



INNOVAX HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2680

Interim Report 2021/2022

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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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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
Registered Public Interest Entity Auditor
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

Management Discussion and Analysis

OVERVIEW

Established in Hong Kong in 2014, Innovax Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) through four operating subsidiaries namely 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 sponsor to companies pursuing listing on the Main Board and GEM; (ii) acting as financial and independent financial adviser; and (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services, futures dealing as well as asset management services.

The total revenue of the Group decreased from approximately HK\$20.8 million for the six months ended 31 August 2020 to approximately HK\$18.1 million for the six months ended 31 August 2021 (the “Period”), representing a decrease of approximately 13%. The decrease in revenue was mainly attributable to the decrease in revenue from corporate finance advisory services and placing and underwriting services as a result of the COVID-19 pandemic (the “Pandemic”) which has delayed the progress of the Group’s IPO sponsorship projects. However, the Group recorded a loss of approximately HK\$2.0 million for the Period, representing a substantial decrease in loss as compared with the loss of approximately HK\$6.6 million for the Period. The substantial decrease in loss was mainly due to the drop in staff costs by appropriately 50% as a result of the decrease in salary expenses in general and the decrease in discretionary bonus.

MARKET REVIEW

During the Period, the macro economy and business environment remained difficult, especially with the novel coronavirus (“COVID-19”) variants, and concerns over tightening of the monetary policy in the United States happening faster than expected. There were signs that the Pandemic was contained in some countries like China though, variants of COVID-19 had caused the number of cases rebounded in places like Taiwan and Brazil. With the uncertainties in the market, some corporations, especially middle-size enterprises tended to withhold their IPO projects or other transaction plans. The cross-border travel restrictions imposed by the governments had also limited business opportunities especially in China. According to the HKEX monthly market highlights, the number of newly listed companies dropped by approximately 24.2% from 91 in August 2020 to 69 only in August 2021.

In Hong Kong, with the volatile global economic outlook, in addition to the slower-than-expected recovery of Chinese economy which was caused by the rise in commodity price, the resurging COVID-19 cases and flooding in some places in China, the Hang Seng Index fluctuated within the range around 25,000 and 29,000 during the Period, and closed low at 25,878 by the end of August 2021. Nevertheless, the Pandemic in Hong Kong was somewhat in controlled, together with the stimulating policies launched by the Hong Kong Government, the Hong Kong economic condition remained recovering during the Period. GDP in Hong Kong increased by approximately 7.6% year-on-year in real terms in the second quarter of 2021. The average daily turnover in the Hong Kong Stock Market experienced an increase of 46% from HK\$126.1 billion for the same period last year to HK\$183.8 billion for the first eight months of 2021.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW

Corporate Finance Advisory Services

The corporate finance advisory services mainly comprise services including (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services. The Group's corporate finance advisory business recorded a decrease in revenue of approximately 41.9%, from approximately HK\$13.6 million for the period ended 31 August 2020 to approximately HK\$7.9 million during the six months ended 31 August 2021.

During the Period, the Group was engaged in a total of 42 corporate finance advisory projects, which included 16 IPO sponsorship projects, 12 financial and independent financial advisory projects and 14 compliance advisory projects, while the Group was engaged in a total of 57 corporate finance advisory projects, which included 27 IPO sponsorship projects, 10 financial and independent financial advisory projects and 20 compliance advisory projects during the corresponding period in 2020.

During the Period, the market was still unstable, due to the Pandemic and also the new regulatory moves as announced by the Chinese government in the education, property and tech sectors, the investor remained conservative in the Hong Kong stock market. Many of the companies had continued to withhold their IPO or fund-raising plans during the Period. According to the HKEX Securities and Derivative Market Quarterly reports, the number of newly listed company in the second quarter of 2021 was only 13 (with merely one company transferred from GEM), when compared to 19 (with three companies transferred from GEM) in the second quarter of 2020. The total fund raised by new listing in the second quarter of 2021 dropped to approximately HK\$74.82 billion from approximately HK\$78.21 billion in the second quarter of 2020. The Company's performance in this segment was in line with the market trend in Hong Kong and the world during the Period.

