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INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 28 FEBRUARY 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Innovax Holdings Limited (the “**Company**”) is pleased to present to its shareholders the consolidated results of the Company and its subsidiaries (the “**Group**”), which is extracted from the audited consolidated financial statements for the year ended 28 February 2021 (the “**Year**”), together with the comparative figures for the year ended 29 February 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended	
		28 February 2021	29 February 2020
	Notes	HK\$'000	HK\$'000
Revenue			
Corporate finance advisory services	3	38,219	51,975
Placing and underwriting services	3	33,613	34,525
Securities dealing and brokerage services	3	2,471	5,232
Asset management services	3	1,527	717
Interest income from securities financing services	3	<u>7,852</u>	<u>4,227</u>
Total revenue		83,682	96,676
Other income	5	6,145	2,933
Other gains and losses	6	<u>6,205</u>	<u>(6,172)</u>
		<u>96,032</u>	<u>93,437</u>

	<i>Notes</i>	Year ended	
		28 February 2021	29 February 2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative and operating expenses		(21,105)	(18,500)
Impairment allowance on financial instruments, net of reversal	7	388	(576)
Staff costs	8	(72,610)	(70,859)
Finance costs	9	(184)	(228)
Total expenses		(93,511)	(90,163)
Profit before tax	10	2,521	3,274
Income tax expense	11	(141)	(1,667)
Profit and total comprehensive income for the year		<u>2,380</u>	<u>1,607</u>
Earnings per share			
Basic and diluted (HK cents)	13	<u>0.6</u>	<u>0.4</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at	
		28 February 2021 HK\$'000	29 February 2020 HK\$'000
Non-current assets			
Property and equipment		2,334	4,279
Right-of-use assets		2,997	915
Intangible asset		500	500
Deferred tax assets		1,626	1,492
Other receivables, deposits and prepayments	<i>16</i>	820	230
Total non-current assets		<u>8,277</u>	<u>7,416</u>
Current assets			
Accounts receivable	<i>14</i>	102,562	84,663
Contract assets	<i>15</i>	1,844	7,116
Other receivables, deposits and prepayments	<i>16</i>	9,814	8,176
Tax recoverable		5,743	3,839
Financial assets at fair value through profit or loss	<i>20</i>	57,722	37,083
Cash and bank balances		68,081	97,349
Cash and bank balances – held on behalf of customers		153,989	54,589
Total current assets		<u>399,755</u>	<u>292,815</u>
Total assets		<u>408,032</u>	<u>300,231</u>

		As at	
		28 February 2021	29 February 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Accounts payable	17	158,313	66,649
Other payables and accruals	18	15,061	2,124
Contract liabilities	19	563	545
Lease liabilities		2,304	931
Tax payable		<u>—</u>	<u>1,292</u>
Total current liabilities		<u>176,241</u>	<u>71,541</u>
Net current assets		<u>223,514</u>	<u>221,274</u>
Total assets less current liabilities		<u>231,791</u>	<u>228,690</u>
Non-current liabilities			
Lease liabilities		<u>721</u>	<u>—</u>
Net assets		<u>231,070</u>	<u>228,690</u>
Equity			
Share capital		4,000	4,000
Reserves		<u>227,070</u>	<u>224,690</u>
Total equity		<u>231,070</u>	<u>228,690</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Innovax Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 14 June 2016. The immediate holding company is Billion Shine International Investment Limited (“**BSI**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”), which is wholly-owned by Mr. Chung Chi Man (“**Mr. Chung**”) who is the founder of the 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

2.1 Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

During the year ended 28 February 2021, the Group has no any acquisition of a set of activities and assets. Amendments to HKFRS 3 had no impact on the Group's financial performance for the year ended 28 February 2021.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRS 7 and HKFRS 9 — Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The amendments had no impact on the consolidated financial statements of the Group as the Group's designated hedged items/assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

2.2 *New or amended HKFRSs that have been issued but are not yet effective*

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1 First-time Adoption of HKFRSs, HKFRS 9 Financial Instruments, HKFRS 16 Leases, and HKAS 41 Agriculture ³
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020)
	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 1	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁷

¹ Effective for annual periods beginning on or after 1 June 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ Effective for annual periods beginning on or after 1 April 2021.

