

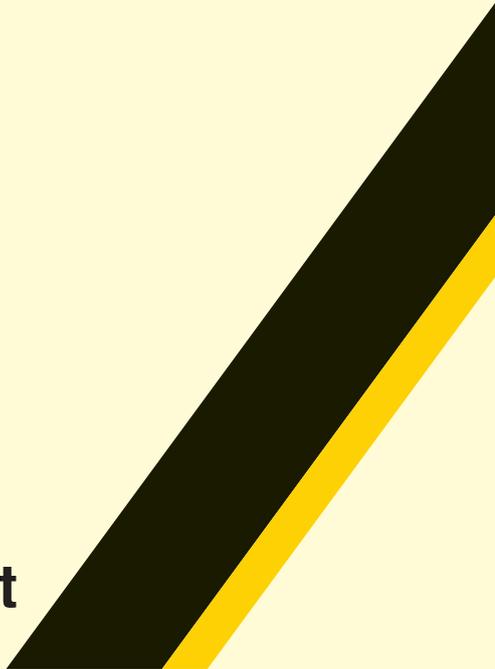


INNOVAX HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2680

**Interim Report
2022/2023**



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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. Yip Siu Hong (*appointed on 1 June 2022*)
Ms. Chan Ka Lai, Vanessa
Mr. Choi Wai Ping (*resigned on 1 June 2022*)

AUDIT COMMITTEE

Ms. Chan Ka Lai, Vanessa (*Chairlady*)
Dr. Wu Kwun Hing
Mr. Yip Siu Hong (*appointed on 1 June 2022*)
Mr. Choi Wai Ping (*resigned on 1 June 2022*)

REMUNERATION COMMITTEE

Mr. Yip Siu Hong (*Chairman*) (*appointed on 1 June 2022*)
Dr. Wu Kwun Hing
Ms. Chan Ka Lai, Vanessa
Mr. Choi Wai Ping (*resigned on 1 June 2022*)

NOMINATION COMMITTEE

Dr. Wu Kwun Hing (*Chairman*)
Mr. Yip Siu Hong (*appointed on 1 June 2022*)
Ms. Chan Ka Lai, Vanessa
Mr. Choi Wai Ping (*resigned on 1 June 2022*)

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
(*ceased with effect from 31 May 2022*)
17/F., Far East Finance Centre
16 Harcourt Road, Hong Kong

Computershare Hong Kong Investor Services Limited
(*with effect from 1 June 2022*)
Shops 1712–1716 17/F, Hopewell Centre
183 Queen's Road East Wanchai, 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

OVERVIEW

Based in Hong Kong, the Group is a well-established integrated financial and securities services group committed to delivering premier financial and securities services to our clients. The Group provides various corporate finance advisory services including: (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services. Other services provided by the Group include placing and underwriting services, securities dealing and brokerage services, securities financing services, futures contracts dealing, asset management and money lending services.

For the six months ended 31 August 2022, the Group recorded revenue of approximately HK\$18.0 million, representing a marginal decrease of approximately 0.3% compared with approximately HK\$18.1 million for the corresponding period in 2021. During the Period, revenue derived from corporate finance business, placing and underwriting business and asset management business decreased by approximately 3.5%, 59.3% and 17.7% respectively, and such decrease in revenue is partially off-set by the increase in revenue derived from securities financing business and securities dealing and brokerage business. The decrease in revenue from corporate finance business and placing and underwriting business were mainly because the progress of due diligence of IPO sponsorship projects undertaken by the Group was affected by the sporadic outbreak of COVID-19 pandemic (the "Pandemic") and the number of new listings decreased on the Stock Exchange, respectively, while the decrease in revenue from asset management was mainly due to the decrease in size of asset under management by the Group. The increase in revenue from securities financing business and securities dealing and brokerage business were mainly due to increase in interest income generated from securities financing business and the increase in average daily trading turnover of the Group, respectively.

During the Period, the Group recorded a loss of approximately HK\$9.4 million, as compared with approximately HK\$2.0 million for the corresponding period in 2021. The increase in loss was mainly attributable to the increase in staff cost of approximately 30.6%, which is mainly due to recognition of share-based payment resulting from granting of employee share options according to the Share Option Scheme, and the increase in administrative and operating expenses of approximately 53.6% during the Period.

MARKET REVIEW

Since the Pandemic, the global economy has been significantly affected. Global supply chain disruptions together with the prolonged Russia-Ukraine conflict leads to significant inflation pressure, coupled with geopolitical tensions among various countries of the world, global economy faces great volatility and uncertainty.

With the Chinese property debt repayment concerns, weak retail spending as well as the continuous lockdowns of major cities such as Guangzhou, Shenzhen and Shanghai, economic and business environment in Mainland China during the Period remains challenging.

