



# **INNOVAX HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2680

**ANNUAL  
REPORT  
2020/21**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chung Chi Man  
Mr. Poon Siu Kuen, Calvin

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Choi Wai Ping (*Chairman*)  
Dr. Wu Kwun Hing  
Ms. Chan Ka Lai, Vanessa  
Mr. Lo Wai Kwan (*Note*)

## NOMINATION COMMITTEE

Dr. Wu Kwun Hing (*Chairman*)  
Mr. Choi Wai Ping  
Ms. Chan Ka Lai, Vanessa  
Mr. Lo Wai Kwan (*Note*)

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A–C, 20/F, Neich Tower  
128 Gloucester Road  
Wanchai, Hong Kong

*Note:* Resigned with effect from 31 December 2020

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY SECRETARY

Ms. Chau Lok Yi

## LEGAL ADVISERS

Jingtian & Gongcheng LLP  
Suites 3203–3207  
32/F., Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## AUDITOR

BDO Limited  
*Certified Public Accountants*  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Chong Hing Bank Limited  
Hang Seng Bank Limited  
Nanyang Commercial Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited

## WEBSITE

[www.innovax.hk](http://www.innovax.hk)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Innovax Holdings Limited (the "Company"), I hereby present the annual report and audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 28 February 2021 (the "Year").

## 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) 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.

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.

## COMPANY OVERVIEW

Innovax Holdings Limited (the "Company, together with its subsidiaries, the "Group") are an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") through four operating subsidiaries including Innovax Capital Limited, Innovax Securities Limited, Innovax Asset Management Limited and Innovax Futures Limited.

The Group aims to establish an integrated platform for providing a wide range of financial and securities services to its clients. The Group provides corporate finance advisory services including (i) acting as sponsors to companies pursuing listing on the Main Board and GEM (ii) acting as financial and independent financial adviser (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services, futures dealing as well as asset management services.

Amid of the unstable macro-economy and the pessimistic market sentiments in 2020, even though we experienced a slight drop of revenue in corporate finance advisory services and securities dealing and brokerage services segments, which was somehow in line with the market conditions, it was motivating that the businesses of Group had been developing progressively especially in asset management segment and the securities financing services segments. The revenue in the asset management had doubled from HK\$717,000 in 2020 to approximately HK\$1.5 million in the Year. The interest income from securities financing services increased by 85.8% from HK\$4.2 million to HK\$7.9 million. The outstanding business performance in these segments had contributed to the increase in profit after tax from HK\$1.6 million in 2020 to HK\$2.4 million this Year.

## CHAIRMAN'S STATEMENT (Continued)

In the times of instability during the Year, the Group had on one hand gradually developed in all our business segments, while paying attention to the ever-changing market conditions and acted prudently on the other. Apart from that, the Group had diversified our income source by maintaining equity investments and also starting to develop in money lending business, Innovax Credit Limited, for additional income stream for the Company. The Group had utilized the resources efficiently for positive returns to the Company. The financial and business performance of the Group in 2020 had demonstrated was on the right track in moving towards our goal to be an integrated platform providing comprehensive financial and securities services to our clients.

Looking ahead, with waves of COVID-19 pandemic, the business and operation environments shall remain difficult, especially with the ongoing geo-political tension between the two superpowers, China and the U.S. It is anticipated that Hong Kong will also be undoubtedly affected adversely.

Nevertheless, as a top-notch financial hub, Hong Kong is still an important, if not vital bridge to the Chinese market. With the inclusion of weighted voting rights and secondary listed companies in the Hang Seng Index universe, the attractiveness of the Hong Kong Stock Market shall be further enhanced. It is expected that more companies, especially the Chinese new economy companies may consider Hong Kong as their place for listing. Together with the constant development of the Guangdong-Hong Kong-Macau Greater Bay Area and the China's "One Belt One Road" and cross-border Stock Connect Schemes, there shall be more opportunities for Hong Kong as well as the Company in the future.

Facing such challenges and opportunities, the Group shall continue to maintain a balanced development on our existing businesses while staying alert to the market conditions and trends so as to explore new business footprints and clients portfolio in the near future.

### ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, and our Directors for their dedication and perseverance. I would also like to express our sincere gratitude to our clients for their invaluable patronage and to the shareholders for their continued confidence in and support for the Group. I would also like to sincerely thank our business partners, banks for their continuous support throughout the year.

In the year to come, we hope that we will continue working together to achieve new development for the Group, to fulfil dreams for our employees, and to generate a greater return for our shareholders.

**Chung Chi Man**

*Chairman*

Hong Kong, 28 May 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 service. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 2020, 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 for giving opinions or recommendations to the independent board committee and independent shareholders of the 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

During the Year, the Group completed 16 placing and underwriting projects (2020: 16 projects), including 6 underwriting projects 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 (“AUM”) 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW

#### Revenue

During the Year, the Group's revenue recorded a drop of 13.4% 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 the 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 report, there are a total of 400,000,000 issued shares of the Company.

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

### 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 report.

### 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 liability (As at 29 February 2020: Nil).

### LOAN COMMITMENT

Details regarding the loan commitment are set out in Note 33 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Employee benefits expenses were approximately HK\$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 the 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 HK\$'000	Carrying value of the investment in listed securities as at 28 February 2021 HK\$'000	Fair value losses of the investment in listed securities as at 28 February 2021 HK\$'000	Unrealized loss for the year ended 28 February 2021 HK\$'000
<b>Equity investments at fair value through profit and loss</b>							
1542	Taizhou Water Group Co., Ltd	6.06%	11.53%	47,037	50,100	(3,063)	(3,063)
Total				47,037	50,100	(3,063)	(3,063)

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Performance and prospects of the investee

*Taizhou Water Group Co., Ltd. ("Taizhou Water")*

Taizhou Water together with its subsidiaries (the "Taizhou Water Group") are principally engaged in supplying raw water, municipal water and tap water directly to end-users and the installation of the water pipelines for distributing tap water to end-users. As mentioned in its annual report for the year ended 31 December 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 report, 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 (Note)	HK\$80 million	-HK\$40 million	HK\$40 million	HK\$40 million	—
Increasing the Group's capital for the expansion of the Group's securities financing business	HK\$33 million	+HK\$59.03 million	HK\$92.03 million	HK\$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	—
<b>Total</b>	<b>HK\$158 million</b>	<b>—</b>	<b>HK\$158 million</b>	<b>HK\$156.15 million</b>	<b>HK\$1.85 million</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

As at 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.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. CHUNG Chi Man (鍾志文)**, aged 48, is the founder of the Group, the chairman and an executive Director of the Company. Mr. Chung was appointed as a Director on 14 June 2016 and was re-designated as an executive Director on 4 May 2018. He was appointed as the chairman of the Company on 4 May 2018. He is also the director of Innovax Capital Limited, Innovax Securities Limited, Innovax Asset Management Limited and Innovax Futures Limited. He has acted as a responsible officer of Innovax Capital Limited for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 25 February 2015 and 30 May 2019 respectively. Mr. Chung is primarily responsible for overall strategic planning and development of the Group as well as overseeing the general management of the Group.

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

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

**Mr. POON Siu Kuen, Calvin (潘兆權)**, aged 50, joined the Group and was appointed as a director and head of corporate finance department of Innovax Capital Limited in February 2015. He was appointed as an executive Director and the chief executive officer of the Company on 4 May 2018. He has acted as a responsible officer of Innovax Capital Limited for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since December 2017 and February 2015, respectively. He is also one of the sponsor principals of Innovax Capital Limited. Mr. Poon is primarily responsible for overall management of our Group and supervision and management of our corporate finance advisory business.

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

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. WU Kwun Hing (胡觀興)**, aged 54, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital Limited on 16 March 2015.

Dr. Wu has over 29 years of experience in engineering, including extensive experience on major infrastructure projects. Dr. Wu is currently a technical director of Atkins China Limited since September 2020. From May 2018 to September 2020, Dr. Wu was the chief tunnel ventilation and station air-conditioning engineer of Oriental Consultants Global Co. Ltd. From September 1992 to November 2017, Dr. Wu worked at WSP (Asia) Limited (formerly known as Parsons Brinckerhoff (Asia) Limited), an engineering professional services firm, with his last position being a technical director. In December 2017, he founded SimEng Technologies Limited, an engineering consultancy company, and served as the director.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

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

**Mr. CHOI Wai Ping (蔡偉平)**, aged 47, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital Limited on 22 March 2016.

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

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

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

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

**Ms. CHAN Ka Lai, Vanessa (陳嘉麗)**, aged 47, was appointed as an independent non-executive Director on 24 August 2018. She is mainly responsible for supervising and providing independent advice to the Board.

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

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



## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

### SENIOR MANAGEMENT

**Mr. SO Hin Pong (蘇顯邦)**, aged 64, was appointed as the chief executive officer and executive director of Innovax Securities Limited on 27 March 2017. He is the responsible officer for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities of Innovax Securities Limited and is mainly responsible for supervising and managing the Group's securities dealing and brokerage business and securities financing business. He is also a responsible officer for Type 9 (asset management) regulated activity of Innovax Asset Management Limited.

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

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

**Mr. LI Lap Sun (李立新)**, aged 54, was appointed as the chief investment officer and executive director of Innovax Asset Management Limited in March 2017. He is mainly responsible for supervising and managing the Group's asset management business.

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

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

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

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

**Ms. CHAU Lok Yuen Amy (周樂宛)**, aged 44, was appointed as the head of equity capital markets in June 2017. She is principally responsible for supervising and managing the placing and underwriting business.

Ms. Chau has over 12 years of experience in finance and capital markets. From December 2007 to September 2010, Ms. Chau worked as senior associate of equity capital markets department in Sun Hung Kai Financial, a licensed corporation which carried out Type 1(dealing in securities) and Type 4(advising on securities) and Type 6(advising on corporate finance) regulated activities. In January 2011, Ms. Chau joined as senior manager of equity capital markets department in China Everbright Securities International Limited, a licensed corporate principally engaged in different financial services including corporate finance and capital markets, institutional business, asset management, and investment & financing in Hong Kong. Her last position was director of equity capital markets.