IPO sponsorship services

IPO sponsorship services remain the Group's core driver for the Period. During the Period, the Group was engaged in 16 IPO sponsorship projects, of which none of them were completed during the Period.

Income generated from IPO sponsorship services was approximately HK\$3.8 million during the Period (six months ended 31 August 2020: approximately HK\$6.4 million). During the Period, the Group was engaged in 16 IPO sponsorship projects, while the Group was engaged in 27 IPO sponsorship projects during the six months ended 31 August 2020.

Financial and independent financial advisory services

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

Income generated from financial and independent financial advisory service was approximately HK\$1.5 million during the Period (six months ended 31 August 2020: approximately HK\$3.7 million). During the Period, the Group was engaged in five financial advisor projects and seven independent financial advisory projects while the Group was engaged in eight financial advisor projects and two independent financial advisory projects during the six months ended 31 August 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.

Management Discussion and Analysis (Continued)

Income generated from compliance advisory services was approximately HK\$2.7 million during the Period (six months ended 31 August 2020: approximately HK\$3.6 million). During the Period, the Group was engaged in 14 compliance advisory projects, while the Group was engaged in 20 compliance advisory projects during the six months ended 31 August 2020.

Placing and Underwriting Services

The Group provides placing and underwriting services by acting as (i) placing or sub-placing agents for issue of new shares by listed companies; and (ii) global coordinators or bookrunners or lead managers or underwriters for IPOs of listing applicants, in return for placing and/or underwriting commission income.

During the Period, the Group completed five placing and underwriting projects (six months ended 31 August 2020: six projects), including two transactions as lead manager for IPOs and three placing or sub-placing agent for issue of new shares by listed companies. Income generated from placing and underwriting business was approximately HK\$2.3 million during the Period (six months ended 31 August 2020: HK\$3 million).

Securities Dealing and Brokerage Services

The Group provides securities dealing and brokerage services to its clients for trading in securities listed on the Main Board or GEM in return for brokerage commission income. In conjunction with its securities dealing and brokerage services, the Group also provides advice on securities as value-added services to its clients. Such value-added services include provision of daily market update reports, securities performance analysis reports and monthly and yearly market outlook reports.

As at 31 August 2021, the Group had 813 securities accounts maintained in Innovax Securities (as at 28 February 2021: 788) and its commission income generated from securities dealing and brokerage business was approximately HK\$910,000 during the Period (six months ended 31 August 2020: approximately HK\$876,000).

Securities Financing Services

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

As at 31 August 2021, the total outstanding balance of margin loans amounted to HK\$95.8 million (as at 28 February 2021: approximately HK\$98.1 million) and its interest income generated from securities financing services was approximately HK\$6.7 million during the Period (six months ended 31 August 2020: approximately HK\$3 million).

Asset Management Services

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

As at 31 August 2021, the asset under management ("AUM") of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$4.1 million (equivalent to approximately HK\$31.77 million) (as at 28 February 2021: approximately US\$4.47 million equivalent to approximately HK\$34.53 million). The income generated from asset management business was approximately HK\$288,000 during the Period (six months ended 31 August 2020: approximately HK\$273,000).

Management Discussion and Analysis (Continued)

Future dealing services

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

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue recorded a decrease of 13% to HK\$18.1 million (six months ended 31 August 2020: HK\$20.8 million), mainly attributable to the decrease in revenue from corporate finance advisory services and placing and underwriting services, as a result of the Pandemic which has delayed the progress of the Group's IPO sponsorship projects.

Loss attributable to the owners of the Company

Loss for the Period attributable to owners of the Company amount to approximately HK\$1.97 million (six months ended 31 August 2020: loss of HK\$6.6 million) attributable to the net effect of decrease in revenue from corporate finance advisory services and placing and underwriting services as a result of the Pandemic which has delayed the progress of the Group's IPO sponsorship projects and the drop in staff costs as a result of the decrease in salary expenses in general and the decrease in discretionary bonus.

