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## INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 28 FEBRUARY 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Innovax Holdings Limited (the “**Company**”) is pleased to present to its shareholders the consolidated results of the Company and its subsidiaries (the “**Group**”), which is extracted from the audited consolidated financial statements for the year ended 28 February 2022 (the “**Year**”), together with the comparative figures for the year ended 28 February 2021 as follows:

	Year ended	
	28 February 2022 HK\$'000	28 February 2021 HK\$'000
Total revenue	34,955	83,682
(Loss)/profit and total comprehensive (expense)/ income for the year	(22,517)	2,380
(Loss)/earning per share		
Basic and diluted (HK cents)	(5.63)	0.6

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Year ended</b>	
		<b>28 February 2022</b>	28 February 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Corporate finance advisory services	3	<b>14,812</b>	38,219
Placing and underwriting services	3	<b>4,221</b>	33,613
Securities dealing and brokerage services	3	<b>1,903</b>	2,471
Asset management services	3	<b>553</b>	1,527
Interest income from securities financing services	3	<b>13,445</b>	7,852
Interest income from money lending services	3	<b>21</b>	—
		<u>34,955</u>	<u>83,682</u>
Total revenue		<b>34,955</b>	83,682
Other income	5	<b>4,010</b>	6,145
Other losses and gains	6	<b>(8,373)</b>	6,205
		<u>30,592</u>	<u>96,032</u>
Other operating expenses		<b>(10,698)</b>	(17,126)
Depreciation of property and equipment		<b>(1,383)</b>	(1,958)
Depreciation of right-of-use assets		<b>(2,297)</b>	(2,021)
Impairment allowance on financial instruments and contract assets, net of reversal	7	<b>(17)</b>	388
Staff costs	8	<b>(37,390)</b>	(72,610)
Finance costs	9	<b>(55)</b>	(184)
		<u>(21,248)</u>	<u>2,521</u>
(Loss)/profit before tax	10	<b>(21,248)</b>	2,521
Income tax expense	11	<b>(1,269)</b>	(141)
		<u>(22,517)</u>	<u>2,380</u>
(Loss)/profit and total comprehensive (expense)/income for the year		<u><b>(22,517)</b></u>	<u>2,380</u>
(Loss)/earnings per share			
Basic and diluted (HK cents)	13	<u><b>(5.63)</b></u>	<u>0.6</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at</b>	
		<b>28 February 2022 HK\$'000</b>	28 February 2021 HK\$'000
Non-current assets			
Property and equipment		<b>969</b>	2,334
Right-of-use assets		<b>700</b>	2,997
Intangible asset		<b>500</b>	500
Deferred tax assets		<b>357</b>	1,626
Other receivables, deposits and prepayments	<i>16</i>	<b>230</b>	820
Total non-current assets		<b><u>2,756</u></b>	<u>8,277</u>
Current assets			
Accounts receivable	<i>14</i>	<b>105,837</b>	102,562
Loan receivable		<b>201</b>	—
Contract assets	<i>15</i>	<b>337</b>	1,844
Other receivables, deposits and prepayments	<i>16</i>	<b>10,239</b>	9,814
Tax recoverable		<b>452</b>	5,743
Financial assets at fair value through profit or loss	<i>20</i>	<b>42,319</b>	57,722
Cash and bank balances		<b>58,826</b>	68,081
Cash and bank balances — held on behalf of customers		<b>82,370</b>	153,989
Total current assets		<b><u>300,581</u></b>	<u>399,755</u>
Total assets		<b><u>303,337</u></b>	<u>408,032</u>