Ms. Chau obtained a bachelor degree of accountancy from the City University of Hong Kong in June 1999. She further obtained a master degree in business administration from the University of Manchester in June 2013.

**Ms. CHAU Lok Yi (周樂怡)**, aged 41, is the Group's chief financial officer and company secretary of the Company and is mainly responsible for overall management of financial and company secretarial matters of the Group. Ms. Chau joined the Group in May 2017.

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

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

**Mr. LAM King Fung (林景烽)**, aged 40, is the chief operation officer and head of compliance of the Company and is mainly responsible for the business operation and regulatory compliance matters of the Group. Mr. Lam joined the Group in May 2017.

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

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

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

### COMPANY SECRETARY

**Ms. CHAU Lok Yi (周樂怡)**, aged 41, was appointed as the company secretary of the Company on 4 May 2018. For details of her education and experience, please refer to the paragraph headed “SENIOR MANAGEMENT” in this section.

### DISCLOSURE OF DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The basis for determining the Directors’ emoluments (including bonus payments) remained unchanged during the Year.

During the Year, there were no changes to the Directors’ information that are required to be disclosed pursuant to 13.51B(1) of the Listing Rules.

# REPORT OF THE DIRECTORS

The Board of the Company is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended 28 February 2021.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company, together with its subsidiaries (the "Group"), is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") through three operating subsidiaries including Innovax Capital Limited, Innovax Securities Limited and Innovax Asset Management Limited.

An analysis of the principal activities of the Group during the year ended 28 February 2021 is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 39 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 5 to 13 and the "Chairman's Statement" as set out on pages 3 to 4 of this report. Such discussion forms part of this "Report of the Directors".

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees, customers, suppliers and other that have a significant impact on the Company and on which the Company's success depends are also discussed in the Environmental, Social and Governance Report on pages 42 to 55 of this Annual Report.

## FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 124 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

## SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 28 February 2021 and details of the shares issued during the year ended 28 February 2021 are set out in Note 29 to the consolidated financial statements.

## SUBSIDIARIES

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

## REPORT OF THE DIRECTORS (Continued)

### KEY RELATIONSHIP WITH STAKEHOLDERS

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

Further details are set out in the “Management Discussion and Analysis” section of this Annual Report and the Environmental, Social and Governance Report on pages 42 to 55 of this annual report.

### KEY RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals and development. During the year ended 28 February 2021, there were no material and significant disputes between the Group and its employees and customers.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmental-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 28 February 2021 shall be disclosed in the and the Environmental, Social and Governance Report on pages 42 to 55 of this annual report.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 28 February 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

### PRE-EMPTIVE RIGHTS

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

### PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 28 February 2021 are set out in Note 18 to the consolidated financial statements. There were no investment properties of the Group during the year ended 28 February 2021.

### DEBENTURE ISSUED

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

### EQUITY-LINKED AGREEMENTS

Save for disclosed in “Share Option Scheme” as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 28 February 2021.

### DIVIDEND

The Directors of the Company do not recommend the payment of any dividend for the year ended 28 February 2021 (2020: HK\$Nil).

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Year are set out in the section of “Consolidated Statement of Changes in Equity” in the consolidated financial statements on page 62 of this annual report.

Details of the movements in the reserves of the Company during the year ended 28 February 2021 are set out in Note 40 to the consolidated financial statements.

### BANK LOANS AND OTHER BORROWINGS

As at 28 February 2021, the Group has no bank loans (as at 29 February 2020: Nil) and amounts due to a director (as at 29 February 2020: Nil).

### MAJOR CUSTOMERS

As at 28 February 2021, sales to the Group’s five largest customers accounted for 56.8% of the total sales for the year and sales to the largest customer included therein amounted to 24.7%. None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

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

## REPORT OF THE DIRECTORS (Continued)

### EMPLOYEE AND REMUNERATION POLICIES

As at 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.

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

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

The Directors' remuneration cost incurred by the Group for the year ended 28 February 2021 was HK\$13.3 million (for the year ended 29 February 2020: HK\$12.2 million).

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 28 February 2021.

### RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 28 February 2021 are disclosed in Note 34 to the consolidated financial statements. These transactions were conducted in accordance with terms as agreed between the Group and the respective related parties. The Directors confirm that the above related party transactions were conducted on normal commercial terms and on arm's length basis.

During the year ended 28 February 2021, the Group had provided securities dealing and brokerage services to Mr. Chung, Mr. Poon Siu Kuen, Calvin, Mr. So Hin Pong and Mr. Lam King Fung, all connected persons of the Company.

The investment management agreement signed between Innovax Asset Management and Innovax Alpha SPC (the "Investment Management Agreement") constituted a connected transaction or continuing connected transaction of the Company under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The Investment Management Agreement as disclosed in Note 34 to the consolidated financial statements is a continuing connected transaction which is fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules. Save as the connected transaction and continuing connected transactions disclosed above, the Directors consider that all other related party transactions disclosed in Note 34 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) throughout the year ended 28 February 2021.

### DIRECTORS

The Directors who held office during the year ended 28 February 2021 and up to the date of this Annual Report are:

#### Executive Directors

Mr. Chung Chi Man (*Chairman*)

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

#### Independent Non-executive Directors

Dr. Wu Kwun Hing

Mr. Choi Wai Ping

Ms. Chan Ka Lai, Vanessa

Mr. Lo Wai Kwan (*Resigned on 31 December 2020*)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 18 of this Annual Report.

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

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

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

### PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. In accordance with the provisions of Section 470 of the Hong Kong Companies Ordinance, the aforesaid approved indemnity clause for the benefit of the Directors was effective during the financial year ended 28 February 2021 and at the time when this Directors' report prepared by the Directors was adopted in accordance with Section 391(1) (a) of the Hong Kong Companies Ordinance.



## REPORT OF THE DIRECTORS (Continued)

### DIRECTORS' SERVICE CONTRACT

During the year ended 28 February 2021 and up to the date of this annual report, none of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by employing company within one year without payment of compensation, other than statutory compensation.

### RETIREMENT BENEFITS PLANS

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

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

### CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosed in Note 34 to the consolidated financial statements of this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders (as defined in below section) or their subsidiaries, during the year ended 28 February 2021.

### DEED OF NON-COMPETITION

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

The Controlling Shareholders have confirmed to the Company that during the year ended 28 February 2021 and up to the date of this report, they and their respective close associates (as defined under the Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

## REPORT OF THE DIRECTORS (Continued)

For the year ended 28 February 2021 and up to the date of this report, none of the Directors, the Controlling Shareholders or their respective close associates (as defined under the Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

### **DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

None of the Directors or his/her connected entities has or had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party throughout the Year and up to the date of this report.

### **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

As of 28 February 2021, none of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete with the Group's business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

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

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

### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 28 February 2021 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## REPORT OF THE DIRECTORS (Continued)

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

As at 28 February 2021, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

#### Interest in Shares of the Company

Name of Director	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (%) (Note 3)
Mr. Chung Chi Man ("Mr. Chung")	Interest in controlled corporation (Note 2)	300,000,000 Shares (L)	75%

Notes:

- (1) The letter "L" denotes a person's long position in the Shares.
- (2) Mr. Chung and Billion Shine International Investment Limited ("BSI") are the Controlling Shareholders. Mr. Chung owns the entire issued share capital of BSI. By virtue of the SFO, Mr. Chung is deemed to be interested in such Shares held by BSI.
- (3) The calculation is based on the total number of 400,000,000 Shares in issue as at 28 February 2021.

#### Interest in Shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding in associated Corporation (%)
Mr. Chung Chi Man	BSI	Beneficial owner	110 Shares (L)	100%

Note:

- (1) The letter "L" denotes a person's long position in the shares.

Save as disclosed above, as at 28 February 2021, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

So far as is known to the Directors, as at 28 February 2021 and the date of this annual report, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding (%) <i>(Note 3)</i>
BSI	Beneficial owner	300,000,000 Shares (L)	75%
Ms. Lee Yin Har	Interest of spouse <i>(Note 2)</i>	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 28 February 2021.

Save as disclosed above, as at 28 February 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### SHARE OPTION SCHEME

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then sole Shareholder passed on 24 August 2018 (the "Adoption Date"). The Company is thus entitled to issue a maximum of 40,000,000 shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the shares in issue as at the Listing Date.

The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries, any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries (collectively, the "Eligible Participants") to optimize their performance efficiency for the benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

## REPORT OF THE DIRECTORS (Continued)

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

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

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 28 February 2021. As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 40,000,000, representing approximately 10% of the issued shares of the Company.

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

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

### MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 28 February 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Year and up to the date of this report.

### USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the Group raised from the initial public offering was approximately HK\$158 million, after deducting the underwriting fees, commissions and other listing expenses. On 21 April 2020, the Company had changed the use of the proceeds as set out in the announcement dated 21 April 2020. HK\$156.15 million of the net proceeds has been utilized as at 28 February 2021 (approximately 98.8% of the total net proceeds) and the remaining HK\$1.85 million (approximately 1.2% of the total net proceeds) unutilized proceeds is placed in licensed banks in Hong Kong.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at 18 June 2021, being the latest practicable date for ascertaining the contents set out in this report prior to its printing, the Company has maintained the prescribed percentage of public float under the Listing Rules.

### CHARITABLE DONATIONS

During the Year, the Group made HK\$ Nil charitable and other donations (29 February 2020: HK\$Nil).

### TAX RELIEF

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

### EVENT AFTER THE REPORTING PERIOD

The event after the end of the Year is disclosed in the “Management Discussion and Analysis”.

### AUDITOR

Deloitte Touche Tohmatsu (“Deloitte”) has resigned as the auditor of the Company with effect from 28 August 2020 as the Company and Deloitte could not reach a consensus on the audit fee for the financial year ended 28 February 2021. BDO Limited was appointed as auditor of the Company on 28 August 2020 to fill the vacancy occasioned by the resignation of Deloitte and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The financial statement for the Year have been audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of BDO Limited as the independent auditor of the Company.