Administrative and Operating Expenses

The Group's administrative and operating expenses increased by approximately 24.5% from approximately HK\$5.3 million for the six months ended 31 August 2020 to approximately HK\$6.6 million for the Period. The increase in administrative expenses and other operating expenses for the Period was mainly attributable to an increase in other operating expenses during the Period.

Staff Costs

Staff costs decreased by approximately 50% from approximately HK\$33.6 million for the six months ended 31 August 2020 to approximately HK\$16.8 million for the Period due to the decrease in salary expenses in general and the decrease in discretionary bonus during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 August 2021, the Group's net current assets amounted to HK\$223.4 million (as at 28 February 2021: HK\$223.5 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 2.95 times (as at 28 February 2021: 2.27 times). Bank balances amounted to HK\$52.6 million (as at 28 February 2021: HK\$68.1 million). As at 31 August 2021 and 28 February 2021, the Group had no debts including payables which were not incurred in the ordinary course of business and hence the gearing ratio is zero.

Management Discussion and Analysis (Continued)

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

As at 31 August 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 Period, no options were granted by the Company under the Share Option Scheme.

The Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into Shares as at 31 August 2021 and up to the date of this report.

PLEDGE OF ASSETS

As at 31 August 2021, the Group did not have any pledged assets (As at 28 February 2021: Nil).

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 August 2021, the Group did not have any significant capital commitment and contingent liabilities (As at 28 February 2021: Nil).

Management Discussion and Analysis (Continued)

LOAN COMMITMENT

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2021, the Group employed 38 staff (including executive Directors) (As at 28 February 2021: 41). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Moreover, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Employee benefits expenses was approximately HK\$16.8 million during the Period (six months ended 31 August 2020: approximately HK\$33.6 million), representing a decrease of approximately HK\$16.8 million due to the decrease in salary expenses in general and a decrease in discretionary bonus during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 August 2021, the Group maintained an equity investment at fair value through profit and loss with total carrying amount of approximately HK\$58.8 million. The details of the equity investment as at 31 August 2021 are set out as follows:

Stock Code	Name of Investee	Percentage of shareholding in the listed securities held by the Group as at 31 August 2021	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 31 August 2021	Fair value of the investment in listed securities as at 31 August 2021 <i>HK\$'000</i>	Unrealized loss for the period ended 31 August 2021 <i>HK\$'000</i>
1542	Taizhou Water Group Co., Ltd	5.99%	11.50%	39,514	6,945
	Total			39,514	6,945

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 interim report for the six months ended 30 June 2021, the Taizhou Water Group recorded a total revenue amount to approximately RMB260 million for the period. The Taizhou Water Group’s reported a gain of approximately RMB61 million attributable to owners of Taizhou Water. The basic earnings per share are RMB0.30 for the period. As at 30 June 2021, the condensed consolidated net asset value of the Taizhou Water Group was approximately RMB1,049 million. No interim dividend was declared and received during the period.

According to the interim report of Taizhou Water for the six months ended 30 June 2021, Taizhou Water is committed to becoming an excellent water service provider and comprehensive development operator of water and environmental protection resources in the Yangtze River Delta region. Taizhou Water initiated the integration of water supply services in this year. Through the acquisition of equity interests in other water supply companies in Taizhou, Taizhou Water shall strengthen its position as a leading water supply service provider in Taizhou. Taizhou Water shall in the future try to tap into the ecological environmental protection area and actively develop areas covering wastewater, reusable water, solid waste disposal and venous industrial park etc. to promote the development of green environmental protection business. Taizhou Water actively carries out cooperation and exchange with universities to explore the future layout of the group’s environmental protection business, promote cooperation among industrial, academic and research areas to achieve a win-win development for schools and enterprises.

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

As at 31 August 2021, the Group held 11,974,000 H shares of Taizhou Water. Taizhou Water closed at HK\$3.30 as at 31 August 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 31 August 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)

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 August 2021 (six months ended 31 August 2020: Nil).

