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INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2680)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Innovax Holdings Limited (the “**Company**”) is pleased to present to its shareholders the consolidated results of the Company and its subsidiaries (the “**Group**”), which is extracted from the audited consolidated financial statements for the year ended 28 February 2023 (the “**Year**”), together with the comparative figures for the year ended 28 February 2022 as follows:

FINANCIAL SUMMARY	Year ended	
	28 February 2023 HK\$'000	28 February 2022 HK\$'000
Total revenue	45,535	34,955
Loss and total comprehensive expense for the year	(6,577)	(22,517)
Loss per share Basic and diluted (HK cents)	(1.64)	(5.63)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2023

	Notes	Year ended	
		28 February 2023 HK\$'000	28 February 2022 HK\$'000
Revenue			
Corporate finance advisory services	3	17,446	14,812
Placing and underwriting services	3	9,531	4,221
Securities dealing and brokerage services	3	3,132	1,903
Asset management services	3	455	553
Interest income from securities financing services	3	14,808	13,445
Interest income from money lending services	3	163	21
		<u>45,535</u>	<u>34,955</u>
Total revenue			
Other income	5	4,412	4,010
Other gains and losses	6	625	(8,373)
		<u>50,572</u>	<u>30,592</u>
Other operating expenses		(12,646)	(9,718)
Bad debt expenses		—	(980)
Depreciation of property and equipment		(1,054)	(1,383)
Depreciation of right-of-use assets		(1,758)	(2,297)
Impairment allowance on financial instruments and contract assets, net of reversal	7	(28)	(17)
Staff costs	8	(41,390)	(37,390)
Finance costs	9	(271)	(55)
Share of losses of joint ventures	18	(2)	—
		<u>(6,577)</u>	<u>(21,248)</u>
Loss before tax	10	(6,577)	(21,248)
Income tax expense	11	—	(1,269)
		<u>(6,577)</u>	<u>(22,517)</u>
Loss and total comprehensive expense for the year			
Loss per share			
Basic and diluted (HK cents)	13	(1.64)	(5.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 28 February 2023

		As at	
		28 February 2023	28 February 2022
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property and equipment		239	969
Right-of-use assets		1,686	700
Intangible asset		500	500
Deferred tax assets		357	357
Loan receivables	15	4,885	—
Other receivables, deposits and prepayments	17	633	230
Interest in joint venture	18	3	—
Total non-current assets		<u>8,303</u>	<u>2,756</u>
Current assets			
Accounts receivable	14	87,138	105,837
Loan receivables	15	10,626	201
Contract assets	16	—	337
Other receivables, deposits and prepayments	17	852	10,239
Tax recoverable		—	452
Financial assets at fair value through profit or loss	25	42,586	42,319
Cash and bank balances	19	87,390	58,826
Cash and bank balances — held on behalf of customers	20	70,720	82,370
Total current assets		<u>299,312</u>	<u>300,581</u>
Total assets		<u>307,615</u>	<u>303,337</u>

		As at	
		28 February 2023	28 February 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Accounts payable	21	91,808	92,466
Other payables and accruals	22	5,173	1,124
Contract liabilities	23	93	473
Amount due to a joint venture	18	1	—
Lease liabilities	24	<u>1,496</u>	<u>721</u>
Total current liabilities		<u>98,571</u>	<u>94,784</u>
Net current assets		<u>200,741</u>	<u>205,797</u>
Total assets less current liabilities		<u>209,044</u>	<u>208,553</u>
Non-current liabilities			
Lease liabilities	24	<u>330</u>	<u>—</u>
Net assets		<u>208,714</u>	<u>208,553</u>
Equity			
Share capital		4,000	4,000
Reserves		<u>204,714</u>	<u>204,553</u>
Total equity		<u>208,714</u>	<u>208,553</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28 February 2023

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, the founder of the Group, Chairman (the “**Chairman**”) of the Board and executive Director. The shares of the Company have been listed on the main board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 14 September 2018.

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

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

2.1 Adoption of new or amended HKFRSs

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current period.

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

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

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16 HKFRS 17	Lease Liability in a Sale and Leaseback ² Insurance Contracts ¹
Amendments to HKFRS 17 Amendment to HKFRS 17	Insurance Contracts ^{1, 5, 6} Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ^{2, 4}
Amendments to HKAS 1 Amendments to HKAS 1 and HKFRS Practice Statement 2	Non-current Liabilities with Covenants (the “ 2022 Amendments ”) ² Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

Amendments to HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 March 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

The amendments clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

The amendments narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. REVENUE

Performance obligations for contracts with customers

Corporate finance advisory services

The Group provides IPO sponsorship services to customers. It acts as a sponsor for companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process. The revenue is recognised over time during the initial public offering (“**IPO**”) process.

The Group provides financial advisory services to customers. It acts as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or the Takeovers Code. The revenue is recognised over time during the service period.

The Group provides independent financial advisory services to customers. It acts as an independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong rendering recommendations and opinions. The revenue is recognised over time during the service period.

The Group provides compliance advisory services to customers. It acts as a compliance adviser to listed companies in Hong Kong advising them on post-listing compliance matters. The revenue is recognised over time during the service period.

Placing and underwriting services

The Group provides placing and underwriting services to customers. It acts as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acts as a placing or sub-placing agent or an underwriter for issue of new shares by listed companies. The revenue is recognised at a point in time when the transactions relating to the capital raising activities are executed and service obligations are completed.

Securities dealing and brokerage services

The Group provides securities dealing and brokerage services to customers. 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 the trade date, unless specifically agreed with the counterparties.