On behalf of the Board

**Chung Chi Man**

*Chairman*

28 May 2021

# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE PRACTICES

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

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

## BOARD OF DIRECTORS

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

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 18 of this Annual Report. None of the members of the Board is related to one another.

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

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

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

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

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

### DIRECTORS’ SECURITIES TRANSACTIONS

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

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



## CORPORATE GOVERNANCE REPORT (Continued)

### DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 28 February 2021, the Directors complied with the Code Provision A.6.5 of the Corporate Governance Code on participation in continuous professional training as follows:

	Mode of participation	
	a	b
<b>Executive Directors</b>		
Mr. Chung Chi Man	✓	✓
Mr. Poon Siu Kuen, Calvin	✓	✓
<b>Independent Non-executive Directors</b>		
Dr. Wu Kwun Hing	—	✓
Mr. Choi Wai Ping	—	✓
Ms. Chan Ka Lai, Vanessa	—	✓
Mr. Lo Wai Kwan ( <i>Resigned on 31 December 2020</i> )	—	✓

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

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

### BOARD MEETINGS

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

During the Year ended 28 February 2021, the Board convened 10 meetings and the Chairman held 1 meeting with the independent non-executive directors without the presence of other directors.

During the year ended 28 February 2021, the Company held 1 general meeting on 3 August 2020.

## CORPORATE GOVERNANCE REPORT (Continued)

Details of the attendance of the Directors for the board meetings and general meeting during the year ended 28 February 2021 are as follows:

	Attendance/Number of	
	Board meetings entitled to attend	General meetings entitled to attend
<b>Executive Directors</b>		
Mr. Chung Chi Man	10/10	1/1
Mr. Poon Siu Kuen, Calvin	10/10	1/1
<b>Independent non-executive Directors</b>		
Dr. Wu Kwun Hing	4/10	1/1
Mr. Choi Wai Ping	4/10	1/1
Ms. Chan Ka Lai, Vanessa	4/10	1/1
Mr. Lo Wai Kwan ( <i>Resigned on 31 December 2020</i> )	4/10	1/1

### BOARD COMMITTEES

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

#### Audit Committee

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

During the year ended 28 February 2021, 3 Audit Committee meetings were held. The attendance of each member is set out below:

Independent Non-executive Directors	Attendance/Number of Audit Committee meetings entitled to attend
Ms. Chan Ka Lai, Vanessa ( <i>Committee Chairlady</i> )	3/3
Dr. Wu Kwun Hing	3/3
Mr. Choi Wai Ping ( <i>appointed on 31 December 2020</i> )	0/0
Mr. Lo Wai Kwan ( <i>Resigned on 31 December 2020</i> )	3/3

The works performed by the Audit Committee during the year ended 28 February 2021 include the followings:

- reviewed and discussed the annual results of the Group for the year ended 29 February 2020.
- reviewed and discussed the interim results of the Group for the six months ended 31 August 2020.
- reviewed the financial reporting system, risk management and internal control systems of the Group.
- reviewed the accounting principles and practices adopted by the Group.
- reviewed the effectiveness of the internal audit of the Company.
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.
- considered and discussed for the change of auditor of the Company from Deloitte Touche Tohmatsu to BDO Limited with effect from 28 August 2020.
- discussed with the auditor about the audit plan.

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

### Remuneration Committee

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

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

During the year ended 28 February 2021, 1 Remuneration Committee meeting was held. The attendance of each member is set out below:

	<b>Attendance/Number of Remuneration Committee meetings entitled to attend</b>
Mr. Choi Wai Ping ( <i>Committee Chairman</i> ) ( <i>appointed as Committee Chairman on 31 December 2020</i> )	1/1
Dr. Wu Kwun Hing	1/1
Ms. Chan Ka Lai, Vanessa	1/1
Mr. Lo Wai Kwan ( <i>resigned on 31 December 2020</i> )	1/1

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

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

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

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

### **Nomination Committee**

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

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

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

## CORPORATE GOVERNANCE REPORT (Continued)

During the year ended 28 February 2021, 2 Nomination Committee meeting was held. The attendance of each member is set out below:

	<b>Attendance/Number of Nomination Committee meetings entitled to attend</b>
Dr. Wu Kwun Hing ( <i>Committee Chairman</i> )	1/1
Mr. Choi Wai Ping	1/1
Ms. Chan Ka Lai, Vanessa	1/1
Mr. Lo Wai Kwan ( <i>Resigned on 31 December 2020</i> )	1/1

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

- reviewed the structure, size and composition of the Board according to the board diversity and the development of the Company and the market situation.
- assessed the independence of independent non-executive Directors.
- assessed the composition of the Board and Board Committees upon Mr. Lo Wai Kwan's resignation as Director with effect from 31 December 2020 and made recommendation to the change in compositions of Board Committees accordingly.
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

### NOMINATION POLICY

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

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

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

- (1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

## CORPORATE GOVERNANCE REPORT (Continued)

- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

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

### BOARD DIVERSITY POLICY

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

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

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

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

### REMUNERATION POLICY

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

### REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration (including share-based compensation) of members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 28 February 2021 is set out below:

Annual Remuneration	Number of individuals
HK\$0 to HK\$1,000,000	1
HK\$1,000,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	1

## CORPORATE GOVERNANCE REPORT (Continued)

### CORPORATE GOVERNANCE FUNCTION

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

### RISK MANAGEMENT AND INTERNAL CONTROLS

#### Responsibility of the Board

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

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

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

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

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

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

### **Risk identification**

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

### **Risk assessment**

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

### **Response to findings of risk assessment**

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

### **Risk monitoring and reporting**

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

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

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

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



## CORPORATE GOVERNANCE REPORT (Continued)

### COMPANY SECRETARY

The company secretary of the Company, Ms. Chau Lok Yi (the “Company Secretary”), is a full time employee of the Company. During the year ended 28 February 2021, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 17 of this annual report in the section of “Biographies of Directors and Senior Management”.

### AUDITOR REMUNERATION

BDO Limited was engaged as the auditor of the Company for the period from 28 August 2020 to 28 February 2021, provided the following services to the Group.

	2021 HK\$'000	2020 HK\$'000
Audit services	900	—
Total	900	—

Delotte Touche Tomatsu, the former auditor of the Company during the period from 1 March 2020 to 28 August 2020, provided the following services to the Group.

	2021 HK\$'000	2020 HK\$'000
Audit services	—	1,500
Total	—	1,500

### ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 28 February 2021, the Directors have:

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

The report of the auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor’s Report from pages 56 to 59 of this report.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

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

### SHAREHOLDERS' RIGHTS

#### Right to Convene Extraordinary General Meeting

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

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

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

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

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

#### Dividend Policy

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

#### Changes in constitutional documents

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Articles. During the Year, there has been no changes in the constitutional documents of the Company during the year ended 28 February 2021.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

Innovax Holdings Limited (the “Company”) and its subsidiaries (collectively known as “the Group” or “we”) are pleased to present our 2020/21 Environmental, Social and Governance (the “ESG”) Report. This Report reflects the sustainability strategy of the Group, including our environmental, social and governance initiatives and performances. We also want to take this opportunity to communicate these achievements with our stakeholders.

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

## Reporting Standard and Principles

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

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

## Reporting Period and Scope

The information disclosed in this report covers the financial year from 1 March 2020 to 28 February 2021 (the “Reporting Period” or “Year 2020/2021”). Figures for the last year, for the period from 1 March 2019 to 29 February 2020 (the “Year 2019/2020”) are also presented for reference for comparison. Unless otherwise specified, this report covers the operation of corporate finance advisory services of the Group, which includes the office in Chinachem Century Tower (the “Wanchai office”). The Group will continuously improve our sustainable development strategy and expand the scope of the disclosure progressively in line with our business development.

## Confirmation and Approval

The Group has established internal controls and a formal review process to ensure that the information presented in this Report is as accurate and reliable as possible. The Board of Directors (the “Board”) of the Company has the overall responsibility for the establishment and disclosure of relevant measures and key performance indicators (the “KPIs”). This report has been reviewed and approved by the Board on 28 May 2021.

## OUR POLICY AND STRATEGY

Founded in 2014, we have a business objective to establish an integrated platform for providing financial and securities services to our clients. Marked with the momentous stage of the Company, which is the listing of shares (Stock Code: 02680.HK) in 2018, provided an arena for us not just to have a sufficient and healthy capital base but also the opportunities to realize a more efficient and sustainable fund-raising platform.

To make a sustainable difference, campaigns and training were launched to promote our values within the company. We have categorised our ESG activities into the following four focus areas:

### 1. Sustainable Business

- We operate in a sustainable manner meanwhile balance the interests of our various stakeholders including customers and employees. Through regular stakeholder engagement, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

### 2. Community and Development

- Through the enactment of the Community Investment Policy Statement, the Group fosters positive relationships in the community. We work closely with external organisations and encourage employee participation in voluntary works.

### 3. Inclusion and Diversity

- An inclusive culture and workplace diversity are promoted in our company. This includes training and informing employees about topics related to equal opportunity, discrimination and harassment.
- We provide equal opportunities in employment, training and career development regardless of gender, age, nationality, race, skin colour, religion, body size, illness, mental or physical disability, family roles, family composition, sexual orientation, political beliefs or social status.

### 4. Climate and Environmental

- The Group is committed to contributing to the sustainability of environment and to becoming an environmental-friendly corporation. We focus on reduction of energy and natural resources consumption, waste reduction and utilization of environmentally friendly products and services.
- Through our internal channels and engagement of volunteer service, we raise the environmental awareness of our staff. We further encourage our suppliers, business partners and customers to improve their environmental performance.

We are committed and will continue to contributing towards the UN Sustainable Development Goals in order to achieve a sustainable business environment and to become an environmental-friendly corporation.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### OUR KEY ACHIEVEMENTS

We have identified our main accomplishments during 2020/21 which are aligned to the following UN Sustainable Development Goals (**UNSDG**).

1. Good Health And Well-being (**The 3rd UNSDG**)

- To safeguard the health of our staff, our Wanchai office has been adopting the “Work from Home” practice since late January 2020, in response to the coronavirus pandemic.
- All relevant laws and regulations are complied, no cases of work-related injuries or fatalities were recorded during the Reporting Period.