⁷ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

HKFRS 16 was amended to:

- (a) permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- (b) require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- (c) require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- (d) specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of HKAS 8.

As the Group has no rent concessions during the year ended 28 February 2021, the directors of the Company considered that the effective of amendments on HKFRS 16 had no significant impact on the Group's consolidated financial statement.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Company's directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020 — Amendments to HKFRS 1 First-time Adoption of HKFRSs, HKFRS 9 Financial Instruments, HKFRS 16 Leases, and HKAS 41 Agriculture

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Company’s directors do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKAS 16 — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Company’s directors are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property and equipment used in fulfilling the contract).

The Company’s directors are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Company’s directors do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Company’s directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKAS 1 — Disclosure of Accounting Policies

HKAS 1.69(d) was amended such that if an entity does not have “the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period” then it must be classified as current. Therefore, as amended, a liability is required to be classified as a non-current liability as long as an entity has the right to defer its settlement for at least twelve months, regardless of the entity’s intention.

Amendments to HKAS 8 — Definition of Accounting Estimates

The changes to HKAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Company's directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

3. 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 mandate.

Placing and underwriting services

The Group provides placing and underwriting 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Corporate finance advisory services		
Sponsor fee income	23,353	37,286
Advisory fee income — financial and independent financial advisory	7,985	5,784
Advisory fee income — compliance advisory	<u>6,881</u>	<u>8,905</u>
	<u>38,219</u>	<u>51,975</u>
Placing and underwriting services		
Placing and underwriting fee income	<u>33,613</u>	<u>34,525</u>
Securities dealing and brokerage services		
Commission income — Hong Kong equities and subscription of initial public offering (“ IPO ”)	<u>2,471</u>	<u>5,232</u>
Asset management services		
Management fee income	573	717
Performance fee income	<u>954</u>	<u>—</u>
	<u>1,527</u>	<u>717</u>
Sub-total — Revenue from contracts with customers	<u>75,830</u>	<u>92,449</u>
Interest income from securities financing services		
Interest income — Margin clients	7,823	4,142
Interest income — Cash clients	<u>29</u>	<u>85</u>
	<u>7,852</u>	<u>4,227</u>
Total	<u><u>83,682</u></u>	<u><u>96,676</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	36,084	39,757
Over time	<u>39,746</u>	<u>52,692</u>
	<u>75,830</u>	<u>92,449</u>
Interest revenue	<u>7,852</u>	<u>4,227</u>
Total	<u><u>83,682</u></u>	<u><u>96,676</u></u>

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

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

4. SEGMENT INFORMATION

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

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 28 February 2021, the following external customer contributed more than 10% of total revenue of the Group.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	20,656	N/A*
Customer B	8,683	N/A*
Customer C	<u>N/A*</u>	<u>14,360</u>

* The corresponding customer did not contribute more than 10% of total revenue of the Group during the years ended 28 February 2021 and 29 February 2020 respectively.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from bank balances	182	2,351
Interest income from other receivables	1,125	106
Dividend income	1,972	—
Handling fee income	269	475
Government grant (<i>Note</i>)	2,546	—
Others	<u>51</u>	<u>1</u>
	<u>6,145</u>	<u>2,933</u>

Note: Included in profit or loss is HK\$2,546,000 (2020: Nil) of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and could not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

6. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Realised gains on financial assets at fair value through profit or loss	1,701	300
Unrealised gains/(losses) on financial assets at fair value through profit or loss	<u>4,504</u>	<u>(6,472)</u>
	<u>6,205</u>	<u>(6,172)</u>

7. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reversal/(provision) of impairment losses on accounts receivable	274	(267)
Reversal/(provision) of impairment losses on contract assets	174	(150)
Impairment losses on other receivables	<u>(60)</u>	<u>(159)</u>
	<u>388</u>	<u>(576)</u>

8. STAFF COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' emoluments	13,346	12,196
Other staffs		
Salaries and allowance	29,393	34,689
Bonuses	29,192	23,192
Contributions to Mandatory Provident Fund Scheme	<u>679</u>	<u>782</u>
	<u><u>72,610</u></u>	<u><u>70,859</u></u>

9. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses — bank loan	31	—
Interest expenses — brokers	76	160
Interest expenses — lease liabilities	<u>77</u>	<u>68</u>
	<u><u>184</u></u>	<u><u>228</u></u>

10. PROFIT BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property and equipment	1,958	1,296
Depreciation of right-of-use assets	2,021	1,817
Auditor's remuneration	912	1,500
Short-term lease expenses	<u>25</u>	<u>—</u>

Note: During the year ended 29 February 2020, disbursement income was presented net of disbursement expenses.

11. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax:		
— Current tax	442	3,277
Overprovision in respect of prior years	(167)	(183)
Deferred tax credit	<u>(134)</u>	<u>(1,427)</u>
	<u><u>141</u></u>	<u><u>1,667</u></u>

Hong Kong Profit Tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year.

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 28 February 2021 (2020: Nil).

13. EARNINGS PER SHARE

	2021	2020
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company (HK\$'000)	<u>2,380</u>	<u>1,607</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>400,000,000</u>	<u>400,000,000</u>

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.

14. ACCOUNTS RECEIVABLE

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from:		
— Corporate finance advisory services	1,423	11,316
— Securities dealing and brokerage services	3,190	4,339
— Securities financing services		
— Secured margin loan	98,086	69,421
— Asset management services	50	48
Less: allowance for credit loss	<u>(187)</u>	<u>(461)</u>
	<u>102,562</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 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.

There has not been any significant changes in the quality of the collateral held for the accounts receivable arising from margin financing services. The Group has taken into consideration of these collaterals for loss allowance calculation for the accounts receivable arising from margin financing services.

In respect of the accounts receivable arising from corporate finance advisory services, securities dealing and brokerage services 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	4,080	11,305
31–60 days	223	1,456
61–90 days	40	2,460
Over 90 days	320	482
Less : impairment allowance	<u>(48)</u>	<u>(356)</u>
	<u>4,615</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, of HK\$50,000 (2020: HK\$47,000).

15. CONTRACT ASSETS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets	1,904	7,350
Less: impairment allowance	<u>(60)</u>	<u>(234)</u>
	<u>1,844</u>	<u>7,116</u>

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits with the Stock Exchange and a clearing house	230	230
Other receivables arising from corporate finance advisory service	—	1,467
Interest receivable	175	160
Loan receivables	9,300	5,500
Prepayment	544	690
Utility deposit	623	537
Less: impairment allowance	<u>(238)</u>	<u>(178)</u>
	<u>10,634</u>	<u>8,406</u>
Analysed as		
Non-current	820	230
Current	<u>9,814</u>	<u>8,176</u>
	<u>10,634</u>	<u>8,406</u>

The loan receivables are unsecured, bear interest ranging from 3% p.a. to 9% p.a. and repayable within 1 year.

17. ACCOUNTS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts payable arising from:		
— Corporate finance advisory services	134	—
— Securities dealing and brokerage services	157,466	66,534
— Placing and underwriting services	<u>713</u>	<u>115</u>
	<u>158,313</u>	<u>66,649</u>

The settlement terms of clearing house and securities trading clients from the ordinary course of business of securities dealing and brokerage services range from one to three days after the trade date of those transactions. Accounts payable from placing and underwriting services are repayable on demand. Included in accounts payable arising from securities dealing and brokerage services are amounts due to directors and key management personnel of the Company of HK\$310,000 (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.

At 28 February 2021, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$153,989,000 (2020: HK\$54,589,000).

18. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued expenses	15,039	1,769
Other payables	<u>22</u>	<u>355</u>
	<u>15,061</u>	<u>2,124</u>

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

19. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advisory fee	<u>563</u>	<u>545</u>
	<u>563</u>	<u>545</u>

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial assets measured at fair value through profit or loss — Equity securities listed in Hong Kong	<u>57,722</u>	<u>37,083</u>

The fair value of the listed securities is determined based on quoted market bid price available on the Stock Exchange.

21. COMMITMENTS

Loan commitment

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan commitment	<u>18,889</u>	<u>21,555</u>

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.

22. RELATED PARTY TRANSACTIONS

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

	2021	2020
	HK\$'000	HK\$'000
Commission income		
— Mr. Poon Siu Kuen Calvin	2	—
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>Note 1</i>)	<u>573</u>	<u>709</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the Year, the global economy was hard hit by the outbreak of novel coronavirus (“COVID-19”) pandemic. Business activities in the world were severely disrupted and financial markets remained volatile. During the early 2020, many countries entered into economic recessions and Hong Kong was no exception. In March 2020, the Hang Seng Index reached 21,139, which was the lowest in three years. The number of newly listed companies (including the number of transfer of listings from GEM to Main Board) 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.