USE OF PROCEEDS

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

Up to 31 August 2021, the Group has utilized HK\$156.15 million, accounting for approximately 98.8% of the net proceeds from Listing. Subsequently, the Group had announced on 21 April 2020, regarding the change in use of proceeds in accordance to the recent market conditions and business development of the Company. Details of the change in use of proceeds are set out in the announcement dated 21 April 2020.

The use of proceeds as at 31 August 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 31 August 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	—
Total	HK\$158 million	—	HK\$158 million	HK\$156.15 million	HK\$1.85 million

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

Management Discussion and Analysis (Continued)

As at 31 August 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 31 August 2021.

During the Period, the Company did not establish new funds since the global economic outlook remained volatile given the emergence and spread of COVID-19 variants and concerns over the accelerated tightening of monetary policy in the United States. The Company will continue to monitor market condition and expect to use the remaining unutilized net proceeds of HK\$1.85 million according to the changing market condition to create greater value for the shareholders of the Company by 28 February 2022.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there was no material adverse change in the Group's financial and trading position or prospects as at 31 August 2021.

OUTLOOK AND PROSPECT

During the Period, the conservative market sentiment had adversely affected some of the Group's business including corporate finance advisory and placing and underwriting segments. Still, the Group had achieved moderate growth in other segments, especially in the securities financing services and asset management services segments. Looking ahead in the near future, the emergence of new COVID-19 variants which seem unlikely to cease and the tensions between China, the United States (the "U.S.") and the European Union and the inflations caused by accelerating customer demands have added uncertainties to the development of global economy. In addition, the tightening of regulations on sectors like education, tech and finance sectors in China has posed concerns to the investors and therefore, the business environment is anticipated to remain challenging in the short run.

Nonetheless, with the global vaccination campaigns rolling out and lockdowns or cross border restrictions gradually lifting in various places, accompanied with positive market news including the accommodative monetary and fiscal policy seemingly to be maintained and the continuous support and stimulus by governments, the negative impacts of the macro-economy brought by the Pandemic are believed to be transitory. In China, Central Bank has been directing funds precisely to industries severely affected by the Pandemic which helped stabilizing employment and price level while resuming production. More encouraging is that the tension between China and the U.S. has triggered a wave of U.S.-listed Chinese stocks returning to home markets, and Hong Kong, being a reputable international financial hub, is one of the priorities of many Chinese enterprises. Some Chinese listed companies in the U.S., such as Baidu, have once expressed its consideration of a secondary listing in Hong Kong. The Group during the Period has demonstrated its ability to cope with the difficult environment by modifying its business strategies with a prudent approach to mitigate risks according to the market conditions. The Group had achieved good performance in some segments like its securities financing services and asset management services businesses. Seeing that the market will recover gradually in the future, the Group believes that it shall be able to provide its clients with more comprehensive services, and the Group shall accomplish satisfactory results in its various businesses. The Group shall continue to take a cautious approach and act appropriately according to the market development to create value and returns for the shareholders of the Company.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the six months ended 31 August 2021 and up to the date of this report.

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

Throughout the six months ended 31 August 2021 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") on 24 August 2018. As at the date of this report, it comprises three independent non-executive Directors, namely Ms. Chan Ka Lai, Vanessa (Chairlady), Dr. Wu Kwun Hing and Mr. Choi Wai Ping. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The Audit Committee has reviewed with management of the Company the Group's unaudited condensed consolidated interim financial statements for the six months ended 31 August 2021 including the accounting principles and practices adopted by the Group.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

DIRECTORS' INTEREST IN CONTRACTS

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

Corporate Governance and Other Information (Continued)

DEED OF NON-COMPETITION

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 August 2021 and the date of this report, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

Interest in Shares of the Company

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

Corporate Governance and Other Information (Continued)

Notes:

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

Interest in Shares of associated corporation of the Company

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

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

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 August 2021 and the date of this report, the following persons have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of members of the Group:

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

Notes:

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

Corporate Governance and Other Information (Continued)

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Subsequent to the Period and as at the date of this interim report, there was no non-financial event that may cause material effects on the results of the Company.