2. Quality Education (**The 4th UNSDG**)

- Through our annual appraisal procedure and training programmes (such as training on anti-money laundering and risk management) provided to our employees, we support their performance improvement and nurture their career growth.

3. Gender Equality (**The 5th UNSDG**)

- We emphasize diversity and are committed to providing a free from discrimination and harassment workplace for employees and adopt consistent selection criteria and neutral wording in job advertisements.

4. Sustainable Cities And Communities (**The 11th UNSDG**)

- To promote sustainability not just to our employees but also our network and clients, we encourage the use of online facsimile (internet fax) system.
- Within the group we avoid using disposables and strictly follow the practice of recycling by setting up recycling bins with regular collection by trusted service provider.

5. Responsible Consumption And Production (**The 12th UNSDG**)

- We implement various measures to increase energy efficiency and reduce emissions, such as adopting lighting zoning system and maintaining optimal air-conditioning temperature. Simplifying workflow to reduce business trips also reduces potential carbon emission.
- The Operation Policy Statement outlines our commitment to providing customers services information in an accurate and timely manner and safeguarding data security.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### 6. Climate Action (The 13th UNSDG)

- The Group practices recycling in daily business and promotes the importance of change of habit and sustainable business internally and externally.
- We plan to support different afforestation projects, which include the project in the Amazon forest, by acquiring its carbon credits through ICCAD Group.

### 7. Life On Land (The 15th UNSDG)

- Besides targeting to use less energy and natural resources, we offset the GHG generated from us by purchasing carbon credits. We are also planning on planting trees, in Hong Kong or in mainland China, as a long-term means, to continually reduce the emission impact to the environment.

### 8. Peace, Justice And Strong Institutions (The 16th UNSDG)

- All services offered comply with applicable local laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201) and internal requirements for professional conduct.
- 100% of our staff completed the training on anti-money laundering.

## ESG GOVERNANCE AND RISK MANAGEMENT

### (Related to the 16th UNSDG)

The Board of Directors and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. We believe that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Board has the overall responsibility in overseeing the Group's ESG strategy and performance on matters about environmental protection, employment, operational responsibility and community investment.

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

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

As part of our corporate responsibility, we continue to explore ways to engage its stakeholders and further strengthen its sustainability governance.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### STAKEHOLDERS ENGAGEMENT

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

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

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

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

#### Your Feedback

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

### PROTECTING THE ENVIRONMENT

#### (Related to the 9th, 11th, 12th, 13th & 15th UNSDG)

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### Energy Consumption and Air Emissions

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

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

Due to the characteristics of the industry, the main energy consumption of the operation is electricity. The total electricity consumption in 2020 was 3.29% lower than that in 2019. The total GHG generated by the electricity consumption in 2020 was 15.2% lower than that in 2019.

As a key step to establish an emission management strategy, the Group has commissioned a CPA firm to quantify the air and greenhouse gas emissions of our operation. A Carbon Audit Report issued by the CPA firm lists the following energy consumption and gas emissions figures during the Reporting Period.

Environmental KPIs	Year 2020/21	Year 2019/20	Unit
Total energy consumption	<b>18.82</b>	19.46	MWh
Energy intensity per office floor area	<b>0.17</b>	0.18	MWh/m <sup>2</sup>
Energy intensity per employee	<b>0.78</b>	0.75	MWh/person
Total GHG emissions	<b>13.36</b>	15.76	tonnes CO <sub>2</sub> e
GHG intensity per office floor area	<b>0.12</b>	0.14	tonnes CO <sub>2</sub> e/m <sup>2</sup>
GHG intensity per employee	<b>0.56</b>	0.66	tonnes CO <sub>2</sub> e/person

Notes:

- Energy and GHG intensity per office floor area for Year 2019/2020 have been adjusted to reflect the actual situation.
- The Group did not produce significant air emission in years 2019/2020 and 2020/2021.
- According to Hong Kong Electric, the average carbon dioxide equivalent emissions per kilowatt hour of electricity in 2020 was 0.71 kg of CO<sub>2</sub>-e.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### Water and Waste Management

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

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

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

We do not generate hazardous waste in our daily operation and our non-hazardous waste mainly consists of paper and other general refuse. The total non-hazardous waste generated in 2020 was 54.1% lower than that in 2019. One of the main reasons for the significant reduction is staff working from home from time to time when the COVID-19 issue got serious.

The amount of non-hazardous waste generated during the Reporting Period is summarized in the following table.

Environmental Key Performance Indicators	Year 2020/21	Year 2019/20	Unit
Total non-hazardous waste produced	0.79	1.72	tonnes
Non-hazardous waste intensity per office floor area	0.01	0.02	Tonnes/m <sup>2</sup>
Non-hazardous waste intensity per employee	0.03	0.07	tonnes/person

Notes:

(a) Estimated based on the figure of Year 2019/2020.

(b) Non-hazardous waste intensity per office floor area for Year 2019/2020 has been adjusted to reflect the actual situation.

### Environment and Natural Resources

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

We are working to reduce its consumption of energy and natural resources, to reduce waste, and use environmental friendly products and services whenever possible. To identify the environmental improvement opportunities, we will improve the data collection system in order to review the effectiveness of the emissions and waste reduction measures, as well as the energy and water efficiency initiatives. We prioritize the usage of digital communication tools (i.e. emails) over printed letters, and also educate our staff through internal channels to raise environmental awareness and cultivate green values among our staff.

### Additional Measures to Mitigate the Emission Impact Made by Us to the Environment

We recognize that real-world impacts and leading activities from individuals are a crucial element to achieve sustainability. Instead of only focusing on prevention measures to reduce our carbon footprint, we would also like to inspire other companies and decided to contribute proactively in the restoration of our nature.

#### (a) Afforestation internationally

Besides targeting to use less energy and natural resources, the Group has been in an active dialogue with the Intercontinental Carbon Assets Development Group Limited (ICCAD Group) regarding acquisition of carbon credits as a short-term means to offset some (or even all) of the GHGs generated from the business. Group could therefore provide its indirect support to the afforestation project "Project of Cerrado and Amazonia REDD Brasil" in Amazon forest. The total forest carbon stock of the mentioned project is estimated up to 70,000,000 tCO<sub>2</sub>e, covering a total project area exceeding 600,000 hectares.

#### (b) Carbon Neutralization

Through the potential afforestation project with ICCAD Group, we would then be able to step forward to not just achieving carbon neutralization but also creating other positive impacts including the offsetting of an estimation of 100,000 Metric Tonnes of Carbon Dioxide Equivalent (tCO<sub>2</sub>e), compared to our GHG emission in reporting year 2019/20 (which is 15.76 tCO<sub>2</sub>e).

#### (c) Afforestation locally

In addition to supporting the forest restoration on the other side of the plant, we are also contemplating to create a positive impact on the environment of the land we stand. One of the options that we are considering is to plant trees, either in Hong Kong or in the mainland China, as a long-term means to continually reduce the emission impact to the environment.

Note:

1. A carbon credit is a tradable permit or certificate that provides the credit holder the right to emit one ton of carbon dioxide or an equivalent of another GHG — it essentially allows producers to compensate for their GHG emissions.

## OUR PEOPLE

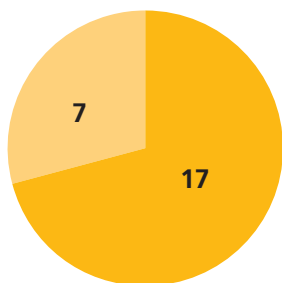
(Related to the 3rd, 4th, 5th & 10th UNSDG)

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

The Group provides different channels to facilitate open communications among all employees. We inform employees of important corporate announcements and updated policies through email. As of 28 February 2021, we have 24 full-time staff in our Wanchai office. The following graphs show their distribution by gender, age and employment category.

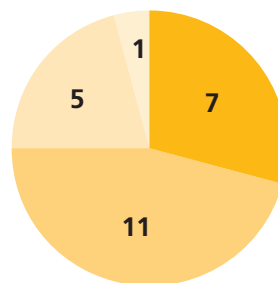
### Employees by Gender

■ Male    ■ Female



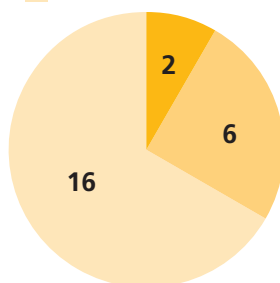
### Employees by Age

■ 21–30    ■ 31–40    ■ 41–50    ■ 51–60



### Employees by Category

■ Senior Management    ■ Middle Management  
 ■ General Staff

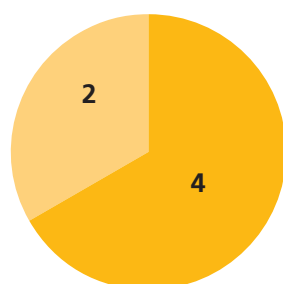


## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

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

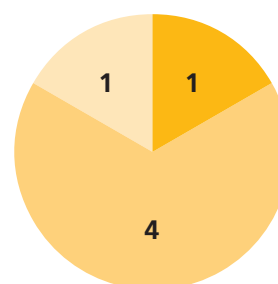
### Employees Turnover by Gender

■ Male ■ Female



### Employees Turnover by Age

■ 21–30 ■ 31–40 ■ 41–50



### Equal Opportunity

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

### Remuneration and Benefits

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

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

The Group's staff are entitled to a five-day working week, public holidays, paid annual leaves, sick leaves, maternity and paternity leaves, marriage and compassionate leaves. It also provides medical benefits which include outpatient benefits and hospitalization coverage for all employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### Health and Safety

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

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

With consideration to the Group's mode of operation and response to COVID-19 occurred in January 2020, our Wanchai office has been adopting the "Work from Home" practice since late January 2020, so as to safeguard the health of our staff.