During the Period, apart from the events mentioned above, Hong Kong was also affected by the fifth wave of the Pandemic and the market was very volatile. Hang Seng Index dropped by approximately 2,808 points, decreased from approximately 22,762 points on 1 March 2022 to approximately 19,954 points on 31 August 2022, whereas the average daily turnover of the Hong Kong stock market decreased by approximately HK\$82.4 billion from approximately HK\$174.8 billion in March 2022 to HK\$92.4 billion in August 2022. The primary market was also severely affected, the total fund raised from IPO in Hong Kong stock market decreased from approximately HK\$271.4 billion for the eight months ended 31 August 2021 to approximately HK\$56.2 billion for the eight months ended 31 August 2022, representing a decrease of approximately HK\$215.2 billion. All of the above reflects a gloomy market sentiment in Hong Kong capital market.

Management Discussion and Analysis (Continued)

Meanwhile, inflation pressures have catalyzed faster rise of interest rates in the second quarter of 2022. In September 2022, with inflation still running persistently hot, the Federal Reserve increased the target for the federal funds rate by 0.75% to a range of 3%–3.25%. The Hong Kong Monetary Authority also raised its base rate to 3.5% later, reaching its the highest level since March 2008. The interest rates hikes had further threatened economy recovery of Hong Kong, which was already hard hit by the Pandemic. Worse still, shadowed by the intensified geo-political atmosphere created by the Russo-Ukrainian War and the US-China-Taiwan tensions had further painted uncertainty to the macro-economy.

BUSINESS REVIEW

Corporate Finance Advisory Services

During the Period, the Group was engaged in a total of 36 projects (six months ended 31 August 2021: 42 projects) under corporate finance advisory business, namely, 12 IPO sponsorship projects (six months ended 31 August 2021: 16 projects); 15 financial and independent financial advisory projects (six months ended 31 August 2021: 12 projects) and 9 compliance advisory projects (six months ended 31 August 2021: 14 projects). Income from corporate finance advisory business amounted to approximately HK\$7.6 million, representing a decrease of approximately 3.5% from approximately HK\$7.9 million during the six months ended 31 August 2021.

As mentioned in the paragraph headed “Market Review” above, market remained volatile during the Period, and the Pandemic coupled with the Chinese government new policies in the education, property and technology sectors, led to reduced investors’ appetite in trading and investing, and corporates postponing their IPO or fundraising plans. According to the HKEX Securities and Derivative Market Quarterly Reports — Second Quarter 2022, the number of newly listed company in the second quarter of 2022 was only 10 (with no company transferred from GEM), when compared to 13 (with one company transferred from GEM) in the second quarter of 2021. The total fund raised by new listings in the second quarter of 2022 drastically dropped to approximately HK\$4.9 billion from approximately HK\$75.12 billion in the second quarter of 2021. 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

Leveraging on its competitiveness and solid experience, IPO Sponsorship services remain the Group’s core business. During the Period, the Group was engaged in 12 IPO sponsorship projects (six months ended 31 August 2021: 16 projects). Income generated from IPO sponsorship services was approximately HK\$4.6 million during the Period (six months ended 31 August 2021: approximately HK\$3.8 million).

Financial and independent financial advisory services

The Group’s financial advisory services mainly include (i) acting as financial adviser to Hong Kong listed companies and their major shareholders on notifiable transactions under the Listing Rules and GEM Listing Rules; and (ii) acting as financial adviser to major shareholders of listed companies in Hong Kong and investors seeking to control or invest in listed companies in Hong Kong on matters falling within the ambit of the Takeovers Code. Independent financial advisory services include acting as independent financial adviser to independent board committee and/or independent shareholders of listed companies in Hong Kong on transactions under the Listing Rules, GEM Listing Rules and Takeovers Code.

Income generated from provision of financial and independent financial advisory service was approximately HK\$1.9 million during the Period (six months ended 31 August 2021: approximately HK\$1.5 million). During the Period, the Group was engaged in 9 financial advisory projects (six months ended 31 August 2021: 5 projects) and 6 independent financial advisory projects (six months ended 31 August 2021: 7 projects).

Compliance advisory services

The Group acts as compliance advisers to newly listed and existing 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\$1.2 million during the Period (six months ended 31 August 2021: approximately HK\$2.7 million). During the Period, the Group was engaged in 9 compliance advisory projects (six months ended 31 August 2021: 14 projects).

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 3 placing and underwriting projects (six months ended 31 August 2021: 5 projects), including 1 transaction as lead manager for IPOs and 2 transactions as placing agent for issue of new shares by listed companies. Income generated from placing and underwriting business was approximately HK\$0.9 million during the Period (six months ended 31 August 2021: HK\$2.3 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.

As at 31 August 2022, the Group had 843 securities accounts maintained in Innovax Securities Limited (as at 28 February 2022: 812) and its commission income generated from securities dealing and brokerage business was approximately HK\$996,000 during the Period (six months ended 31 August 2021: approximately HK\$910,000).

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 2022, the total outstanding balance of margin loans amounted to approximately HK\$73.0 million (as at 28 February 2022: approximately HK\$92.7 million) and its interest income generated from securities financing business was approximately HK\$8.2 million during the Period (six months ended 31 August 2021: approximately HK\$6.7 million).