		<b>As at</b>	
		<b>28 February</b>	28 February
		<b>2022</b>	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Accounts payable	<i>17</i>	<b>92,466</b>	158,313
Other payables and accruals	<i>18</i>	<b>1,124</b>	15,061
Contract liabilities	<i>19</i>	<b>473</b>	563
Lease liabilities		<b>721</b>	2,304
		<u>94,784</u>	<u>176,241</u>
<b>Total current liabilities</b>		<b>94,784</b>	176,241
<b>Net current assets</b>		<b>205,797</b>	223,514
		<u>208,553</u>	<u>231,791</u>
<b>Total assets less current liabilities</b>		<b>208,553</b>	231,791
<b>Non-current liabilities</b>			
Lease liabilities		<u>—</u>	721
<b>Net assets</b>		<b>208,553</b>	231,070
		<u>208,553</u>	<u>231,070</u>
<b>Equity</b>			
Share capital		<b>4,000</b>	4,000
Reserves		<b>204,553</b>	227,070
		<u>208,553</u>	<u>231,070</u>
<b>Total equity</b>		<b>208,553</b>	231,070
		<u>208,553</u>	<u>231,070</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

The Company is an investment holding company and its subsidiaries are principally engaged in corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services, asset management services and money lending 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

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.

## 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 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3,5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Annual Improvements to HKFRS 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments, HKFRS16 Leases and HKAS 41 Agriculture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### *Amendments to 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 directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

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

The amendments extend the time limit in one of the qualifying criteria of the practical expedient for COVID-19-related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to most rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

A lessee is required to apply the amendments retrospectively, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances.

*HKFRS 17, Insurance Contracts and the related Amendments*

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors of the Company do not anticipate that the application of this standard and amendments in the future will have an impact on the consolidated financial statements.

#### *Amendments to HKAS 1, Classification of Liabilities as Current or Non-current*

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted.

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

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.



#### *Amendments to HKAS 8, Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional classifications.

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

#### *Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied prospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

The directors of the Company is currently assessing the impact that the application of the amendments will have 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, plant 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 directors of the Company is 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, plant and equipment used in fulfilling the contract).

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

## *Annual Improvements to HKFRSs 2018–2020*

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

### **3. REVENUE**

#### **Performance obligations for contracts with customers**

##### *Corporate finance advisory services*

The Group provides sponsor and financial advisory services to customers. The revenue is recognised over time. Since the contracts provide the Group an enforceable right to payment for performance completed up to date and the performance does not create an asset with an alternative use, the sponsor or financial advisory fees are recognised over time. Payments are received by installments in accordance to the completion of milestones as specified in the mandate.

##### *Placing and underwriting services*

The Group provides placing and underwriting services to customers. The revenue is recognised at a point in time when the transactions are executed and services are completed.

##### *Securities dealing and brokerage services*

The Group provides securities dealing and brokerage services to customers on securities and futures trading. Commission income from securities dealing and brokerage services is determined at a certain percentage of the transaction value of the trades executed and is recognised as revenue on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

##### *Asset management services*

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receive and consume the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group.

The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account. Management fee is normally due on the anniversary date while performance fee is normally due at the end of the relevant performance period.

### Disaggregation of revenue from contracts with customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Corporate finance advisory services		
Sponsor fee income	6,440	23,353
Advisory fee income — financial and independent financial advisory	3,479	7,985
Advisory fee income — compliance advisory	<u>4,893</u>	<u>6,881</u>
	<u>14,812</u>	<u>38,219</u>
Placing and underwriting services		
Placing and underwriting fee income	<u>4,221</u>	<u>33,613</u>
Securities dealing and brokerage services		
Commission income — Hong Kong equities and subscription of initial public offering (“IPO”)	<u>1,903</u>	<u>2,471</u>
Asset management services		
Management fee income	553	573
Performance fee income	<u>—</u>	<u>954</u>
	<u>553</u>	<u>1,527</u>
Sub-total — Revenue from contracts with customers	<u>21,489</u>	<u>75,830</u>
Interest income from securities financing services		
Interest income — Margin clients	13,431	7,823
Interest income — Cash clients	<u>14</u>	<u>29</u>
	<u>13,445</u>	<u>7,852</u>
Interest income from money lending services		
Interest income — personal loans	<u>21</u>	<u>—</u>
Sub-total — Interest income from securities financing services and money lending services	<u>13,466</u>	<u>7,852</u>
Total	<u><u>34,955</u></u>	<u><u>83,682</u></u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	6,124	36,084
Over time	<u>15,365</u>	<u>39,746</u>
	<u>21,489</u>	<u>75,830</u>
Interest revenue	<u>13,466</u>	<u>7,852</u>
Total	<u><u>34,955</u></u>	<u><u>83,682</u></u>