Thanks to the supportive fiscal and monetary measures launched by various governments, alongside with the introduction of COVID-19 vaccine, in second half of 2020, the economy started to rebound. Meanwhile, the disputes between the governments of China and the United States (“US”) somehow attracted US-listed Chinese companies to seek their secondary listing in Hong Kong as well as the launch of Hang Seng Tech Index which further injected a boost to the Hong Kong market sentiment and turnover. In November 2020, the average daily turnover of the Hong Kong Stock Market was HK\$161.3 billion, which was an increase of 103% from HK\$79.6 billion for the same period last year. There were nine Chinese companies listed in the US seeking their secondary listing on the Hong Kong Stock Exchange in 2020, raising a total of HK\$131.3 billion, representing approximately 34% of the total funds raised in the year. This large amount of fund raised demonstrated the investors’ continuous confidence in Hong Kong as the international financial hub and as a leading capital-raising platform.

Business Overview

The profit and total comprehensive income for the Year increased from approximately HK\$1.6 million for the year ended 29 February 2020 to approximately HK\$2.4 million for the year ended 28 February 2021, representing an increase of approximately 48.1%. The total revenue of the Group decreased from approximately HK\$96.7 million for the year ended 29 February 2020 to approximately HK\$83.7 million for the year ended 28 February 2021, representing a decrease of approximately 13.4%. Affected by the pessimistic market sentiment, there was a decrease in revenue generated from various business segments including the corporate finance advisory services, placing and underwriting services and securities dealing and brokerage services, which was in line with the general market condition and trend for the Year. With the total number of newly listed companies in Hong Kong dropped from 183 from 2019 to 154 in 2020, the commission income from the subscription of initial public offering also decreased significantly.

Nevertheless, some of the Group's business segments had outstanding performance during the Year. Notably, the revenue generated from asset management services segment had risen for more than double from approximately HK\$717,000 in 2020 to HK\$1.5 million for the Year due to the increase in performance fee income. Meanwhile, there was also approximately a 8.1% 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 services. The interest income from the securities financing services continued to grow significantly by 85.8% from HK\$4.2 million in 2020 to HK\$7.9 million in 2021 due to the increase in outstanding balance margin loans during the Year. The Board was inspired by the remarkable results of these segments to persistently serve the Group's clients with quality services while maintaining healthy and stable growth of the Group's business.

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 26.5%, from approximately HK\$52.0 million for the year ended 29 February 2020 to approximately HK\$38.2 million during the year ended 28 February 2021.

During the Year, corporate finance advisory services remained the core driver. The Group was engaged in a total of 70 corporate finance advisory projects, which included 32 IPO sponsorship projects, 13 financial and independent financial advisory projects and 25 compliance advisory projects, while 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 during the year ended 29 February 2020.

During March 2020, the second wave of COVID-19 swept in and the market sentiment was negatively affected. Some corporations, especially middle-size enterprises tended to withhold their IPO projects or other transaction plans in this sluggish economic environment. The cross border travel restrictions imposed by the governments had also limited business opportunities especially in China. According to the Hong Kong Stock Exchange (HKEX) monthly highlights, market capitalisation was HK\$32.8 trillion at the end of March 2021, showing a decrease of 3% from HK\$33.8 trillion as compared to the figure in last year. Besides, according to the HKEX Securities and Derivatives 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. In January 2021, there were only 14 newly listed companies, a decrease of 30% when compared to 22 newly listed companies in the corresponding month in 2020. The Company's performance in this segment reflected the market sentiment and was in line with the general market conditions and the market trend in Hong Kong during the Year.

IPO sponsorship services

During the Year, the Group has completed 6 Main Board IPO sponsorship engagement.

Income generated from IPO sponsorship services was approximately HK\$23.4 million during the Year (2020: approximately HK\$37.3 million). During the Year, the Group was engaged in 32 IPO sponsorship projects, while it was engaged in 35 IPO sponsorship projects during the year ended 29 February 2020.