Asset Management Services

The Group provides fund management and discretionary account management services to its clients who are professional investors.

As at 31 August 2022, the asset under management ("AUM") of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$3.4 million (equivalent to approximately HK\$26.2 million) (as at 28 February 2022: approximately US\$3.7 million equivalent to approximately HK\$28.8 million). The income generated from asset management business was approximately HK\$237,000 during the Period (six months ended 31 August 2021: approximately HK\$288,000).

Management Discussion and Analysis (Continued)

Money Lending Services

The Group provides money lending services through Innovax Credit Limited.

During the Period, the Company had provided personal loans services without pledging. The Company has in place the internal control procedures in relation to its money lending business, including but not limited to conducting prudent credit assessment procedures. During the customer due diligence process, the Company would gather personal information and financial background information to facilitate the review and assessment. The Company shall perform relevant litigation search, company search, and/or land search from the Hong Kong courts, Companies Registry, and Land Registry etc as necessary. The Directors of the Company shall cautiously determine the approval of the loan application taking into account the customer due diligence results, credit risk assessment, and loan terms etc. The internal control department of the Group will conduct regular review and the finance department of the Group is facilitating the Company to keep track of the repayment and outstanding balance computation.

During the Period, the segment's revenue was approximately HK\$70,000 (six months ended 31 August 2021: HK\$Nil).

The Group has implemented effective credit control procedures and there were no delinquent loans as at the date of this report.

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue recorded a marginal decrease of approximately 0.3% to approximately HK\$18.0 million (six months ended 31 August 2021: approximately HK\$18.1 million). During the Period, revenue derived from corporate finance business, placing and underwriting business and asset management business decreased by approximately 3.5%, 59.3% and 17.7% respectively, and such decrease in revenue is partially off-set by the increase in revenue derived from securities financing business and securities dealing and brokerage business. The decrease in revenue from corporate finance business and placing and underwriting business were mainly due to progress of due diligence of IPO sponsorship projects undertaken by the Group was affected by the Pandemic and decrease in the number of new listings on the Stock Exchange, respectively, while the decrease in revenue from asset management was mainly due to the decrease in size of asset under management by the Group. The increase in revenue from securities financing business and securities dealing and brokerage business were mainly due to increase in interest income generated from securities financing business and the increase in average daily trading turnover of the Group, respectively.

Administrative and Operating Expenses

The Group's administrative and operating expenses increased by approximately 53.6% from approximately HK\$4.5 million for the six months ended 31 August 2021 to approximately HK\$7.0 million for the Period. The increase in administrative and operating expenses for the Period was mainly attributable to written off of property and equipment and increase in marketing expenses during the Period.

Staff Costs

Staff costs increased by approximately 30.6% from approximately HK\$16.8 million for the six months ended 31 August 2021 to approximately HK\$22.0 million for the Period due to the recognition of share-based payment resulting from issue of employee share options according to the Share Option Scheme during the Period.

Loss attributable to the owners of the Company

During the Period, the Group recorded a loss of approximately HK\$9.4 million, as compared with approximately HK\$2.0 million for the corresponding period in 2021. The increase in loss was mainly attributable to the increase in staff cost and the increase in administrative and operating expenses.

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 2022, the Group's net current assets amounted to approximately HK\$202.5 million (as at 28 February 2022: approximately HK\$205.8 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 2.6 times (as at 28 February 2022: approximately 3.2 times). Bank balances amounted to approximately HK\$71.1 million (as at 28 February 2022: approximately HK\$58.8 million). As at 31 August 2022 and 28 February 2022, the Group had no debts including payables which were not incurred in the ordinary course of business and hence the gearing ratio is zero.

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 2022 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.

PLEDGE OF ASSETS

As at 31 August 2022, the Group did not have any pledged assets (As at 28 February 2022: 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 2022, the Group did not have any significant capital commitment and contingent liabilities (As at 28 February 2022: Nil).

Management Discussion and Analysis (Continued)

LOAN COMMITMENT

Details regarding the loan commitment are set out in note 32 to the unaudited condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2022, the Group employed 34 staff (including executive Directors) (As at 28 February 2022: 35). 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\$22.0 million during the Period (six months ended 31 August 2021: approximately HK\$16.8 million), representing an increase of approximately HK\$5.1 million due to the recognition of share-based payment 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 2022, the Group maintained an equity investment at fair value through profit and loss with total carrying amount of approximately HK\$43.8 million. The details of the equity investment as at 31 August 2022 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 2022	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 31 August 2022	Fair value of the investment in listed securities as at 31 August 2022 <i>HK\$'000</i>	Unrealized loss for the period ended 31 August 2022 <i>HK\$'000</i>
1542	Taizhou Water Group Co., Ltd	5.85%	10.94%	36,390	2,106
Total				36,390	2,106

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 2022, the Taizhou Water Group recorded a total revenue amount to approximately RMB236 million for the period. The Taizhou Water Group reported a gain of approximately RMB32 million attributable to owners of Taizhou Water. The basic earnings per share are RMB0.16 for the period. As at 30 June 2022, the condensed consolidated net asset value of the Taizhou Water Group was approximately RMB1,148 million. No interim dividend was declared and received during the period.