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

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

#### **4. SEGMENT INFORMATION**

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

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

#### **Major customer**

During the year ended 28 February 2022, the following external customer contributed more than 10% of total revenue of the Group.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	—	20,656
Customer B	—	8,683
Customer C	<u>5,625</u>	<u>N/A*</u>

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

## 5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from bank balances	6	182
Interest income from other receivables	418	1,125
Dividend income	2,211	1,972
Handling fee income	364	269
Government grant ( <i>note</i> )	—	2,546
Others	<u>1,011</u>	<u>51</u>
	<u><b>4,010</b></u>	<u><b>6,145</b></u>

*Note:* Included in profit or loss is HK\$Nil (2021: HK\$2,546,000) of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and could not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

## 6. OTHER LOSSES AND GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Realised (losses)/gains on financial assets at fair value through profit or loss	(2,497)	1,701
Unrealised (losses)/gains on financial assets at fair value through profit or loss	<u>(5,876)</u>	<u>4,504</u>
	<u><b>(8,373)</b></u>	<u><b>6,205</b></u>

## 7. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS AND CONTRACT ASSETS, NET OF REVERSAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Provision)/reversal of impairment losses on accounts receivable	(87)	274
Reversal of impairment losses on contract assets	52	174
Reversal/(provision) of impairment losses on other receivables	23	(60)
Impairment losses on loan and interest receivable	<u>(5)</u>	<u>—</u>
	<u><b>(17)</b></u>	<u><b>388</b></u>

## 8. STAFF COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' emoluments	8,296	13,346
Other staffs		
Salaries and allowance	24,740	29,393
Bonuses	3,766	29,192
Contributions to MPF Scheme	<u>588</u>	<u>679</u>
	<u><u>37,390</u></u>	<u><u>72,610</u></u>

## 9. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses — bank loan	—	31
Interest expenses — brokers	2	76
Interest expenses — lease liabilities	<u>53</u>	<u>77</u>
	<u><u>55</u></u>	<u><u>184</u></u>

## 10. (LOSS)/PROFIT BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year has been arrived at after charging:		
Depreciation of property and equipment	1,383	1,958
Depreciation of right-of-use assets	2,297	2,021
Auditor's remuneration	855	912
Short-term lease expenses	<u>23</u>	<u>25</u>

## 11. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
— Current tax	—	442
— Overprovision in respect of prior years	—	(167)
Deferred tax expenses/(credit)	<u>1,269</u>	<u>(134)</u>
	<u><u>1,269</u></u>	<u><u>141</u></u>

Hong Kong Profit Tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year.

## 12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 28 February 2022 (2021: HK\$Nil).

## 13. (LOSS)/EARNINGS PER SHARE

	2022	2021
(Loss)/earnings for the purpose of basic and diluted earnings per share:		
(Loss)/profit for the year attributable to owners of the Company (HK\$'000)	<u>(22,517)</u>	<u>2,380</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>400,000,000</u>	<u>400,000,000</u>

## 14. ACCOUNTS RECEIVABLE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from:		
— Corporate finance advisory services	750	1,423
— Securities dealing and brokerage services	10,739	3,190
— Securities financing services		
— Secured margin loan	92,691	98,086
— Placing and underwriting services	1,890	—
— Asset management services	42	50
Less: allowance for credit loss	<u>(275)</u>	<u>(187)</u>
	<u>105,837</u>	<u>102,562</u>

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

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

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

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

In respect of the accounts receivable arising from corporate finance advisory services, placing and underwriting 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:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	<b>11,491</b>	4,080
31–60 days	<b>1,930</b>	223
61–90 days	—	40
Over 90 days	—	320
Less: impairment allowance	<u>(143)</u>	<u>(48)</u>
	<b><u>13,278</u></b>	<b><u>4,615</u></b>

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

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party of HK\$42,000 (2021: HK\$50,000).