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

Hong Kong, 28 October 2021

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

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended	
		31 August 2021 (unaudited) HK\$'000	31 August 2020 (unaudited) HK\$'000
Revenue			
Corporate finance advisory services	5	7,915	13,566
Placing and underwriting services	5	2,269	3,042
Securities dealing and brokerage services	5	910	876
Asset management services	5	288	273
Interest income from securities financing services	5	6,721	3,014
Total revenue		18,103	20,771
Other income	7	3,043	3,929
Other gains and losses	8	346	7,824
		21,492	32,524
Administrative and operating expenses		(6,607)	(5,263)
Impairment allowance on financial instruments, net of reversal	9	4	(289)
Staff costs	10	(16,826)	(33,569)
Finance costs	11	(37)	(49)
Total expenses		(23,466)	(39,170)
Loss before tax	12	(1,974)	(6,646)
Income tax	13	—	—
Loss and total comprehensive income for the period		(1,974)	(6,646)
Loss per share			
Basic and diluted (HK cents)	15	(0.49)	(1.66)

Condensed Consolidated Statements of Financial Position

		As at	
	Notes	31 August 2021 (unaudited) HK\$'000	28 February 2021 (audited) HK\$'000
Non-current assets			
Property and equipment	16	1,419	2,334
Right-of-use assets	17	1,848	2,997
Intangible asset	18	500	500
Deferred tax assets	30	1,626	1,626
Other receivables, deposits and prepayments	21	295	820
Total non-current assets		5,688	8,277
Current assets			
Accounts receivable	19	103,194	102,562
Contract assets	20	1,465	1,844
Other receivables, deposits and prepayments	21	10,189	9,814
Tax recoverable		2,687	5,743
Financial assets at fair value through profit or loss	22	58,811	57,722
Cash and bank balances	23	52,606	68,081
Cash and bank balances — held on behalf of customers	24	108,934	153,989
Total current assets		337,886	399,755
Total assets		343,574	408,032
Current liabilities			
Accounts payable	25	111,335	158,313
Other payables and accruals	26	770	15,061
Contract liabilities	27	493	563
Lease liabilities	28	1,848	2,304
Total current liabilities		114,446	176,241
Net current assets		223,440	223,514
Total assets less current liabilities		229,128	231,791
Non-current liabilities			
Lease liabilities	28	32	721
Net assets		229,096	231,070
Equity			
Share capital	29	4,000	4,000
Reserves		225,096	227,070
Total equity		229,096	231,070

Condensed Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i> <i>(note 29)</i>	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 March 2021	4,000	169,663	57,407	231,070
Loss and total comprehensive income for the period	—	—	(1,974)	(1,974)
At 31 August 2021	4,000	169,663	55,433	229,096
At 1 March 2020	4,000	169,663	55,027	228,690
Loss and total comprehensive income for the period	—	—	(6,646)	(6,646)
At 31 August 2020	4,000	169,663	48,381	222,044

Note: Ordinary shares issued for 1 share at par value of HK\$0.01.

Condensed Consolidated Statements of Cash Flows

	Notes	Six months ended	
		31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
CASH USED IN OPERATIONS		(14,292)	(52,337)
NET CASH USED IN OPERATING ACTIVITIES		(14,292)	(52,337)
INVESTING ACTIVITIES			
Purchases of property and equipment	16	(8)	(8)
Interest received		4	491
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(4)	483
FINANCING ACTIVITIES			
Repayment of principal of lease liabilities		(1,145)	(934)
Repayment of interest portion of lease liabilities		(34)	(19)
NET CASH USED IN FINANCING ACTIVITIES		(1,179)	(953)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(15,475)	(52,807)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		68,061	97,349
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		52,606	44,542
Analysis of the balances of cash and bank balances Cash and bank balances with an original maturity of three months or less:			
Cash at banks		47,665	42,510
Short-term deposits in banks		4,941	2,032
		52,606	44,542

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

Except as described in note 3, the accounting policies applied are consistent with annual report for the year ended 28 February 2021, as described in those annual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 August 2021 are the same as those presented in the Group’s annual financial statements for the year ended 28 February 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 March 2021 for the preparation of the Group's unaudited condensed consolidated financial statements:

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Expected credit loss ("ECL") for accounts receivable and contract assets

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

The provision of ECL is sensitive to changes in estimates. The estimates would include the amount and timing of future cash flows and collateral values when determining impairment allowances. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of expected credit loss, the information about the ECL and the Group's accounts receivable and contract assets are disclosed in note 35.