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\$8.0 million during the Year (2020: approximately HK\$5.8 million). During the Year, the Group was engaged in 9 financial advisor projects and 4 independent financial advisory projects while it was engaged in 5 financial advisor projects and 11 independent financial advisory projects during the year ended 29 February 2020.

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\$6.9 million during the Year (2020: approximately HK\$8.9 million). During the Year, the Group was engaged in 25 compliance advisory projects, while it was engaged in 23 compliance advisory projects during year ended 29 February 2020.

Placing and Underwriting Services

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

During the Year, the Group completed 16 placing and underwriting projects (2020: 16 projects), including 6 underwriting project as lead or co-lead manager for IPOs and 10 placing projects as placing agent for issue of new shares by listed companies. Income generated from placing and underwriting business was approximately HK\$33.6 million during the Year (2020: HK\$34.5 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 28 February 2021, the Group had 788 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\$2.5 million during the Year (2020: HK\$5.2 million). The decrease was mainly attributable to the decrease in commission income from subscription of IPO which was in line with the general market condition during the Year.

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 28 February 2021, the total outstanding balance of margin loans amounted to approximately HK\$98.1 million (As at 29 February 2020: approximately HK\$68.8 million) and its interest income generated from securities financing services was approximately HK\$7.9 million during the Year (2020: approximately HK\$4.2 million).

Asset Management Services

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

As at 28 February 2021, the asset under management of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$4.47 million (equivalent to approximately HK\$34.53 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\$1.5 million during the Year (2020: approximately HK\$717,000).

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.

Financial Review

Revenue

During the Year, the Group's revenue recorded a drop of 15.5% to approximately HK\$83.7 million (2020: approximately HK\$96.7 million), mainly attributable to the decrease in revenue from corporate finance advisory services and placing and underwriting services, as a result of COVID-19 which has delayed the progress of the Group's IPO sponsorship projects.

Profit attributable to the owners of the Company

Profit for the Year attributable to owners of the Company amount to approximately HK\$2.4 million (2020: approximately HK\$1.6 million) due to increase in other income, including (a) dividend income received from investments held by the Group; and (b) receipt of government grants in respect of COVID-19 related subsidies.

Administrative Expenses

The Group's administrative and operating expenses increased by approximately 14.1% from approximately HK\$18.5 million for the year ended 29 February 2020 to approximately HK\$21.1 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) other operating expenses during the Year.

Staff Costs

Staff costs increased by approximately 2.4% from approximately HK\$70.9 million for the year ended 29 February 2020 to approximately HK\$72.6 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 28 February 2021, the Group's net current assets amounted to HK\$223.5 million (as at 29 February 2020: HK\$221.3 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 2.27 times (as at 29 February 2020: 4.09 times). Bank balances amounted to approximately HK\$68.1 million (as at 29 February 2020: HK\$97.3 million). As at 28 February 2021 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 the Year.

As at 28 February 2021 and as at the date of this announcement, there are a total of 400,000,000 issued shares of the Company.

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

Share Option Scheme

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

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

The Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into Shares as at 28 February 2021 and up to the date of this announcement.

Pledge of Assets

As at 28 February 2021, 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 28 February 2021, 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 21 to the consolidated financial statements.

Employees and Remuneration Policies

As at 28 February 2021, the Group employed 41 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 were approximately HK\$72.6 million during the Year (2020: approximately HK\$70.9 million), representing an increase of approximately HK\$1.7 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 28 February 2021, 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 28 February 2021, the Group maintained an equity investment at fair value through profit and loss with total carrying amount of approximately HK\$57.7 million. The details of the Company's significant investments as at 28 February 2021 are set out as follows:

28 February 2021

Stock Code	Name of the investee	Percentage of shareholding in the listed securities held by the Group as at 28 February 2021	Percentage of fair value of the investment in listed securities to total assets of the Group as at 28 February 2021	Fair value of the investment in listed securities as at 28 February 2021 <i>HK\$'000</i>	Carrying value of the investment in listed securities as at 28 February 2021 <i>HK\$'000</i>	Fair value losses of the investment in listed securities as at 28 February 2021 <i>HK\$'000</i>	Unrealized loss for the year ended 28 February 2021 <i>HK\$'000</i>
Equity investments at fair value through profit and loss							
1542	Taizhou Water Group Co., Ltd	6.06%	11.53%	47,037	50,100	(3,063)	(3,063)
	Total			<u>47,037</u>	<u>50,100</u>	<u>(3,063)</u>	<u>(3,063)</u>