#### 15. CONTRACT ASSETS

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets	<b>345</b>	1,904
Less: impairment allowance	<u>(8)</u>	<u>(60)</u>
	<b><u>337</u></b>	<b><u>1,844</u></b>



## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits with the Stock Exchange and a clearing house	230	230
Interest receivable	—	175
Loan advanced to staff and a margin client	9,300	9,300
Prepayment	533	544
Utility deposit	620	623
Less: impairment allowance	<u>(214)</u>	<u>(238)</u>
	<u><b>10,469</b></u>	<u><b>10,634</b></u>
Analysed as		
Non-current	230	820
Current	<u>10,239</u>	<u>9,814</u>
	<u><b>10,469</b></u>	<u><b>10,634</b></u>

The loan advanced to staff and a margin client are unsecured, bear interest at 3% p.a. and 9% p.a., respectively (2021: 3% p.a. and 9% p.a.) and repayable within 1 year.

## 17. ACCOUNTS PAYABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts payable arising from:		
— Corporate finance advisory services	—	134
— Securities dealing and brokerage services	92,370	157,466
— Placing and underwriting services	<u>96</u>	<u>713</u>
	<u><b>92,466</b></u>	<u><b>158,313</b></u>

The settlement terms of clearing house and securities trading clients from the ordinary course of business of securities dealing and brokerage services range from one to three days after the trade date of those transactions. Accounts payable from placing and underwriting services are repayable on demand. Included in accounts payable arising from securities dealing and brokerage services are amounts due to directors and key management personnel of the Company of HK\$88,000 (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.

At 28 February 2022, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$82,370,000 (2021: HK\$153,989,000).

## 18. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accrued expenses	1,102	15,039
Other payables	<u>22</u>	<u>22</u>
	<u><u>1,124</u></u>	<u><u>15,061</u></u>

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

## 19. CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Advisory fee	<u>473</u>	<u>563</u>
	<u><u>473</u></u>	<u><u>563</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets measured at fair value through profit or loss — Equity securities listed in Hong Kong	<u><u>42,319</u></u>	<u><u>57,722</u></u>

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

## 21. COMMITMENTS

### Loan commitment

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan commitment	<u><u>18,404</u></u>	<u><u>18,889</u></u>

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

## 22. RELATED PARTY TRANSACTIONS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Commission income		
— Mr. Chung Chi Man	3	—
— Mr. Poon Siu Kuen Calvin	2	2
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP ( <i>note 1</i> )	<u>553</u>	<u>573</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

During the first half of the Year, thanks to the gradual resumption of economic activities and increasing vaccination rate, the major economies including Hong Kong were in the momentum of recovery. In Hong Kong, the stabilized COVID-19 condition and the Consumption Voucher Scheme in August 2021 had helped stimulate the customer sentiments and economy in general. For the first half of 2021, real GDP grew 7.8% over a year earlier. Despite the threat of COVID-19, the GDP of China remained strong and achieved a growth of 8.1% in its GDP, cementing its world's second-largest economy's leading position.