Income taxes

No deferred tax asset was recognised during the period ended 31 August 2021. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Notes to the Condensed Consolidated Financial Statements (Continued)

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.

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 Condensed Consolidated Financial Statements (Continued)

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

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

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Corporate finance advisory services		
Sponsor fee income	3,761	6,350
Advisory fee income — financial and independent financial advisory	1,469	3,665
Advisory fee income — compliance advisory	2,685	3,551
	7,915	13,566
Placing and underwriting services		
Placing and underwriting fee income	2,269	3,042
Securities dealing and brokerage services		
Commission income — Hong Kong equities and subscription of initial public offering ("IPO")	910	876
Asset management services		
Management fee income	288	273
Interest income from securities financing services		
Interest income — Margin clients	6,716	2,997
Interest income — Cash clients	5	17
	6,721	3,014
Total	18,103	20,771

Notes to the Condensed Consolidated Financial Statements (Continued)

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Timing of revenue recognition		
At a point in time	3,179	3,918
Over time	8,203	13,839
	11,382	17,757
Interest revenue	6,721	3,014
Total	18,103	20,771

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 Condensed Consolidated Financial Statements (Continued)

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 period ended 31 August 2021, the following external customers contributed more than 10% of total revenue of the Group.

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Customer A	—	4,350
Customer B	2,825	—

Notes to the Condensed Consolidated Financial Statements (Continued)

7. OTHER INCOME

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Interest income from bank balances	4	176
Interest income from other receivables	205	315
Dividend income	2,211	1,972
Handling fee income	272	147
Others	351	1,319
	3,043	3,929

8. OTHER GAINS AND LOSSES

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Realised (loss)/gain on financial assets at fair value through profit or loss	(453)	1,518
Unrealised gain on financial assets at fair value through profit or loss	799	6,306
	346	7,824

Notes to the Condensed Consolidated Financial Statements (Continued)

9. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
(Provision)/reversal of impairment losses on accounts receivable	(35)	90
Reversal of impairment losses on contract assets	21	103
Reversal/(provision) of impairment losses on other receivables	18	(482)
	4	(289)

10. STAFF COSTS

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Directors' emoluments	2,148	4,658
Other staffs		
Salaries and allowance	13,196	15,281
Bonuses	1,160	13,277
Contributions to Mandatory Provident Fund Scheme ("MPF Scheme")	322	353
	16,826	33,569

Notes to the Condensed Consolidated Financial Statements (Continued)

11. FINANCE COSTS

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Interest expenses — broker	3	30
Interest expenses — lease liabilities	34	19
	37	49

12. LOSS BEFORE TAX

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of property and equipment	923	991
Depreciation of right-of-use assets	1,149	926

Notes to the Condensed Consolidated Financial Statements (Continued)

13. INCOME TAX

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
— Current tax	—	—
Deferred tax	—	—
	—	—

Hong Kong Profits Tax was not provided for in the interim financial statements as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 31 August 2021.

14. DIVIDEND

The Board does not recommend payment of any dividend for the six months ended 31 August 2021 and 2020.