According to Taizhou Water’s interim report for the period ended 30 June 2022, as a leading water supply service provider in Taizhou, Taizhou Water Group was ranked first in Taizhou in terms of raw water and municipal water supply. Taizhou Water Group 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 Group successfully completed the integration of water supply services in this year. Through the acquisition of equity interests in other water supply companies in Taizhou, Taizhou Water Group enjoys the benefits of an expanded industrial chain and economic scale, which strengthens its position as a leading water supply service provider in Taizhou. Meanwhile, the year of 2022 is the second year of implementing the 14th Five-Year Plan. Taizhou Water Group follows the direction of water and environmental protection policies, integrates internal and external resources, focuses on the core positioning of “integrated development operator of water and environmental protection resources” and the construction of two platforms, namely, “investment, financing, construction, management and transportation platform for water and environmental protection engineering” and “integrated development and utilization platform for water and environmental protection resources” and forms the layout of two industrial sectors, “water sector + environmental protection sector”.

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 2022, the Group held 11,701,000 H shares of Taizhou Water. Taizhou Water closed at HK\$3.11 as at 31 August 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 31 August 2022.

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 2022 (six months ended 31 August 2021: Nil).

USE OF PROCEEDS

The net proceeds of the Group raised from the initial public offering (the “Global Offering”) was approximately HK\$158.0 million, after deducting the underwriting fees, commissions and other listing expenses.

Up to 31 August 2022, the Group has utilized approximately HK\$148.3 million, accounting for approximately 93.8% of the net proceeds from Listing. The Group made an announcement on 21 April 2020, regarding the change in use of proceeds in accordance to the recent market conditions and business development of the Company. Details of the change in use of proceeds are set out in the announcement dated 21 April 2020.

The use of proceeds as at 31 August 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 31 August 2022	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\$9.75 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\$148.25 million	HK\$9.75 million

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

As at 31 August 2022, approximately 93.8% of the net proceeds raised have been utilized as intended. The remaining unutilized approximately 6.2% of the net proceeds are placed in licensed banks in Hong Kong as at 31 August 2022. The Company will continue to monitor market conditions and expect to use the remaining unutilized net proceeds of approximately HK\$9.8 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 have confirmed that there was no material adverse change in the Group's financial and trading position or prospects as at 31 August 2022.

OUTLOOK AND PROSPECT

During the Period, the economy in Hong Kong and other parts of the world remained volatile with the fifth wave of the Pandemic and the instability in international financial markets and political arena.

Anticipated by many, the world may be edging toward a global recession in 2023 as central banks across the world simultaneously hike interest rates in response to inflation while tightening their monetary policies. In addition to the ongoing Russia-Ukraine conflict which resulted in potential sanctions of various countries like the U.S towards Russia, the business environment in short term remains challenging in the second half of 2022.

Nevertheless, governments in various places including Hong Kong had begun to scrap the strict travel restrictions. In light of these economic challenges, the Chinese government has also announced an array of measures to stabilize the economy. These include measures such as new investments in infrastructure and the extension of tax deferrals for businesses etc. Besides, with the launch of new listing regime for special purpose acquisition companies (SPAC) and overseas issuers, and other initiatives by the Hong Kong Exchanges and Clearing Limited, it is believed that the global leading role of Hong Kong shall revive. The Group believes that the business opportunities will grow with the gradual recovery of Hong Kong.

Seeing the instability during the Period and in the near future, the Group had taken a cautious approach in its business development to mitigate the risks and maintain healthy growth. During the Period, the Group had experienced decrease in revenue mainly in placing and underwriting business and corporate finance advisory business, which was in line with the general market conditions. It was notable that the Group had sustained growth in securities dealing and brokerage business and money lending business. Not to mention that the Group had achieved a remarkable increase of approximately 21.7% in the revenue of securities financing business. The result during the Period encourages the Group to maintain this prudent development approach according to the market condition and continue to deliver a spectrum of high-quality services to our clients while generate returns to our 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 2022 and up to the date of this report.

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

Throughout the Period 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. Yip Siu Hong. 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 2022 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company of all Directors that they have fully complied with the required standard as set out in the Model Code throughout the Period.

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.

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 2022 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)
Executive Director			
Mr. Chung Chi Man ("Mr. Chung")	Interest in controlled corporation (Note 2)	300,000,000 Shares (L)	75%
	Beneficial owner	400,000 Shares (Underlying Shares) (L)	0.1%
Mr. Poon Siu Kuen, Calvin	Beneficial owner	400,000 Shares (Underlying Shares) (L)	0.1%
Independent Non-executive Director ("INED")			
Dr. Wu Kwun Hing	Beneficial owner	400,000 Shares (Underlying Shares) (L)	0.1%
Ms. Chan Ka Lai, Vanessa	Beneficial owner	400,000 Shares (Underlying Shares) (L)	0.1%
Former INED			
Mr. Choi Wai Ping (Resigned on 1 June 2022)	Beneficial owner	400,000 Shares (Underlying Shares) (L)	0.1%

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.