Nonetheless, the positive atmosphere had ceased during the end of 2021 and early 2022. The persisting Sino-U.S. tensions and also the Russo-Ukrainian war which was intensified in early 2022 were yet to be solved. Government policies announced by the Central Government and credit crises of certain giant Chinese property developers had shaken the confidence and hindered the development of the regional capital market. Not to mention, the fifth wave of COVID-19 swept in and almost paralyzed Hong Kong in the early 2022. Economic activities had remained stagnant which further dampened the confidence in the financial market. The Hang Seng Index was fluctuating in 2021 — reaching the highest point at 31,085 on 17 February 2021, and closing at 23,112 on 31 December 2021. Worse still, the Hang Seng Index reached a low point of 22,713 on 28 February 2022. Meanwhile, in February 2022, total market capitalization had dropped to HK\$40,889 billion from HK\$52,941.6 billion in February 2021.

### Business Overview

The loss and total comprehensive expense for the Year was approximately HK\$22.5 million, while the profit and total comprehensive income for 2021 was approximately HK\$2.4 million. It represents a decrease of approximately 1,046.09% when compared to 2021. The change from profit to loss was mainly attributable to decrease in total revenue which is mainly due to decrease in income from corporate finance advisory services and placing and underwriting services as a result of the sporadic outbreak of the COVID-19 in Hong Kong, which has delayed the progress of the IPO sponsorship projects undertaken by the Group.

The total revenue of the Group decreased from approximately HK\$83.7 million for the year ended 28 February 2021 to approximately HK\$35 million for the year ended 28 February 2022, representing a decrease of approximately 58.2%. Affected by the pessimistic market sentiment especially brought by the severe COVID-19 condition in Hong Kong and other parts of the world, there was a decrease in revenue generated from various business segments including the corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services and asset management services which was in line with the general market trends during the Year. With the total number of newly listed companies in Hong Kong dropped from 154 from the year 2020 to 98 in 2021, and there were only 3 newly listed companies in February 2022 when compared to 7 newly listed companies in February 2021, the commission income from the subscription of initial public offering also decreased.

Facing the challenging environment, the Company was able to maintain a remarkable business performance in the securities financing services business. The revenue from the interest income from this service increased from approximately HK\$7.9 million to HK\$13.4 million, representing an increase of approximately 71.2%. Besides, the Company had diversified its business risk and opened up new income source by starting the money lending business. During the Year, the money lending business had started to generate income for the Company. The Board is confident that the new business shall continue to grow and provide the Company with new source of revenue in the long run. We believe that it will also broaden the variety of Company's services provided to the clients.

### ***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 61.2%, from approximately HK\$38.2 million for the year ended 28 February 2021 to approximately HK\$14.8 million during the year ended 28 February 2022.

During the Year, corporate finance advisory services remained the core driver. The Group was engaged in a total of 51 corporate finance advisory projects, which included 17 IPO sponsorship projects, 20 financial and independent financial advisory projects and 14 compliance advisory projects, while 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 during the year ended 28 February 2021.

Starting from early 2022, the fifth wave of COVID-19 swept in and reached a climax during February and March 2022. Business activities were almost in a stagnant in Hong Kong. Some corporations, especially middle-size enterprises tended to withhold their IPO projects or other transaction plans in this sluggish economic environment. Stringent cross border travel restrictions imposed by the governments had also limited business opportunities in Hong Kong and China. According to the Hong Kong Stock Exchange (HKEX) monthly highlights, market capitalisation was HK\$40.9 trillion at the end of February 2022, a drastic decrease of 22.77% from HK\$52.9 trillion as compared to the figure in 2021. According to the market statistics 2021 issued by the HKEX, the IPO funds raised in 2021 was only approximately HK\$328 billion when compared to approximately HK\$400 billion in 2020, showing a decrease of 17.82%. Notably, there were only 5 companies listed by concessionary secondary listing in 2021, which was a 44% drop compared to 9 companies in 2020. The total fund raised (including IPO) in March 2022 significantly decreased to approximately HK\$77 billion from approximately HK\$264 billion in 2021, showing a 70.7% decrease. The Company's performance, especially in corporate finance advisory services and placing and underwriting services reflected the market sentiment and was in line with the dire market conditions in Hong Kong during the Year.