15. LOSS PER SHARE

	Six months ended	
	31 August 2021 (unaudited)	31 August 2020 (unaudited)
Loss for the purpose of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company (HK\$'000)	(1,974)	(6,646)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	400,000,000	400,000,000

Notes to the Condensed Consolidated Financial Statements (Continued)

16. PROPERTY AND EQUIPMENT

	Computer and software <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
As at 1 March 2020	786	487	5,882	82	7,237
Additions	13	—	—	—	13
As at 28 February 2021	799	487	5,882	82	7,250
Additions	—	4	—	4	8
As at 31 August 2021	799	491	5,882	86	7,258
Depreciation					
As at 1 March 2020	523	401	1,975	59	2,958
Charge for the year	164	59	1,715	20	1,958
As at 28 February 2021	687	460	3,690	79	4,916
Charge for the period	51	26	844	2	923
As at 31 August 2021	738	486	4,534	81	5,839
Carrying amount					
As at 31 August 2021	61	5	1,348	5	1,419
As at 28 February 2021	112	27	2,192	3	2,334

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 Condensed Consolidated Financial Statements (Continued)

17. 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:

	As at	
	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Properties leased for own use, carried at depreciated cost	1,848	2,997

- (ii) Amounts recognised in profit or loss:

	Six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Depreciation of right of use assets	1,149	926

As at 31 August 2021 and 28 February 2021, the Group leases various office for its operations. Lease contracts are entered into for fixed term of 17 months and 2 years (28 February 2021: 17 months and 2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INTANGIBLE ASSET

	Stock Exchange trading rights HK\$'000
COST	
At 1 March 2020, 28 February 2021 and 31 August 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 Condensed Consolidated Financial Statements (Continued)

19. ACCOUNTS RECEIVABLE

	As at	
	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Accounts receivable arising from:		
— Corporate finance advisory services	2,717	1,423
— Securities dealing and brokerage services	4,809	3,190
— Securities financing services		
— Secured margin loan	95,845	98,086
— Asset management services	46	50
Less: impairment allowance	(223)	(187)
	103,194	102,562

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

19. ACCOUNTS RECEIVABLE (Continued)

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

	As at	
	31 August	28 February
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0–30 days	6,820	4,080
31–60 days	226	223
61–90 days	—	40
Over 90 days	526	320
Less: impairment allowance	(90)	(48)
	7,482	4,615

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

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party as disclosed in note 33, of HK\$46,000 (28 February 2021: HK\$50,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

20. CONTRACT ASSETS

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

	As at	
	31 August	28 February
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Contract assets	1,503	1,904
Less: impairment allowance	(38)	(60)
	1,465	1,844

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% (28 February 2021: 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, 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Deposits with the Stock Exchange and a clearing house	230	230
Interest receivable	158	175
Loan receivables	9,554	9,300
Prepayment	143	544
Utility deposit	619	623
Less: impairment allowance	(220)	(238)
	10,484	10,634
Analysed as		
Non-current	295	820
Current	10,189	9,814
	10,484	10,634

The loan receivables are unsecured, bear interest at 3% to 10% per annum (28 February 2021: 3% p.a. and 9% p.a.) and repayable within 1 year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Financial assets measured at FVTPL		
— Equity securities listed in Hong Kong	58,811	57,722

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

Notes to the Condensed Consolidated Financial Statements (Continued)

23. CASH AND BANK BALANCES

Cash and bank balances mainly represent demand deposits at banks which are interest bearing at 0.001% to 0.002% per annum (28 February 2021: 0.001% per annum) and fixed deposits of HK\$4,941,000 (28 February 2021: HK\$4,938,000) with banks with an original maturity within 3 months.

24. 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 unaudited condensed consolidated statements of financial position and recognised the corresponding accounts payable (note 25) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash 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.

25. ACCOUNTS PAYABLE

	As at	
	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Accounts payable arising from:		
— Corporate finance advisory services	—	134
— Securities dealing and brokerage services	111,239	157,466
— Placing and underwriting services	96	713
	111,335	158,313

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\$402,000 (28 February 2021: HK\$310,000).

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

As at 31 August 2021, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$108,934,000 (28 February 2021: HK\$153,989,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

26. OTHER PAYABLES AND ACCRUALS

	As at	
	31 August	28 February
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Accrued expenses	765	15,039
Other payables	5	22
	770	15,061

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

27. CONTRACT LIABILITIES

	As at	
	31 August	28 February
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Advisory fee	493	563

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

During the period ended 31 August 2021, advisory fee of HK\$563,000 (28 February 2021: HK\$545,000) that was included in the contract liabilities balance at the beginning of the period was recognised as revenue.