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

### Training and Development

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

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

		Percentage of Employees Trained	Average Training Hours Per Employee
<b>Gender</b>	Male	100%	11.6
	Female	100%	12.0

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

		Percentage of Employees Trained	Average Training Hours Per Employee
<b>Employee Category</b>	Senior Management	100%	10.5
	Middle Management	100%	12.0
	General Staff	100%	11.8

### Labour Standards

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

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

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

## OPERATING PRACTICES

### (Related to the 8th & 12th UNSDG)

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

### Supply Chain Management

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### Products and Services Responsibility

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

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

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

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

### Anti-Corruption and Anti-Money Laundering ("AML")

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

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

### AML Procedures



### COMMUNITY INVESTMENT

**(Related to the 1st, 11th, 13th & 15th UNSDG)**

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

The Group also continuously encourages its staff to participate in any kinds of voluntary works held by external organizations.

#### Social Impact

Financially supporting the afforestation project will not only help restoring the nature, at the same time creating significant amount of job openings and opportunities for the local communities.

The Group is intending to financially support an afforestation project in the Amazon forest and also targeting to shift back its social impact and influence to the local society through tree planting and further community contributions once the situation of the current coronavirus pandemic allows.



# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF INNOVAX HOLDINGS LIMITED

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

### OPINION

We have audited the consolidated financial statements of Innovax Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 60 to 123, which comprise the consolidated statement of financial position as at 28 February 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

### Key audit matter

*Revenue recognition on sponsor fee income and recognition of contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services.*

We identified the recognition on sponsor fee income, contract assets and contract liabilities in relation to sponsor business arising from corporate finance advisory services as a key audit matter due to its significance to the consolidated financial statements.

As set out in notes 3 and 5 to the consolidated financial statements, since the contracts provide the Group an enforceable right to payment for performance completed up to date and the performance does not create an asset with an alternative use, the sponsor fee income is recognised over time based on input method, in which the Group recognised sponsor fee income on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation ("percentage of completion").

Payments are received by installments in accordance to the completion of milestones as specified in the sponsor mandates as set out in note 5 to the consolidated financial statements. As set out in notes 22 and 28 to the consolidated financial statements, contract assets represent the sponsor fee income arising from sponsor business recognised after work is performed but not yet billed to customers and the portion of fee received from the clients but not yet earned is recorded as contract liabilities.

As set out in note 5 to the consolidated financial statements, the revenue from sponsor fee income amounted to HK\$23,353,000 for the year ended 28 February 2021. As set out in notes 22 and 28 to the consolidated financial statements, the contract assets (net of impairment allowance of HK\$60,000) and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services amounted to HK\$1,844,000 and HK\$nil respectively as at 28 February 2021.

### How our audit addressed the key audit matter

Our procedures in relation to the revenue recognition on sponsor fee income, and recognition of contract assets and contract liabilities in relation to sponsor business arising from corporate finance advisory services included:

- Obtaining an understanding on the key controls over the revenue recognition on sponsor fee income and the input method used by the management in recognising revenue;
- Checking the percentage of completion of all sponsor mandates by comparing the actual staff hours incurred up to date to the total expected staff hours, assessing the reasonableness of the total expected staff hours and examining relevant supporting documentation;
- Recomputing the sponsor fee income arising from corporate finance advisory services for a sample of mandates based on the percentage of completion and the contract value for each sponsor mandate and agreeing the contract value to the underlying sponsor mandate; and
- Determining whether the contract assets and liabilities are properly recognised by checking to the supporting evidence for work performed and billings and settlement of billings during the year and subsequent to the year end.

### OTHER MATTER

The consolidated financial statements of the Group for the year ended 29 February 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 28 May 2020.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### OTHER INFORMATION

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

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

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

### DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### **BDO Limited**

*Certified Public Accountants*

Lee Ka Leung, Daniel

Practising Certificate no. P01220

Hong Kong, 28 May 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2021

	Notes	Year ended	
		28 February 2021 HK\$'000	29 February 2020 HK\$'000
Revenue			
Corporate finance advisory services	5	38,219	51,975
Placing and underwriting services	5	33,613	34,525
Securities dealing and brokerage services	5	2,471	5,232
Asset management services	5	1,527	717
Interest income from securities financing services	5	7,852	4,227
Total revenue		83,682	96,676
Other income	7	6,145	2,933
Other gains and losses	8	6,205	(6,172)
		96,032	93,437
Administrative and operating expenses		(21,105)	(18,500)
Impairment allowance on financial instruments, net of reversal	9	388	(576)
Staff costs	10	(72,610)	(70,859)
Finance costs	11	(184)	(228)
Total expenses		(93,511)	(90,163)
Profit before tax	12	2,521	3,274
Income tax expense	13	(141)	(1,667)
Profit and total comprehensive income for the year		2,380	1,607
Earnings per share			
Basic and diluted (HK cents)	15	0.6	0.4

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 28 February 2021

	Notes	As at	
		28 February 2021 HK\$'000	29 February 2020 HK\$'000
Non-current assets			
Property and equipment	18	2,334	4,279
Right-of-use assets	19	2,997	915
Intangible asset	20	500	500
Deferred tax assets	30	1,626	1,492
Other receivables, deposits and prepayments	23	820	230
<b>Total non-current assets</b>		<b>8,277</b>	7,416
Current assets			
Accounts receivable	21	102,562	84,663
Contract assets	22	1,844	7,116
Other receivables, deposits and prepayments	23	9,814	8,176
Tax recoverable		5,743	3,839
Financial assets at fair value through profit or loss	32	57,722	37,083
Cash and bank balances	24	68,081	97,349
Cash and bank balances — held on behalf of customers	25	153,989	54,589
<b>Total current assets</b>		<b>399,755</b>	292,815
<b>Total assets</b>		<b>408,032</b>	300,231
Current liabilities			
Accounts payable	26	158,313	66,649
Other payables and accruals	27	15,061	2,124
Contract liabilities	28	563	545
Lease liabilities	31	2,304	931
Tax payable		—	1,292
<b>Total current liabilities</b>		<b>176,241</b>	71,541
<b>Net current assets</b>		<b>223,514</b>	221,274
<b>Total assets less current liabilities</b>		<b>231,791</b>	228,690
Non-current liabilities			
Lease liabilities	31	721	—
<b>Net assets</b>		<b>231,070</b>	228,690
Equity			
Share capital	29	4,000	4,000
Reserves		227,070	224,690
<b>Total equity</b>		<b>231,070</b>	228,690

The consolidated financial statements on page 60 to 123 were approved and authorised for issue by the board of directors on 28 May 2021 and signed on its behalf by:

**Chung Chi Man**  
Director

**Poon Siu Kuen, Calvin**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2021

	Share capital HK\$'000 (note 29)	Share premium HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 March 2019	4,000	169,663	53,420	227,083
Profit and total comprehensive income for the year	—	—	1,607	1,607
At 29 February 2020	4,000	169,663	55,027	228,690
Profit and total comprehensive income for the year	—	—	2,380	2,380
At 28 February 2021	4,000	169,663	57,407	231,070

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2021

	Notes	Year ended	
		28 February 2021 HK\$'000	29 February 2020 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		2,521	3,274
Adjustments for:			
Interest expenses	11	184	228
Interest income	7	(1,307)	(2,457)
Depreciation of property and equipment	18	1,958	1,296
Depreciation of right-of-use assets	19	2,021	1,817
Dividend income	7	(1,972)	—
Impairment allowance on financial instruments, net of reversal	9	(388)	576
Realised gains on financial assets at fair value through profit or loss	8	(1,701)	(300)
Unrealised (gains)/losses on financial assets at fair value through profit or loss	8	(4,504)	6,472
Operating cash flows before movements in working capital		(3,188)	10,906
Increase in accounts receivable		(17,625)	(73,239)
Decrease/(increase) in contract assets		5,446	(3,159)
Increase in other receivables, deposits and prepayments		(2,141)	(4,343)
Increase in financial assets at fair value through profit or loss		(14,434)	(43,255)
Increase in cash and bank balances — held on behalf of customers		(99,400)	(17,480)
Increase in accounts payable		91,664	27,374
Increase in other payables and accruals		12,937	685
Increase/(decrease) in contract liabilities		18	(825)
Cash used in operations		(26,723)	(103,336)
Income tax paid		(3,471)	(12,112)
Interests paid		(107)	(160)
Interest received from loan receivables		978	79
Dividends received		1,972	—
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(27,351)</b>	<b>(115,529)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	18	(13)	(4,552)
Interest received		182	2,351
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>169</b>	<b>(2,201)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of principal of lease liabilities	38(a)	(2,009)	(1,852)
Repayment of interest portion of lease liabilities	38(a)	(77)	(68)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(2,086)</b>	<b>(1,920)</b>
<b>NET DECREASE IN CASH AND BANK BALANCES</b>		<b>(29,268)</b>	<b>(119,650)</b>
CASH AND BANK BALANCES AT BEGINNING OF THE YEAR		97,349	216,999
CASH AND BANK BALANCES AT END OF THE YEAR		68,081	97,349



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28 February 2021

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

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

##### 2.1 Adoption of new or amended HKFRSs (Continued)

###### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

#### 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 <sup>1</sup>
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 <sup>6</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>2</sup>
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 <sup>3</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
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 <sup>5</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> 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.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>6</sup> Effective for annual period beginning on or after 1 April 2021.

<sup>7</sup> 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

#### 2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

##### *Amendments to HKFRS 16, COVID-19-Related Rent Concessions (Continued)*

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

#### 2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

*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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

#### 2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

##### *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”.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

#### 2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

##### *Amendments to HKAS 8 — Definition of Accounting Estimates (Continued)*

- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The significant accounting policies are set out below.

### Basis of consolidation

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation (Continued)

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

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

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

#### Taxation

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

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

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

### Property and equipment

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

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

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

### Intangible assets

#### Intangible assets acquired separately

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

### Financial instruments

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

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

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

#### Financial assets

##### *Classification and subsequent measurement of financial assets*

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

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

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

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

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

##### *Impairment of financial assets*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

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

(i) Significant increase in credit risk

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

##### *Derecognition*

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

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

### Financial liabilities and equity

#### Classification as debt or equity

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

#### Equity instruments

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

#### Financial liabilities

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities and equity (Continued)

#### Financial liabilities at amortised cost

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

#### Derecognition of financial liabilities

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

### Revenue from contracts with customers

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

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

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

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

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

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

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

#### Input method

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments

#### Equity-settled share-based payment transactions

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

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

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

### Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

#### The Group as a lessee

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Right-of-use assets*

The cost of right-of-use assets includes:

- (i) the amount of the initial measurement of the lease;
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### Retirement benefit costs

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Short-term employee benefits

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

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

### Borrowing costs

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

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

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

### Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out as follows.