Performance and prospects of the investee

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

Taizhou Water together with its subsidiaries (the “**Taizhou Water Group**”) are principally engaged in supplying raw water, municipal water and tap water directly to end-users and the installation of the water pipelines for distributing tap water to end-users. As mentioned in its annual report for the year ended 31 December 2020, the Taizhou Water Group recorded a revenue for the year amounted to approximately RMB483.8 million, representing an increase of approximately 2.5% from the year ended 31 December 2019. The Taizhou Water Group’s reported a profit of approximately RMB103 million attributable to owners of Taizhou Water. The basic earnings per share are RMB0.52 for the year. As at 31 December 2020, the audited consolidated net asset value of the Taizhou Water Group was approximately RMB1,018 million. Dividend of approximately HK\$1.97 million 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 2020, Taizhou Water will actively extend the water industry chain to further improve water supply security and enhance water operation efficiency. In response to General Secretary Xi Jinping’s call for “lucid waters and lush mountains to be treated as invaluable assets” and in line with the development trend of green environmental protection industry, during the 14th Five-Year Plan period, while focusing on the main business and maintaining stable growth, the management of Taizhou Water will try to tap into the ecological environmental protection area by incorporating the development experience of similar enterprises and actively develop the areas covering wastewater, reusable water, solid waste disposal and venous industrial park etc. to promote the development of green environmental protection industry. Meanwhile, due to the rapid advancement of telecommunication technology and the rapid construction of 5G network in the PRC, Taizhou Water will focus on the application of information technology in the water industry and build a smart water platform to facilitate the development of Taizhou Water.

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. 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 28 February 2021, the Group held 12,123,000 H shares of Taizhou Water. Taizhou Water closed at HK\$3.88 as at 26 February 2021.

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 28 February 2021.

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 28 February 2021 (29 February 2020: Nil).

Event after the Reporting Period

As at the date of this announcement, there was no significant event after reporting period.

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 28 February 2021, the Group has utilized HK\$156.15 million, accounting for approximately 98.8% of the net proceeds from Listing. The Group made an announcement 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 28 February 2021 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 28 February 2021	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 28 February 2021, 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 28 February 2021. 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 confirmed that there was no material adverse change in the Group's financial and trading position or prospects since 28 February 2021.

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 28 February 2021.

Outlook and Prospect

Looking ahead, the business and operating environment of Hong Kong and rest of the world remains uncertain, relying on the containment of COVID-19 and the effectiveness of mass vaccination around the world as well as the development of Sino-US relationships after U.S. President Joe Biden comes to place. It is expected the volatility shall linger for a period of time.

Notwithstanding, Hong Kong remains the top 3 in the global IPO market, indicating that Hong Kong is still an important international finance center. One to highlight is that among the 154 new shares listed in Hong Kong in 2020, 12 listed companies in Hong Kong have raised more than HK\$10 billion, which marked a 20-year high. Well supported with the increasing migration of listing of giant Chinese enterprises to Hong Kong, the future development of Hong Kong financial market especially in post-pandemic era is expected to be positive.

With pecks of optimism in this unstable market, the Group shall continuously and regularly review and refine our business strategies with a prudent approach to mitigate the risks ahead. The Group shall endeavor to strengthen our business and continue to provide comprehensive services to clients. Meanwhile, we shall continue to look for potential business markets and also new investment projects. Being able to maintain healthy business growth in the hard times during the Year, the Group is poised to cautiously expand our business footprints with our professional and comprehensive services in the years to come in order to continue maximizing returns and value for the shareholders of the Company.

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

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 28 February 2021 and up to the date of this announcement, the Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) contained in Appendix 14 to the Listing Rules (the “**Code Provisions**”) as the basis of the Company's corporate governance practices.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group's consolidated financial statements for the year ended 28 February 2021, including the accounting principles adopted by the Group, with the Company's management.

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 28 February 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited (“**BDO**”), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement and annual report of the Company for the year ended 28 February 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at www.innovax.hk in due course.

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

Hong Kong, 28 May 2021

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; 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.