### *IPO sponsorship services*

Income generated from IPO sponsorship services was approximately HK\$6.4 million during the Year (2021: approximately HK\$23.4 million). During the Year, the Group was engaged in 17 IPO sponsorship projects, while it was engaged in 32 IPO sponsorship projects during the year ended 28 February 2021.

### *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\$3.5 million during the Year (2021: approximately HK\$8 million). During the Year, the Group was engaged in 7 financial advisor projects and 13 independent financial advisory projects while it was engaged in 9 financial advisor projects and 4 independent financial advisory projects during the year ended 28 February 2021.

### *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\$4.9 million during the Year (2021: approximately HK\$6.9 million). During the Year, the Group was engaged in 14 compliance advisory projects, while it was engaged in 25 compliance advisory projects during year ended 28 February 2021.

### *Placing and Underwriting Services*

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

During the Year, the Group completed 8 placing and underwriting projects (2021: 16 projects), including 3 underwriting projects as lead or co-lead manager for IPOs and 5 placing projects as placing agent for issue of new shares by listed companies. Income generated from placing and underwriting business was approximately HK\$4.2 million during the Year (2021: HK\$33.6 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 2022, the Group had 812 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\$1.9 million during the Year (2021: HK\$2.5 million). The decrease was mainly attributable to the decrease in commission income from securities dealing and brokerage services 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 2022, the total outstanding balance of margin loans amounted to approximately HK\$92.7 million (As at 28 February 2021: approximately HK\$98.1 million) and its interest income generated from securities financing services was approximately HK\$13.4 million during the Year (2021: approximately HK\$7.9 million).

### ***Asset Management Services***

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

As at 28 February 2022, the asset under management (“AUM”) of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$3.71 million (equivalent to approximately HK\$28.84 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\$553,000 during the Year (2021: approximately HK\$1.5 million).

### ***Money Lending Services***

The Group obtains the money lending license and provides money lending services through Innovax Credit Limited.

During the Year, the segment’s revenue was HK\$21,000 (2021: HK\$Nil). Given the volatile market situations, the Company shall put more effort in developing this segment with prudent valuation of assessment and approval of loans.

### ***Future dealing services***

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

## **Financial Review**

### ***Revenue***

During the Year, the Group's revenue recorded a drop of approximately 58.2% to approximately HK\$35 million (2021: approximately HK\$83.7 million), mainly attributable to the decrease in revenue from corporate finance advisory services and placing and underwriting services, as a result of the sporadic outbreak of the COVID-19 in Hong Kong which has delayed the progress of the IPO sponsorship projects undertaken by the Group.

### ***Loss attributable to the owners of the Company***

Loss for the Year attributable to owners of the Company amount to approximately HK\$22.5 million (2021: profit attributable to the owners of the Company approximately HK\$2.4 million) due to decrease in revenue.

### ***Other Operating Expenses***

The Group's other operating expenses decreased by approximately 37.5% from approximately HK\$17.1 million for the year ended 28 February 2021 to approximately HK\$10.7 million for the Year. The decrease in other operating expenses for Year was mainly due to (i) decrease in bad debt expenses; and (ii) other expenses during the Year.

### ***Staff Costs***

Staff costs decreased by approximately 48.5% from approximately HK\$72.6 million for the year ended 28 February 2021 to approximately HK\$37.4 million for the Year due to decrease in the number of staff and a decrease 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 2022, the Group's net current assets amounted to HK\$205.8 million (as at 28 February 2021: HK\$223.5 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 3.17 times (as at 28 February 2021: 2.27 times). Bank balances amounted to approximately HK\$58.8 million (as at 28 February 2021: HK\$68.1 million). As at 28 February 2022 and 28 February 2021, 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 2022 and as at the date of this announcement, there are a total of 400,000,000 issued shares of the Company.