### ECL for accounts receivable and contract assets

The ECL for accounts receivable and contract assets are based on the Group's historical default rates taking into consideration forward-looking information that is reasonably supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The estimates would include the amount and timing of future cash flows and collateral values when determining impairment allowances. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of expected credit loss, the information about the ECL and the Group's accounts receivable and contract assets are disclosed in note 36.

### Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK\$17,535,000 (2020: HK\$11,062,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

## 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 5. REVENUE (Continued)

### Performance obligations for contracts with customers (Continued)

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 5. REVENUE (Continued)

#### Disaggregation of revenue from contracts with customers

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

	2021 HK\$'000	2020 HK\$'000
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	6,881	8,905
	38,219	51,975
Placing and underwriting services		
Placing and underwriting fee income	33,613	34,525
Securities dealing and brokerage services		
Commission income — Hong Kong equities and subscription of initial public offering ("IPO")	2,471	5,232
Asset management services		
Management fee income	573	717
Performance fee income	954	—
	1,527	717
Sub-total — Revenue from contracts with customers	75,830	92,449
Interest income from securities financing services		
Interest income — Margin clients	7,823	4,142
Interest income — Cash clients	29	85
	7,852	4,227
Total	83,682	96,676

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 5. REVENUE (Continued)

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

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

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 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 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 HK\$'000	2020 HK\$'000
Customer A	20,656	N/A*
Customer B	8,683	N/A*
Customer C	N/A*	14,360

\* 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.

### 7. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
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 (note)	2,546	—
Others	51	1
	<b>6,145</b>	<b>2,933</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 8. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
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	4,504	(6,472)
	<b>6,205</b>	(6,172)

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

	2021 HK\$'000	2020 HK\$'000
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	(60)	(159)
	<b>388</b>	(576)

Details of impairment assessment for the year ended 28 February 2021 are set out in note 36.

### 10. STAFF COSTS

	2021 HK\$'000	2020 HK\$'000
Directors' emoluments ( <i>note 16</i> )	13,346	12,196
Other staffs		
Salaries and allowance	29,393	34,689
Bonuses	29,192	23,192
Contributions to MPF Scheme	679	782
	<b>72,610</b>	70,859

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 11. FINANCE COSTS

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

### 12. PROFIT BEFORE TAX

	2021 HK\$'000	2020 HK\$'000
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	25	—

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

### 13. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Hong Kong Profits Tax:		
— Current tax	442	3,277
Overprovision in respect of prior years	(167)	(183)
Deferred tax credit (note 30)	(134)	(1,427)
	<b>141</b>	1,667

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 13. INCOME TAX EXPENSE (Continued)

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

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

	2021 HK\$'000	2020 HK\$'000
Profit before tax	2,521	3,274
Tax at Hong Kong Profit Tax at 16.5%	416	540
Tax effect of expenses not deductible for tax purpose	240	1,068
Tax effect of income not taxable for tax purpose	(1,170)	(456)
Overprovision in respect of prior years	(167)	(183)
Utilisation of tax losses previously not recognised	(182)	—
Tax effect of (taxable)/deductible temporary differences not recognised	(64)	95
Tax effect of tax losses not recognised	1,068	603
Income tax expense for the year	141	1,667

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK\$17,535,000 (2020: HK\$11,062,000) due to unpredictable future profit streams for relevant entities. The unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has taxable temporary differences of HK\$388,000 relating to impairment allowance on financial instruments (2020: deductible temporary differences of HK\$576,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### 14. DIVIDEND

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 15. 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)	2,380	1,607
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	400,000,000	400,000,000

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.

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

For the year ended 28 February 2021

Name	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Employer's contribution to MPF HK\$'000	Bonuses HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Mr. Chung Chi Man	—	1,500	18	2,450	3,968
Mr. Poon Siu Kuen, Calvin	—	2,400	18	6,500	8,918
<b>Independent Non-executive Directors</b>					
Dr. Wu Kwan Hing	120	—	—	—	120
Mr. Lo Wai Kwun	100	—	—	—	100
Mr. Choi Wai Ping	120	—	—	—	120
Ms. Chan Ka Lai, Vanessa	120	—	—	—	120
	460	3,900	36	8,950	13,346

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

For the year ended 29 February 2020

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

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

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

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

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

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

Mr. Lo Wai Kwun retired as Independent Non-executive Directors of the Group on 31 December 2020.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 17. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out in note 16 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	5,460	5,460
Performance related bonuses	17,865	11,835
Retirement benefits	54	54
	<b>23,379</b>	17,349

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

	2021 No. of employees	2020 No. of employees
HK\$nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	—	—
HK\$2,000,001 to HK\$2,500,000	—	—
HK\$2,500,001 to HK\$3,000,000	—	—
HK\$3,000,001 to HK\$3,500,000	—	—
HK\$3,500,001 to HK\$4,000,000	—	—
HK\$4,000,001 to HK\$4,500,000	—	—
HK\$4,500,001 to HK\$5,000,000	—	—
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$5,500,001 to HK\$6,000,000	—	1
HK\$6,000,001 to HK\$6,500,000	—	—
HK\$6,500,001 to HK\$7,000,000	—	1
HK\$7,000,001 to HK\$7,500,000	2	—
HK\$7,500,001 to HK\$8,000,000	—	—
HK\$8,000,001 to HK\$8,500,000	—	—
HK\$8,500,001 to HK\$9,000,000	1	—
	<b>3</b>	3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 18. PROPERTY AND EQUIPMENT

	Computer and software HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvement HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 March 2019	729	487	1,387	82	2,685
Additions	57	—	4,495	—	4,552
At 29 February 2020	786	487	5,882	82	7,237
Additions	13	—	—	—	13
At 28 February 2021	799	487	5,882	82	7,250
<b>Depreciation</b>					
At 1 March 2019	353	281	990	38	1,662
Charge for the year	170	120	985	21	1,296
At 29 February 2020	523	401	1,975	59	2,958
Charge for the year	164	59	1,715	20	1,958
At 28 February 2021	687	460	3,690	79	4,916
<b>Carrying amounts</b>					
At 28 February 2021	112	27	2,192	3	2,334
At 29 February 2020	263	86	3,907	23	4,279

The above items of property and equipment are depreciated on a straight-line basis, at the following rates per annum:

Computer and software	25%
Furniture and fixtures	25%
Leasehold improvement	Over shorter of the lease terms and 25%
Office equipment	25%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 19. RIGHT-OF-USE ASSETS

- (i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	28 February 2021 HK\$'000	29 February 2020 HK\$'000
Properties leased for own use, carried at depreciated cost	2,997	915

- (ii) Amounts recognised in profit or loss:

	2021 HK\$'000	2020 HK\$'000
Depreciation of right of use assets	2,021	1,817

For both years, the Group leases various office for its operations. Lease contracts are entered into for fixed term of 17 months and 2 years (2020: 2 years and 31 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

### 20. INTANGIBLE ASSET

	Stock Exchange trading rights HK\$'000

#### COST

At 1 March 2019, 29 February 2020 and 28 February 2021 500

Intangible asset is considered by the directors of the Company as having an indefinite useful life because the Stock Exchange trading rights are expected to contribute to net cash inflows indefinitely.

The intangible asset will not be amortised until their useful lives are determined to be finite. Instead, the intangible asset was tested for impairment annually.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 21. ACCOUNTS RECEIVABLE

	2021 HK\$'000	2020 HK\$'000
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	(187)	(461)
	<b>102,562</b>	84,663

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 HK\$'000	2020 HK\$'000
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	(48)	(356)
	<b>4,615</b>	15,347

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

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party as disclosed in note 34, of HK\$50,000 (2020: HK\$47,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 22. CONTRACT ASSETS

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

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

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 15% 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 of Hong Kong ("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.

Movements in contract assets are as follows:

	2021 HK\$'000	2020 HK\$'000
Balance as at 1 March	7,350	4,191
Transfer from contract assets recognised at the beginning of the year to accounts receivable	(4,726)	(3,611)
Changes as a result of changes in the measure of progress	350	9,102
Transfer from contract assets recognised during the year to accounts receivable	—	(1,850)
Reversal of changes as a result of changes in the measure of progress	(1,070)	(482)
Balance as at 28/29 February	<b>1,904</b>	7,350

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
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	(238)	(178)
	<b>10,634</b>	8,406
Analysed as		
Non-current	820	230
Current	9,814	8,176
	<b>10,634</b>	8,406

The loan receivables are unsecured, bear interest at 3% p.a. and 9% p.a., respectively (2020: 3%) and repayable within 1 year.

### 24. CASH AND BANK BALANCES

Cash and bank balances mainly represent demand deposits at banks which are interest bearing at 0.001% per annum (2020: 0.01% to 0.125%) and fixed deposits of HK\$4,938,000 (2020: HK\$33,753,000) with banks with an original maturity within 3 months.

### 25. CASH AND BANK BALANCES — 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 and bank balances — held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 26) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash and bank balances — held on behalf of customers is restricted and governed by the Hong Kong Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance. The Group is not allowed to use the client's monies to settle its own obligations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 26. ACCOUNTS PAYABLE

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

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).

### 27. OTHER PAYABLES AND ACCRUALS

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 28. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Advisory fee	563	545
	563	545

Advisory fee income is generally paid in advance prior to the beginning of each project and is initially recorded as contract liabilities in the consolidated statement of financial position. The portion of income received from the clients but not yet earned is recorded as contract liabilities in the consolidated statement of financial position and will be reflected as a current liability if such amount represents revenue that the Group expects to recognise within one year from reporting date.

During the year ended 28 February 2021, advisory fee of HK\$545,000 (2020: HK\$1,370,000) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue.

