of this announcement, it comprises three independent non-executive Directors, namely Ms. Chan Ka Lai, Vanessa (Chairlady), Mr. Lo Wai Kwan and Dr. Wu Kwun Hing. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements. The Audit Committee has reviewed with management of the Company the Group’s unaudited condensed consolidated interim financial statements for the six months ended 31 August 2020 including the accounting principles and practices adopted by the Group.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group as set out in this interim results announcement had not been audited nor reviewed by the Company’s auditor, BDO Limited, but this announcement had been reviewed by the Audit Committee.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 August 2020 (six months ended 31 August 2019: Nil).

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The interim results announcement is published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at www.innovax.hk and interim report of the Company for the six months ended 31 August 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders.

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

Hong Kong, 28 October 2020

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

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