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

### **Share Option Scheme**

The share option scheme of the Company (the "**Share Option Scheme**") is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then sole Shareholder passed on 24 August 2018. The Company is thus entitled to issue a maximum of 40,000,000 shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the shares in issue as at the date of listing of its shares on the Stock Exchange. 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 2022.

Subsequent to the year ended 28 February 2022, on 9 March 2022, the Company had granted a total of 40,000,000 share options of the Company ("**Share Options**") at exercise price of HK\$0.324 per share to Directors and employees of the Company.

Details of the grant of Share Options are set out in the announcement dated 9 March 2022.

## **Pledge of Assets**

As at 28 February 2022, 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 28 February 2022, the Group did not have any significant capital commitment and contingent liability (As at 28 February 2021: Nil).

## **Loan Commitment**

Details regarding the loan commitment are set out in Note 21.

## **Employees and Remuneration Policies**

As at 28 February 2022, the Group employed 35 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 were approximately HK\$37.4 million during the Year (2021: approximately HK\$72.6 million), representing a decrease of approximately HK\$35.2 million due to a decrease in the number of staff and a decrease in discretionary bonus.

## **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

During the year ended 28 February 2022, 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 2022, the Group maintained an equity investment at fair value through profit and loss with total carrying amount of approximately HK\$42.3 million. The details of the Company's significant investments as at 28 February 2022 are set out as follows:

#### 28 February 2022

Stock Code	Name of the investee	Percentage of shareholding in the listed securities held by the Group as at 28 February 2022	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 28 February 2022	Fair value of the investment in listed securities as at 28 February 2022 HK\$'000	Carrying value of the investment in listed securities as at 28 February 2022 HK\$'000	Fair value losses of the investment in listed securities as at 28 February 2022 HK\$'000	Unrealized loss for the year ended 28 February 2022 HK\$'000
<b>Equity investments at fair value through profit and loss</b>							
1542	Taizhou Water Group Co., Ltd	5.9%	11.4%	34,589	49,095	14,506	14,506
	Total			<u>34,589</u>	<u>49,095</u>	<u>14,506</u>	<u>14,506</u>

### Performance and prospects of the investee

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

Taizhou Water together with its subsidiaries (the **"Taizhou Water Group"**) are principally engaged in supplying raw water, municipal water and tap water directly to end-users and the installation of the water pipelines for distributing tap water to end-users. As mentioned in its annual report for the year ended 31 December 2021, the Taizhou Water Group recorded a revenue for the year amounted to approximately RMB520.3 million, representing an increase of approximately 7.5% from the year ended 31 December 2020. The Taizhou Water Group's reported a profit of approximately RMB135 million attributable to owners of Taizhou Water. The basic earnings per share are RMB0.6 for the year. As at 31 December 2021, the audited consolidated net asset value of the Taizhou Water Group was approximately RMB1,130 million. Dividend of approximately HK\$2.21 million was received during the Year.

According to Taizhou Water's annual report for the year ended 31 December 2021, the year 2021 is a year for the innovation-driven development and reform deepening of Taizhou Water. During the year of 2021, the business results of Taizhou Water Group showed a steady growth. Meanwhile, the year 2022 is a critical year for the Taizhou Water Group to implement the 14th Five-Year Plan and start the transformation and development, and it is also time for the two key projects to be completed for water availability. It shall keep abreast with the macro industrial policies and market landscape, focus on its main responsibility and principal business, and further enhance the foundation of water supply. It will concentrate its resources in putting the two key projects into operation, and enhance the management

and control of subsidiaries. Taizhou Water Group will improve its internal governance capacity, continue to promote the construction of smart water system and maintain efficient and safe operation. In the meantime, it will propel expansion towards the environmental protection industry, seek new profit growth points, and work together to ride on the momentum, thus promoting its quality development.

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 2022, the Group held 11,805,000 H shares of Taizhou Water. Taizhou Water closed at HK\$2.93 as at 28 February 2022.