### 29. SHARE CAPITAL

	Par value	Number of shares	Nominal amount HK\$'000
Ordinary shares			
Authorised:			
At 29 February 2020 and 28 February 2021	HK\$0.01	1,000,000,000	10,000
Issued and fully paid:			
At 29 February 2020 and 28 February 2021	HK\$0.01	400,000,000	4,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 30. DEFERRED TAX ASSETS

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

	<b>Tax losses</b> HK\$'000	<b>Temporary difference on accelerated accounting depreciation</b> HK\$'000	<b>Total</b> HK\$'000
At 1 March 2019	—	(65)	(65)
Credit to profit or loss for the year	(1,266)	(161)	(1,427)
At 29 February 2020	(1,266)	(226)	(1,492)
Charge/(Credit) to profit or loss for the year	139	(273)	(134)
At 28 February 2021	(1,127)	(499)	(1,626)

### 31. LEASE LIABILITIES

	HK\$'000
As at 1 March 2019	2,783
Interest expenses	68
Lease payments	(1,920)
As at 29 February 2020	931
Addition	4,103
Interest expenses	77
Lease payments	(2,086)
Balance as at 28 February 2021	3,025

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 31. LEASE LIABILITIES (Continued)

Future lease payments are due as follows:

	28 February 2021		
	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Not later than one year	2,357	(53)	2,304
Later than one year but not later than two years	724	(3)	721
Lease liabilities as at 28 February 2021	3,081	(56)	3,025

	29 February 2020		
	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Not later than one year	943	(12)	931
Later than one year but not later than two years	—	—	—
Lease liabilities as at 29 February 2020	943	(12)	931

(i) The present value of future lease payments is analysed as follows:

	28 February 2021 HK\$'000	29 February 2020 HK\$'000
Current liabilities	2,304	931
Non-current liabilities	721	—
	3,025	931



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 31. LEASE LIABILITIES (Continued)

(ii) Amounts recognised in profit or loss

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	77	68

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

	2021 HK\$'000	2020 HK\$'000
Financial assets measured at FVTPL — Equity securities listed in Hong Kong	57,722	37,083

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

### 33. COMMITMENTS

#### Loan commitment

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

	2021 HK\$'000	2020 HK\$'000
Loan commitment	18,889	21,555

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 34. RELATED PARTY TRANSACTIONS

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

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

Note 1: Mr. Li Lap Sun (key management personnel of the Group) has interests in management shares of Innovax Alpha SPC and participating shares of Innovax Alpha SPC — Innovax Balanced Fund SP which is managed by Innovax Asset Management Limited.

### 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure each group entity will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the period.

The capital structure of the Group consists of debt and equity attributable to owners of the Company (comprising issued share capital and reserves).

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

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with the Hong Kong Securities and Futures Commission (the "SFC") for the businesses they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by the SF(FR)R) in excess of HK\$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets at amortised cost</b>		
— Accounts receivable	102,562	84,663
— Other receivables		
Deposits with Stock Exchange and a clearing house	230	230
Other receivables arising from corporate finance advisory service	—	1,416
Interest receivable	175	160
Loan receivables	9,086	5,373
Utility deposit	623	537
— Cash and bank balances — held on behalf of customers	153,989	54,589
— Cash and bank balances	68,081	97,349
<b>Financial asset at FVTPL</b>	57,722	37,083
	<b>392,468</b>	281,400
<b>Financial liabilities</b>		
Accounts payable	158,313	66,649
Other payables	22	355
	<b>158,335</b>	67,004

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 36. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurements

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

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

	Fair value as at 28 February 2021 HK\$'000	Fair value as at 29 February 2020 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL — Listed equity investments	57,722	37,083	Level 1	Quoted bid price in an active market.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

### Financial risk management

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's risk management strategy is to identify and analyse the various risks the Group's exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level. The principal financial risks inherent in the Group's business are market risk (includes interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

#### Market risk

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate demand and fixed deposits, accounts receivable arising from securities dealing and brokerage services, loan receivables and lease liabilities.

As at 28 February 2021 and 29 February 2020, the interest rate risk is considered to be limited because the Group's exposure to interest rate risk arising from the variable interest bearing assets is low. Accordingly, no sensitivity analysis on interest rate risk was presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

##### Market risk (Continued)

###### Price risk

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

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the prices of the respective equity instruments had been 5% higher/lower, the post-tax profit for the year ended 28 February 2021 would increase/decrease by HK\$2,886,000 (2020: HK\$1,854,000) as a result of the changes in fair value of investments at FVTPL.

##### Credit risk and impairment assessment

Credit risk arises when a counterparty is unable or unwilling to meet a commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its accounts receivable from customers and loans advanced to staff and cash and bank balances. As at 28 February 2021 and 29 February 2020, the carrying amounts of financial assets at amortised cost represent the maximum credit exposure without taking account of collaterals held. In addition, the Group is also exposed to credit risk arising from loan commitments. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and loan commitments, except that the credit risks associated with accounts receivable arising from securities financing services, is mitigated because they are secured over listed securities.

The Group recognised a loss allowance of HK\$134,000 and HK\$105,000 on the amounts receivable arising from securities financing services which are secured by collaterals as at 28 February 2021 and 29 February 2020.

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Group evaluates the credit risk for each loan application on the basis of the repayment abilities of the customers having regard to their financial position, employment status, past due record and collaterals pledged to the Group.

Credits are granted according to the hierarchy of approval authorities within the Group. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The Group adopts a prudent approach to credit risk management framework. Its credit policy is timely revised to align with the prevailing credit environment which is continuously affected by changes in business, economy, regulatory requirements, money market, and social conditions.

In order to minimise the credit risk on secured margin financing, the management is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls in relation to the securities dealing and brokerage services. In addition, the Group requests collateral from individual margin client and the value of such collateral has to be maintained at certain level in proportion to the outstanding balance due from the margin client. The Group closely monitors the volatility of the market prices of the securities collateral taking into consideration of their current market prices and historical price movements, latest information and news of the related listed companies and other relevant factors regarding the financial market that may impact the market prices of the securities collateral. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 36. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management (Continued)

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

Monitoring of credit risk on accounts receivable from corporate finance businesses is performed by the management on an on-going basis.

As at 28 February 2021 and 29 February 2020, the Group has concentration of credit risk on accounts receivable as 50% (2020: 59%) of the total accounts receivable was due from three customers, which are arising from secured margin loan (2020: secured margin loan).

For accounts receivable, other receivables and contract assets arising from corporate finance advisory services (2020: accounts receivables, other receivables and contract assets arising from corporate finance advisory services), the Group applied expected loss rate based on that of counterparties with similar credit ratings, with adjustment to reflect current conditions and forecasts of future economic conditions through the use of financial market analysis and individual stock analysis, as appropriate.

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

Except for accounts receivable, other receivables and contract assets arising from margin loans and corporate finance advisory services, as well as the loan receivables (2020: accounts receivables, other receivables, contract assets arising from margin loans and corporate finance advisory services and loan receivables), the impairment allowance determined for other financial assets carried at amortised cost is insignificant.

The Group takes into consideration forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not changed in the estimation techniques or significant assumptions during the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

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

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

	Notes	Gross carrying amount	
		2021 HK\$'000	2020 HK\$'000
<b>Financial assets at amortised costs</b>			
Accounts receivable arising from:	21		
— Corporate finance advisory services	Lifetime ECL (not credit-impaired-simplified approach)	1,423	11,316
— Securities dealing and brokerage services	Lifetime ECL (not credit-impaired-simplified approach)	3,190	4,339
— Securities financing services	12-month ECL	98,086	69,421
— Asset management services	Lifetime ECL (not credit-impaired-simplified approach)	50	48
Other receivables	23		
— Deposits and interest receivables (Note 1)	12-month ECL	1,028	927
— Other receivables arising from corporate finance advisory services	Lifetime ECL (not credit-impaired-simplified approach)	—	1,467
— Loan receivables	12-month ECL	9,300	5,500
Cash and bank balances (Note 1)	24 12-month ECL	68,081	97,349
Cash and bank balances — held on behalf of customers (Note 1)	25 12-month ECL	153,989	54,589
<b>Other items</b>			
Contract assets	22 Lifetime ECL (not credit-impaired-simplified approach)	1,904	7,350
Loan commitment	33 12-month ECL	18,889	21,555

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

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

The following table provides information about the exposure to credit risk for non credit-impaired accounts receivable other than securities financing based on expected loss rate as at 28 February 2021 and 29 February 2020.

	Expected loss rate	Gross carrying amount HK\$'000	Lifetime ECL HK\$'000
<b>At 28 February 2021</b>			
Corporate finance advisory service	2.8%	1,423	40
Securities dealing and brokerage services	0.2%	3,190	7
Asset management services	2.0%	50	1
Contract assets (relating to corporate finance advisory services)	3.2%	1,904	60
			108
<b>At 29 February 2020</b>			
Corporate finance advisory service	3.05%	11,316	346
Securities dealing and brokerage services	0.2%	4,339	9
Asset management services	0.8%	48	1
Contract assets (relating to corporate finance advisory services)	3.2%	7,350	234
			590



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

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

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

	Lifetime ECL (not credit- impaired) HK\$'000
<b>At 1 March 2019</b>	188
Changes due to financial instruments recognised as at 1 March 2019:	
— Impairment losses reversed	(183)
New financial assets originated or purchased	351
<b>At 29 February 2020</b>	356
Changes due to financial instruments recognised as at 1 March 2020:	
— Impairment losses reversed	(311)
New financial assets originated or purchased	3
<b>At 28 February 2021</b>	48

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

##### Impairment allowances on contract assets

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

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
<b>At 1 March 2019</b>	84	400	484
Changes due to financial instrument recognised as at 1 March 2019:			
— Write-offs	—	(400)	(400)
— Impairment losses reversed	(84)	—	(84)
New financial assets originated or purchased	234	—	234
<b>At 29 February 2020</b>	234	—	234
Changes due to financial instrument recognised as at 1 March 2020:			
— Impairment losses recognised	8	—	8
— Impairment losses reversed	(182)	—	(182)
<b>At 28 February 2021</b>	60	—	60