SHARE OPTIONS

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.

Grantees (Note 1)	Capacity	Date of Grant (Note 2)	Exercise price (per share) HK\$	Closing price immediately before the date of Grant (HK\$)	Exercise period (Note 3)	Balance as at 1 March 2022	Number of share options during the Period				Balance as at 31 August 2022
							Granted (Note 4)	Exercised (Note 5)	Lapsed	Cancelled	
Directors and Chief Executives											
Chung Chi Man	Executive Director, Chairman	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000
Poon Siu Kuen, Calvin	Executive Director, Chief Executive Officer	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000
Dr. Wu Kwun Hing	Independent non-executive director ("INED")	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000
Chan Ka Lai, Vanessa	INED	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000
Former Director											
Choi Wai Ping (resigned on 1 June 2022)	INED	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000

Corporate Governance and Other Information (Continued)

Grantees (Note 1)	Capacity	Date of Grant (Note 2)	Exercise price (per share) HK\$	Closing price immediately before the date of Grant (HK\$)	Exercise period (Note 3)	Balance as at 1 March 2022	Number of share options during the Period				Balance as at 31 August 2022
							Granted (Note 4)	Exercised (Note 5)	Lapsed	Cancelled	
Employees											
Chau Lok Yuen, Amy	Director of a subsidiary of the Company	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000
Li Lap Sun	Director of a subsidiary of the Company	9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	400,000	—	—	—	400,000
13 other employees		9 March 2022	HK\$0.324	HK\$0.31	9 September 2022 to 8 March 2032	0	37,200,000	—	—	—	37,200,000
Total						0	40,000,000	—	—	—	40,000,000

Notes:

- (1) All Grantees shown in this table for the period ended 31 August 2022 are employees of the Group working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).
- (2) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (3) The validity period of the share options is from 9 March 2022 to 8 March 2032.
- (4) A total number of 40,000,000 shares, representing 10% of the issued shares of the Company as at 31 August 2022 are available for issue under the Share Option Scheme.
- (5) Under the exercise restrictions in respect of the share options granted to Chung Chi Man, Poon Siu Kuen, Calvin, Dr. Wu Kwun Hing, Choi Wai Ping, Chan Ka Lai, Chau Lok Yuen, Amy and Li Lap Sun, the share options can only be exercised by him/her if such exercise will not result in non-compliance of the public float requirement under the Listing Rules by the Company.

Further details of the grant of share options are set out in the announcement dated 9 March 2022.

During the six months ended 31 August 2022, share options were granted on 9 March 2022 with an aggregate estimated fair value of approximately HK\$6.4 million. The estimated fair value of the options granted on that date are approximately HK\$400,000 and HK\$6 million for each of directors and other employees respectively.

The fair value of share option scheme granted during the relevant periods was estimated as at the date of grant using a Black-Scholes model with Binomial Tree method taking into account the terms and conditions upon which the share options were granted.

	Granted on 9 March 2022
Expected volatility	107.072%
Expected life	10 years
Risk-free rate	1.7201%
Expected dividend yield	0%

The expected volatility was determined by using the historical volatility of the Company's share price. Shareholders are warned to the subjectivity and uncertainty as to the fair values of the share options as the fair values of the options are subject to a number of assumptions and with regard to the limitation of the pricing model.

Upon the grant of the above 40,000,000 options on 9 March 2022, under the existing scheme mandate limit of the Share Option Scheme adopted on 24 August 2018, the Company will no longer be able to grant further share options, entitling the holder(s) thereof to subscribe for up to 0 shares, representing 0% of the issued shares of the Company as at 31 August 2022 and up to the date of this report.

Apart from the aforesaid Share Option Scheme, at no time during the Period and up to the date of this report the Company or any associated corporation was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

Save as disclosed above, the Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 31 August 2022.

Corporate Governance and Other Information (Continued)

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 August 2022 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" denotes 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.

CHANGES IN THE COMPOSITION OF THE BOARD AND BOARD COMMITTEES

With effect from 1 June 2022:

- (i) Mr. Choi Wai Ping has resigned as an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company; and
- (ii) Mr. Yip Siu Hong has been appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Further details of the above were set out in the Company's announcement dated 1 June 2022.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed above, pursuant to Rule 13.51B (1) of the Listing Rules, there are no updated changes in information of the Directors subsequent to the publication of the 2021/2022 Annual Report of the Company.