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 2022.

### **Risk Management**

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

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

### **Final Dividend**

The Board has resolved not to declare any final dividend for the year ended 28 February 2022 (28 February 2021: Nil).

### **Event after the Reporting Period**

On 9 March 2022, a total of 40,000,000 share options under a share option scheme to subscribe for shares of the Company were granted to 20 eligible participants, who are Directors and employees of the Group. Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of HK\$0.324 per share with the validity period of 10 years from the grant date. The Options will be exercisable from 9 September 2022 to 8 March 2032.

Details of the grant of Share Options are set out in the announcement dated 9 March 2022.

As at the date of this announcement, save as disclosed above, there was no other significant event after reporting period.

## Use of Proceeds

The net proceeds of the Group raised from the initial public offering of the shares of the Company of the Main Board of the Stock Exchange was approximately HK\$158 million, after deducting the underwriting fees, commissions and other listing expenses.

Up to 28 February 2022, the Group has utilized HK\$156.15 million, accounting for approximately 98.8% of the net proceeds from the initial public offering. 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 2022 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 2022	Remaining unutilised amount after revised allocation
Increasing the Group's capital for the expansion of the Group's placing and underwriting business ( <i>Note</i> )	HK\$80 million	-HK\$40 million	HK\$40 million	HK\$40 million	—
Increasing the Group's capital for the expansion of the Group's securities financing business	HK\$33 million	+HK\$59.03 million	HK\$92.03 million	HK\$92.03 million	—
Enhancing and developing the Group's corporate finance advisory business by attracting more talents and expanding the Group's corporate finance team	HK\$15 million	-HK\$14.1 million	HK\$0.9 million	HK\$0.9 million	—
Expanding the Group's asset management business by (a) attracting more talents and expanding the Group's asset management team and (b) increasing seed money to establish new funds	HK\$5.25 million HK\$9.75 million	-HK\$4.93 million —	HK\$0.32 million HK\$9.75 million	HK\$0.32 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>

*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) 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 2022, 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 2022. 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 first half of 2023.

### **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 2022.

### **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 2022.

### **Outlook and Prospect**

Looking forward, the business and operation environment of Hong Kong and the general macro-economy remain challenging. The end of coronavirus pandemic in Hong Kong and the rest of the world seems no end in sight. The clients and investors in general remain conservative and risk adverse. The restrictive cross border measures even limited the business opportunities more during this volatile time.

Not to mention, geo-political tension from the war in Ukraine are muddying the outlook. The soaring inflation further paints uncertainty to the securities market. The recovery of Hong Kong economy as well as the rest of the world is still gloomy in short term.

Nevertheless, with the objective to expand our income stream and diversify business risk, the Group has started to develop in money lending business during the Year. The money lending business had demonstrated an encouraging start during the Year and the Company shall continue to inject resources in this business segment while pro-actively strengthen the credit risk management and control mechanism in business so that it can attain healthy and sustainable growth. Meanwhile, the Group believes that market in China will continue to be a growth catalyst while Hong Kong, being a crucial international financial center in the world, will continue to be an important channel to access to China's stock market. We cast optimism to the long-term development of the Hong Kong financial market and economy. Amid the uncertain economic outlook, the Group shall continue to closely monitor the market situation and adjust the business strategy in a prudent and timely manner.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

During the year ended 28 February 2022 and up to the date of this announcement, the Company has applied the principles and code provisions of the Corporate Governance Code (the “**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 Code during the Year and up to the date of this announcement.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

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

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

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group’s consolidated financial statements for the year ended 28 February 2022, including the accounting principles adopted by the Group, with the Company’s management.

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

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 28 February 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited (“**BDO**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The annual results announcement and annual report of the Company for the year ended 28 February 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at [www.innovax.hk](http://www.innovax.hk) in due course.

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

Hong Kong, 30 May 2022

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

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