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

##### Impairment allowances on other receivables

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

	12 Month ECL HK\$'000	Lifetime ECL (not credit-impaired) HK\$'000	Total HK\$'000
<b>At 1 March 2019</b>	19	—	19
Changes due to financial instrument recognised as at 1 March 2019:			
— Impairment losses reversed	(19)	—	(19)
New financial assets originated or purchased	127	51	178
<b>At 29 February 2020</b>	127	51	178
Changes due to financial instrument recognised as at 1 March 2020:			
— Impairment losses recognised	607	—	607
— Impairment losses reversed	(547)	—	(547)
<b>At 28 February 2021</b>	187	51	238

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

## 36. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management (Continued)

#### Impairment allowances on securities financing services

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

	12-months ECL HK\$'000
<b>At 1 March 2019</b>	6
Changes due to financial instruments recognised as at 1 March 2019:	
— Impairment losses reversed	(4)
New financial assets originated or purchased	103
<b>At 29 February 2020</b>	105
Changes due to financial instruments recognised as at 1 March 2020:	
— Impairment losses recognised	372
— Impairment losses reversed	(338)
<b>At 28 February 2021</b>	139

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deems adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management (Continued)

##### Liquidity risk (Continued)

	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	More than one year but less than two years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 28 February 2021</b>						
Non-derivative financial liabilities						
Accounts payable	158,313	—	—	—	158,313	158,313
Lease liabilities	196	589	1,572	724	3,081	3,025
Other payables	22	—	—	—	22	22
Loan commitment	18,889	—	—	—	18,889	18,889
	177,420	589	1,572	724	180,305	180,249
<b>At 29 February 2020</b>						
Non-derivative financial liabilities						
Accounts payable	66,649	—	—	—	66,649	66,649
Lease liabilities	160	320	463	—	943	931
Other payables	355	—	—	—	355	355
Loan commitment	21,555	—	—	—	21,555	21,555
	88,719	320	463	—	89,502	89,490

#### Offsetting financial assets and financial liabilities

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

Type of financial assets	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK\$'000	Net amounts of financial assets recognised in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000	
<b>At 28 February 2021</b>						
Accounts receivable arising from the business of dealing in securities	109,453	(8,324)	101,129	(3,178)	(97,951)	—
<b>At 29 February 2020</b>						
Accounts receivable arising from the business of dealing in securities	74,950	(1,305)	73,645	(4,324)	(69,321)	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 36. FINANCIAL INSTRUMENTS (Continued)

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

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

Type of financial liabilities	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities recognised in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral pledged HK\$'000	
<b>At 28 February 2021</b>						
Accounts payable arising from the business of dealing in securities	165,790	(8,324)	157,466	(3,178)	—	154,288
<b>At 29 February 2020</b>						
Accounts payable arising from the business of dealing in securities	67,839	(1,305)	66,534	(4,324)	—	62,210

### 37. SHARE OPTION SCHEME

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

- The purpose of the Option Scheme is to motivate eligible participants to optimise their performance efficiency for the benefit of the Group; and attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.
- The eligible participants of the Option Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.
- The maximum number of shares in respect of which options may be granted under the Option Scheme and under any other share option schemes of the company must not in aggregate exceed 10% of the total number of shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*For the year ended 28 February 2021*

### 37. SHARE OPTION SCHEME (Continued)

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

There was no share option granted to eligible participants during the years ended 28 February 2021 and 29 February 2020. There was no outstanding share options at 28 February 2021 and 29 February 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 38. NOTES TO THE CASH FLOW STATEMENTS

#### (a) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities HK\$'000	Total HK\$'000
At 1 March 2019	2,783	2,783
Changes from cash flows:		
Payment of lease liabilities	(1,852)	(1,852)
Interest paid on lease liabilities	(68)	(68)
Total changes from financing activities	(1,920)	(1,920)
Other changes:		
Interest expenses	68	68
At 29 February 2020	931	931
Changes from cash flows:		
Payment of lease liabilities	(2,009)	(2,009)
Interest paid on lease liabilities	(77)	(77)
Total changes from financing activities	(2,086)	(2,086)
Other changes:		
Interest expenses	77	77
New lease entered during the year	4,103	4,103
Total changes from financing activities	4,180	4,180
At 28 February 2021	3,025	3,025

#### (b) Comparative amounts

Certain comparative amounts have been reclassified, to conform with the current year's presentation and disclosures. The Company's directors consider that such presentation would better reflect the financial performance and position of the Group.

During the current year, the changes in financial assets at fair value through profit or loss of HK\$14,434,000 (2020: HK\$43,255,000), loan receivables of HK\$3,800,000 (2020: HK\$5,500,000) and interest received from loan receivables of HK\$978,000 (2020: HK\$79,000) were regrouped from "investing activities" to "operating activities" while interests paid of HK\$77,000 (2020: HK\$68,000) were regrouped from "operating activities" to "financing activities" in the consolidated statement of cash flows. The comparative figures had been regrouped to conform with the current year presentation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

### 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Principal activities and place of operation	Class of shares held/paid up issued share capital	Effective interest held as at	
				28 February 2021	29 February 2020
<b>Directly held by the Company</b>					
Crystal Prospect Limited	BVI	Investment holding in Hong Kong	Ordinary shares/ US\$100	100%	100%
<b>Indirectly held by the Company</b>					
Innovax Securities Limited ("ISL")	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	Ordinary shares/ HK\$20,000,000	100%	100%
Innovax Capital Limited ("ICL")	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	Ordinary shares/ HK\$10,000,000	100%	100%
Innovax Asset Management Limited ("IAML")	Hong Kong	Provision of asset management services to clients in Hong Kong	Ordinary shares/ HK\$2,800,000	100%	100%
Innovax Management Limited	BVI	Provision of management services in Hong Kong	Ordinary shares/ US\$100	100%	100%
Innovax Futures Limited	Hong Kong	Provision of futures dealing services in Hong Kong	Ordinary shares/ HK\$5,000,000	100%	100%
Innovax Consultancy Limited	Hong Kong	Inactive	Ordinary shares/ HK\$1	100%	100%
Innovax Credit Limited	Hong Kong	Inactive	Ordinary shares/ HK\$100	100%	100%
Innovax Investment Limited	BVI	Investment holding in Hong Kong	Ordinary shares/ US\$100	100%	—

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	1	1
<b>Total non-current assets</b>	<b>1</b>	<b>1</b>
Current assets		
Amounts due from subsidiaries	137,859	110,864
Other receivables and prepayments	121	210
Cash and bank balances	16,868	44,247
<b>Total current assets</b>	<b>154,848</b>	<b>155,321</b>
<b>Total assets</b>	<b>154,849</b>	<b>155,322</b>
Current liabilities		
Accruals	68	291
<b>Total current liabilities</b>	<b>68</b>	<b>291</b>
<b>Net current assets</b>	<b>154,780</b>	<b>155,030</b>
<b>Total assets less current liabilities</b>	<b>154,781</b>	<b>155,031</b>
Equity		
Share capital (see note 29)	4,000	4,000
Reserves	150,781	151,031
<b>Total equity</b>	<b>154,781</b>	<b>155,031</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 28 February 2021

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

#### Movement in the Company's reserves

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 March 2019	169,663	(17,312)	152,351
Loss and total comprehensive expense for the year	—	(1,320)	(1,320)
At 29 February 2020	169,663	(18,632)	151,031
Loss and total comprehensive expense for the year	—	(250)	(250)
At 28 February 2021	169,663	(18,882)	150,781

# FINANCIAL SUMMARY

For the year ended 28 February 2021

	For the year ended				28 February 2021 HK\$'000
	28 February 2017 HK\$'000	28 February 2018 HK\$'000	28 February 2019 HK\$'000	29 February 2020 HK\$'000 (Note)	
Revenue					
Corporate finance advisory services	32,684	54,794	66,754	51,975	<b>38,219</b>
Placing and underwriting services	3,326	24,951	13,991	34,525	<b>33,613</b>
Securities dealing and brokerage services	—	4,313	3,487	5,232	<b>2,471</b>
Asset management services	—	247	658	717	<b>1,527</b>
Interest income from securities financing services	—	69	299	4,227	<b>7,852</b>
<b>Total revenue</b>	<b>36,010</b>	<b>84,374</b>	<b>85,189</b>	<b>96,676</b>	<b>83,682</b>
Other income	399	44	1,494	2,933	<b>6,145</b>
Other gains and losses	(1)	(366)	—	(6,172)	<b>6,205</b>
	<b>36,408</b>	<b>84,052</b>	<b>86,683</b>	<b>93,437</b>	<b>96,032</b>
Administrative and operating expenses	(2,937)	(8,448)	(14,667)	(18,500)	<b>(21,105)</b>
Net impairment allowance on financial instruments, net of reversal	—	—	(214)	(576)	<b>388</b>
Staff costs	(13,200)	(44,605)	(43,903)	(70,859)	<b>(72,610)</b>
Finance costs	—	(81)	(234)	(228)	<b>(184)</b>
Listing expenses	—	(123)	(9,640)	—	<b>—</b>
<b>Total expenses</b>	<b>(16,137)</b>	<b>(53,257)</b>	<b>(68,658)</b>	<b>(90,163)</b>	<b>(93,511)</b>
Profit before tax	20,271	30,795	18,025	3,274	<b>2,521</b>
Income tax expense	(3,424)	(5,364)	(5,766)	(1,667)	<b>(141)</b>
<b>Profit and total comprehensive income for the year</b>	<b>16,847</b>	<b>25,431</b>	<b>12,259</b>	<b>1,607</b>	<b>2,380</b>
Earnings per share					
Basic (HK cents)	5.62	8.48	3.54	0.4	<b>0.6</b>
Diluted (HK cents)	N/A	N/A	3.54	0.4	<b>0.6</b>

## Asset and liabilities

	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000 (Note)	2021 HK\$'000
Total assets	45,669	131,847	275,689	300,231	<b>408,032</b>
Total liabilities	(24,404)	(85,151)	(48,555)	(71,541)	<b>(176,962)</b>
<b>Net assets</b>	<b>21,265</b>	<b>46,696</b>	<b>227,134</b>	<b>228,690</b>	<b>231,070</b>

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