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 2022

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. Yip Siu Hong 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 2022 (unaudited) HK\$'000	31 August 2021 (unaudited) HK\$'000
Revenue			
Corporate finance advisory services	5	7,638	7,915
Placing and underwriting services	5	924	2,269
Securities dealing and brokerage services	5	996	910
Asset management services	5	237	288
Interest income from securities financing services	5	8,179	6,721
Interest income from money lending services	5	70	—
Total revenue		18,044	18,103
Other income	7	1,078	3,043
Other gains and losses	8	1,850	346
		20,972	21,492
Administrative and operating expenses		(6,966)	(4,535)
Depreciation of property and equipment	16	(169)	(923)
Depreciation of right-of-use assets	17	(1,032)	(1,149)
Impairment allowance on financial instruments and contract assets, net of reversal	9	48	4
Staff costs	10	(21,969)	(16,826)
Finance costs	11	(223)	(37)
Loss before tax	12	(9,339)	(1,974)
Income tax expenses	13	—	—
Loss and total comprehensive expense for the period		(9,339)	(1,974)
Loss per share			
Basic and diluted (HK cents)	15	(2.33)	(0.49)

Condensed Consolidated Statements of Financial Position

	Notes	As at	
		31 August 2022 (unaudited) HK\$'000	28 February 2022 (audited) HK\$'000
Non-current assets			
Property and equipment	16	316	969
Right-of-use assets	17	2,411	700
Intangible asset	18	500	500
Deferred tax assets	30	357	357
Other receivables, deposits and prepayments	21	633	230
Total non-current assets		4,217	2,756
Current assets			
Accounts receivable	19	91,362	105,837
Loan receivables		1,642	201
Contract assets	20	337	337
Other receivables, deposits and prepayments	21	9,633	10,239
Tax recoverable		452	452
Financial assets at fair value through profit or loss	22	43,812	42,319
Cash and bank balances	23	71,071	58,826
Cash and bank balances — held on behalf of customers	24	109,992	82,370
Total current assets		328,301	300,581
Total assets		332,518	303,337
Current liabilities			
Accounts payable	25	123,400	92,466
Other payables and accruals	26	877	1,124
Contract liabilities	27	125	473
Lease liabilities	28	1,408	721
Total current liabilities		125,810	94,784
Net current assets		202,491	205,797
Total assets less current liabilities		206,708	208,553
Non-current liabilities			
Lease liabilities	28	1,085	—
Net assets		205,623	208,553
Equity			
Share capital	29	4,000	4,000
Reserves		201,623	204,553
Total equity		205,623	208,553

Condensed Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i> <i>(note 29)</i>	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 March 2022	4,000	169,663	—	34,890	208,553
Loss and total comprehensive expense for the period	—	—	—	(9,339)	(9,339)
Recognition of equity settled share-based payment <i>(note 31)</i>	—	—	6,409	—	6,409
Lapse of share options	—	—	(31)	31	—
At 31 August 2022	4,000	169,663	6,378	25,582	205,623
At 1 March 2021	4,000	169,663	—	57,407	231,070
Loss and total comprehensive expense for the period	—	—	—	(1,974)	(1,974)
At 31 August 2021	4,000	169,663	—	55,433	229,096

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 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
CASH GENERATED FROM/(USED IN) OPERATIONS		13,532	(14,292)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		13,532	(14,292)
INVESTING ACTIVITIES			
Purchases of property and equipment	16	(317)	(8)
Interest received		23	4
NET CASH USED IN INVESTING ACTIVITIES		(294)	(4)
FINANCING ACTIVITIES			
Repayment of principal of lease liabilities		(971)	(1,145)
Repayment of interest portion of lease liabilities		(22)	(34)
NET CASH USED IN FINANCING ACTIVITIES		(993)	(1,179)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,245	(15,475)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		58,826	68,081
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		71,071	52,606
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		61,119	47,665
Short-term deposits in banks		9,952	4,941
		71,071	52,606

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 finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services, asset management services and money lending 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 2022, 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 28 February 2022.

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 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Property, Plant and Equipment — Proceeds before Intended Use — Amendments to HKAS 16
- Annual Improvements to HKFRSs 2018–2020 — Amendments to HKFRSs

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 36.

Income taxes

No deferred tax asset was recognised during the period ended 31 August 2022. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

5. REVENUE

Performance obligations for contracts with customers

Corporate finance advisory services

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

Placing and underwriting services

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

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.

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 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Corporate finance advisory services		
Sponsor fee income	4,570	3,761
Advisory fee income — financial and independent financial advisory	1,854	1,469
Advisory fee income — compliance advisory	1,214	2,685
	7,638	7,915
Placing and underwriting services		
Placing and underwriting fee income	924	2,269
Securities dealing and brokerage services		
Commission income — Hong Kong equities and subscription of initial public offering ("IPO")	996	910
Asset management services		
Management fee income	237	288
Interest income from securities financing services		
Interest income — Margin clients	8,164	6,716
Interest income — Cash clients	15	5
	8,179	6,721
Interest income from money lending services		
Interest income — personal loans	70	—
Sub-total — Interest income from securities financing services and money lending services	8,249	—
Total	18,044	18,103

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Timing of revenue recognition		
At a point in time	1,920	3,179
Over time	7,875	8,203
	9,795	11,382
Interest revenue	8,249	6,721
Total	18,044	18,103

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.