Notes to the Condensed Consolidated Financial Statements (Continued)

28. LEASE LIABILITIES

	<i>HK\$'000</i>
As at 1 March 2020	931
Addition	4,103
Interest expenses	77
Lease payments	(2,086)
	<hr/>
As at 28 February 2021	3,025
	<hr/>
Interest expenses	34
Lease payment	(1,179)
	<hr/>
Balance as at 31 August 2021	1,880

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

	As at	
	31 August 2021 <i>HK\$'000</i> (unaudited)	28 February 2021 <i>HK\$'000</i> (audited)
Current liabilities	1,848	2,304
Non-current liabilities	32	721
	<hr/> 1,880 <hr/>	<hr/> 3,025 <hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

29. SHARE CAPITAL

	Par value	Number of shares	Nominal amount <i>HK\$'000</i>
Ordinary shares			
Authorised:			
At 28 February 2021 and 31 August 2021	HK\$0.01	1,000,000,000	10,000
Issued and fully paid:			
At 28 February 2021 and 31 August 2021	HK\$0.01	400,000,000	4,000

30. DEFERRED TAX ASSET

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

	Tax losses <i>HK\$'000</i>	Temporary difference on accumulated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 March 2020	(1,266)	(226)	(1,492)
Credited to profit or loss for the year	139	(273)	(134)
At 28 February 2021 and 31 August 2021	(1,127)	(499)	(1,626)

Notes to the Condensed Consolidated Financial Statements (Continued)

31. COMMITMENT

Loan commitment

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

	As at	
	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Loan commitment	19,059	18,889

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

32. CONTINGENT LIABILITIES

As at 31 August 2021, the Group did not have any significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	31 August 2021 HK\$'000 (unaudited)	31 August 2020 HK\$'000 (unaudited)
Commission income		
Mr. Chung Chi Man	2	—
Mr. Poon Siu Kuen Calvin	2	11
Mr. So Hin Pong	—	136
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (Note)	288	273

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

Notes to the Condensed Consolidated Financial Statements (Continued)

34. 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 each 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.

35. FINANCIAL INSTRUMENTS

Fair value measurements

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated statements 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), 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 31 August 2021 and 28 February 2021, 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 Condensed Consolidated Financial Statements (Continued)

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment

Credit risk arises when a counterparty is unable or unwilling to meet a commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its accounts receivable from customers, loan receivables and cash and bank balances. As at 31 August 2021, 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\$132,000 on the accounts receivable arising from securities financing services which are secured by collaterals as at 31 August 2021. (31 August 2020: HK\$105,000)

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

As at 31 August 2021 and 28 February 2021, the Group has concentration of credit risk on accounts receivable as 48% and 50% of the total accounts receivable was due from three customers, which are arising from secured margin loan.

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

Liquidity risk

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

Notes to the Condensed Consolidated Financial Statements (Continued)

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Fair value measurement

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 31 August 2021 HK\$'000	Fair value as at 28 February 2021 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL				
Listed equity investments	58,811	57,722	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 condensed consolidated statement of financial position approximate their fair values.

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified, to conform with the current period'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 period, the changes in financial assets at fair value through profit and loss of HK\$743,000 (31 August 2020: HK\$13,493,000), loan receivables of HK\$254,000 (31 August 2020: HK\$9,500,000), dividend received of HK\$2,211,000 (31 August 2020: HK\$1,972,000) were regrouped from "investing activities" to "operating activities" in the condensed consolidated statements of cash flows. The comparative figures had been regrouped to conform with the current period presentation.

37. EVENT AFTER THE REPORTING PERIOD

From 1 September 2021 to the date of this interim report, there was no non-financial event that may cause material effects on the results of the Company.

38. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements was approved and authorised for issue by the board of directors on 28 October 2021.