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 2022, the following external customer contributed more than 10% of total revenue of the Group.

	Six months ended	
	31 August 2022 HK\$’000 (unaudited)	31 August 2021 HK\$’000 (unaudited)
Customer A	3,835	2,825

Notes to the Condensed Consolidated Financial Statements (Continued)

7. OTHER INCOME

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Interest income from bank balances	23	4
Interest income from other receivables	194	205
Dividend income	—	2,211
Handling fee income	169	272
Government grant (<i>note</i>)	682	—
Others	10	351
	1,078	3,043

Note: Included in profit or loss is HK\$682,000 (six months ended 31 August 2021: HK\$nil) of government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and could not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

8. OTHER GAINS AND LOSSES

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Realised gain/(loss) on financial assets at fair value through profit or loss	50	(453)
Unrealised gain on financial assets at fair value through profit or loss	1,800	799
	1,850	346

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

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Reversal/(provision) of impairment losses on accounts receivable	82	(35)
Reversal of impairment losses on contract assets	—	21
Reversal of impairment losses on other receivables	—	18
(Provision) of impairment losses on loan and interest receivables	(34)	—
	48	4

10. STAFF COSTS

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Directors' emoluments	2,148	2,148
Other staffs		
Salaries and allowance	11,742	13,196
Bonuses	1,420	1,160
Contributions to Mandatory Provident Fund Scheme ("MPF Scheme")	250	322
Share option expenses	6,409	—
	21,969	16,826

Notes to the Condensed Consolidated Financial Statements (Continued)

11. FINANCE COSTS

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Interest expenses — bank loan	201	—
Interest expenses — broker	—	3
Interest expenses — lease liabilities	22	34
	223	37

12. LOSS BEFORE TAX

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of property and equipment	169	923
Depreciation of right-of-use assets	1,032	1,149
Written off of property and equipment	801	—

13. INCOME TAX

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 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 2022.

14. DIVIDEND

The Board does not recommend payment of any dividend for the six months ended 31 August 2022 and 2021.

15. LOSS PER SHARE

	Six months ended	
	31 August 2022 (unaudited)	31 August 2021 (unaudited)
Loss for the purpose of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company (HK\$'000)	(9,339)	(1,974)
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

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 2021	799	487	5,882	82	7,250
Additions	7	4	—	7	18
As at 28 February 2022	806	491	5,882	89	7,268
Additions	49	—	257	11	317
Written off	—	—	(2,653)	—	(2,653)
As at 31 August 2022	855	491	3,486	100	4,932
Depreciation					
As at 1 March 2021	687	460	3,690	79	4,916
Charge for the year	78	27	1,274	4	1,383
As at 28 February 2022	765	487	4,964	83	6,299
Charge for the period	18	1	148	2	169
Written off	—	—	(1,852)	—	(1,852)
As at 31 August 2022	783	488	3,260	85	4,616
Carrying amount					
As at 31 August 2022	72	3	226	15	316
As at 28 February 2022	41	4	918	6	969

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

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

17. RIGHT-OF-USE ASSETS

- (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 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Properties leased for own use, carried at depreciated cost	2,411	700

- (ii) Amounts recognised in profit or loss:

	Six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Depreciation of right of use assets	1,032	2,297

As at 31 August 2022 and 28 February 2022, the Group leases various office for its operations. Lease contracts are entered into for fixed term of 2 years (28 February 2022: 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 2021, 28 February 2022 and 31 August 2022	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.

19. ACCOUNTS RECEIVABLE

	As at	
	31 August 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Accounts receivable arising from:		
— Corporate finance advisory services	1,880	750
— Securities dealing and brokerage services	16,574	10,739
— Securities financing services		
— Secured margin loan	73,062	92,691
— Placing and underwriting services	—	1,890
— Asset management services	38	42
Less: impairment allowance	(192)	(275)
	91,362	105,837

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.

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 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
0–30 days	16,827	11,491
31–60 days	1,147	1,930
61–90 days	60	—
Over 90 days	458	—
Less: impairment allowance	(82)	(143)
	18,410	13,278

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

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party as disclosed in note 34, of HK\$38,000 (28 February 2022: HK\$42,000).

20. CONTRACT ASSETS

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

	As at	
	31 August 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Contract assets	345	345
Less: impairment allowance	(8)	(8)
	337	337

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 7% to 31% (28 February 2022: 9% to 31%) of total contract sum upon signing of the mandates as part of its credit risk management policies. Afterwards, the Group would require stage payments upon the submission of the listing application by customers to the Stock Exchange, upon the hearing of the listing application and upon the listing of the applicant's shares on the Stock Exchange.

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

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

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	31 August 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Deposits with the Stock Exchange and a clearing house	372	230
Interest receivable	126	—
Loan advanced to staff and a margin client	9,300	9,300
Other receivable	45	—
Prepayment	140	533
Utility deposit	497	620
Less: impairment allowance	(214)	(214)
	10,266	10,469
Analysed as		
Non-current	633	230
Current	9,633	10,239
	10,266	10,469

The loan advanced to staff and a margin client are unsecured, bear interest at 3% to 9% per annum (28 February 2022: 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 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Financial assets measured at FVTPL		
— Equity securities listed in Hong Kong	43,812	42,319

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 and fixed deposits of HK\$9,952,000 (28 February 2022: HK\$4,943,000) 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 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Accounts payable arising from:		
— Securities dealing and brokerage services	123,304	92,370
— Placing and underwriting services	96	96
	123,400	92,466

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\$54,000 (28 February 2022: HK\$88,000).

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 2022, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$109,992,000 (28 February 2022: HK\$82,370,000).

26. OTHER PAYABLES AND ACCRUALS

	As at	
	31 August 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Accrued expenses	645	1,102
Other payables	232	22
	877	1,124

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

27. CONTRACT LIABILITIES

	As at	
	31 August 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Advisory fee	125	473

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 2022, advisory fee of HK\$473,000 (28 February 2022: HK\$563,000) that was included in the contract liabilities balance at the beginning of the period was recognised as revenue.

28. LEASE LIABILITIES

	<i>HK\$'000</i>
As at 1 March 2021	3,025
Interest expenses	53
Lease payments	(2,357)
As at 28 February 2022	721
Addition	2,743
Interest expenses	22
Lease payment	(993)
Balance as at 31 August 2022	2,493

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

	As at	
	31 August 2022 <i>HK\$'000</i> (unaudited)	28 February 2022 <i>HK\$'000</i> (audited)
Current liabilities	1,408	721
Non-current liabilities	1,085	—
	2,493	721

29. SHARE CAPITAL

	Par value	Number of shares	Nominal amount HK\$'000
Ordinary shares			
Authorised:			
At 28 February 2022 and 31 August 2022	HK\$0.01	1,000,000,000	10,000
Issued and fully paid:			
At 28 February 2022 and 31 August 2022	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 HK\$'000	Temporary difference on accumulated tax depreciation HK\$'000	Total HK\$'000
At 1 March 2021	—	(357)	(357)
Credited to profit or loss for the year	—	—	—
At 28 February 2022 and 31 August 2022	—	(357)	(357)

31. SHARE-BASED PAYMENT TRANSACTIONS

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

- i. The purpose of the Share Option Scheme is to motivate eligible participants to optimise their performance efficiency for the benefit of the Group; and attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.
- ii. The eligible participants of the Share Option Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including executive, non-executive 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.
- iii. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the company must not in aggregate exceed 10% of the total number of shares.
- iv. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.
- v. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.
- vi. There is no minimum period for which an option must be held before it can be exercised.
- vii. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.
- viii. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:
 - a. the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
 - b. the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
 - c. the nominal value of a share.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The estimated fair value of the options granted on the grant date is approximately HK\$6,738,000.

The fair value was measured using the Binomial Option Pricing model. The inputs used in the model were as follows:

Share Options granted on 9 March 2022:

Risk-free Rate (Continuous rate) 1.7201%

Share Value as at the Appraisal Date HK\$0.31 per share

Exercise Price HK\$0.324

Expected Tenor 10 years

Volatility 107.072%

Dividend Yield 0.00%

The Black-Scholes model with Binomial Tree method has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

The valuation was performed by Greater China Appraisal Limited, who is independent to the Group.

During the six months ended 31 August 2022, the Group recognised total expense in relation to share options granted of approximately HK\$6,409,000.

Notes to the Condensed Consolidated Financial Statements (Continued)

32. COMMITMENT

Loan commitment

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

	As at	
	31 August 2022 HK\$'000 (unaudited)	28 February 2022 HK\$'000 (audited)
Loan commitment	35,058	18,404

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.

33. CONTINGENT LIABILITIES

As at 31 August 2022, the Group did not have any significant contingent liabilities.

34. RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	31 August 2022 HK\$'000 (unaudited)	31 August 2021 HK\$'000 (unaudited)
Commission income		
Mr. Chung Chi Man	—	2
Mr. Poon Siu Kuen Calvin	—	2
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>Note</i>)	237	288

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.

35. CAPITAL RISK MANAGEMENT

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

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

The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with 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.

36. 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 2022 and 28 February 2022, 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.

36. 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 2022, 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 approximately HK\$101,000 on the accounts receivable arising from securities financing services which are secured by collaterals as at 31 August 2022. (six months ended 31 August 2021: approximately HK\$132,000)

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.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

As at 31 August 2022 and 28 February 2022, the Group has concentration of credit risk on accounts receivable as 55% and 51% 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 on-going basis.

Except for accounts receivable, other receivables and contract assets arising from margin loans and corporate finance advisory services, as well as the loan receivables, 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)

36. 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 2022 HK\$'000	Fair value as at 28 February 2022 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL				
Listed equity investments	43,812	42,319	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.

37. 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.

38. EVENT AFTER THE REPORTING PERIOD

From 1 September 2022 to the date of this interim report, there was no non-financial event that may cause material effects on the results of the Company.

39. 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 2022.