Asset management services

Income generated from provision of asset management services to customers is recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The management fee is charged at a fixed percentage per annum of the net asset value of the asset under management by the Group. The Group is also entitled to a performance fee, which is evaluated on an annual basis, 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. Management fee is normally due on the anniversary date while performance fee is normally due at the end of the relevant performance period.

Disaggregation of revenue from contracts with customers

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Corporate finance advisory services		
Sponsor fee income	11,147	6,440
Advisory fee income — financial and independent financial advisory	4,409	3,479
Advisory fee income — compliance advisory	<u>1,890</u>	<u>4,893</u>
	<u>17,446</u>	<u>14,812</u>
Placing and underwriting services		
Placing and underwriting fee income	<u>9,531</u>	<u>4,221</u>
Securities dealing and brokerage services		
Commission income	<u>3,132</u>	<u>1,903</u>
Asset management services		
Management fee income	<u>455</u>	<u>553</u>
Sub-total — Revenue from contracts with customers	<u>30,564</u>	<u>21,489</u>
Interest income from securities financing services		
Interest income — Margin clients	14,787	13,431
Interest income — Cash clients	<u>21</u>	<u>14</u>
	<u>14,808</u>	<u>13,445</u>
Interest income from money lending services		
Interest income — personal loans	<u>163</u>	<u>21</u>
Sub-total — Interest income from securities financing services and money lending services	<u>14,971</u>	<u>13,466</u>
Total	<u><u>45,535</u></u>	<u><u>34,955</u></u>

	2023	2022
	HK\$'000	HK\$'000
Timing of revenue recognition		
— At a point in time	12,663	6,124
— Over time	17,901	15,365
	30,564	21,489
Interest revenue	14,971	13,466
Total	45,535	34,955

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

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

4. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on revenue of each type of services provided. CODM considers the business from service perspectives whereby the performance of the services is assessed based on revenue generated in the course of the ordinary activities of a recurring nature of the business of the Group. CODM considers the business of the Group as a whole as the Group is primarily engaged in provision of financial and securities 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 is all derived in Hong Kong based on the location of services delivered and the Group’s non-current assets (excluding financial and deferred tax assets) are all located in Hong Kong based on the physical location of assets or the location of operations.

Major customer

During the two years ended 28 February 2023, the following external customers contributed more than 10% of the total revenue of the Group.

	2023	2022
	HK\$'000	HK\$'000
Customer A	8,509	N/A*
Customer B	7,097	5,625
Customer C	6,363	N/A*

* The corresponding customer did not contribute more than 10% of the total revenue of the Group during the year ended 28 February 2022.

5. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from bank balances	755	6
Interest income from other receivables	392	418
Dividend income	2,088	2,211
Handling fee income	436	364
Government grant (<i>note</i>)	731	—
Others	<u>10</u>	<u>1,011</u>
	<u><u>4,412</u></u>	<u><u>4,010</u></u>

Note: During the Year, the government grant of approximately HK\$731,000 (2022: HK\$Nil) was obtained from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend the grant on payroll expenses, and could not reduce employee head count below the prescribed level for a specified period of time. The Group does not have other unfulfilled obligations relating to this scheme.

6. OTHER GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Realised gains/(losses) on financial assets at fair value through profit or loss	50	(2,497)
Unrealised gains/(losses) on financial assets at fair value through profit or loss	<u>575</u>	<u>(5,876)</u>
	<u><u>625</u></u>	<u><u>(8,373)</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reversal/(Provision) of impairment losses on accounts receivable	113	(87)
Reversal of impairment losses on contract assets	8	52
(Provision)/Reversal of impairment losses on other receivables	(3)	23
Impairment losses on loan and interest receivable	<u>(146)</u>	<u>(5)</u>
	<u><u>(28)</u></u>	<u><u>(17)</u></u>

8. STAFF COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Directors' emoluments	6,041	8,296
Other staffs		
Salaries and allowance	23,733	24,740
Bonuses	4,771	3,766
Contributions to MPF Scheme	502	588
Share option expenses	6,343	—
	<u>41,390</u>	<u>37,390</u>

9. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expenses — bank borrowings	201	—
Interest expenses — brokers	—	2
Interest expenses — lease liabilities	70	53
	<u>271</u>	<u>55</u>

10. LOSS BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax for the year has been arrived at after charging:		
Auditor's remuneration	800	855
Short-term lease expenses	184	23
	<u>984</u>	<u>878</u>

11. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax:		
— Current tax	—	—
Deferred tax	—	1,269
	<u>—</u>	<u>1,269</u>

Hong Kong Profit Tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the Year.

12. DIVIDEND

The Board does not recommend payment of any dividend for the Year.

13. LOSS PER SHARE

	2023	2022
Loss for the purpose of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company (HK\$'000)	<u>(6,577)</u>	<u>(22,517)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>400,000,000</u>	<u>400,000,000</u>
Loss per share:		
Basic and diluted (HK cents)	<u>(1.64)</u>	<u>(5.63)</u>

The computation of diluted loss per share does not assume exercise of any of the Company's outstanding share options since the exercise would result in a decrease in loss per share.

14. ACCOUNTS RECEIVABLE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from:		
— Corporate finance advisory services	700	750
— Securities dealing and brokerage services	21,823	10,739
— Securities financing services		
— Secured margin loan	64,741	92,691
— Placing and underwriting services	—	1,890
— Asset management services	36	42
Less: allowance for credit loss	<u>(162)</u>	<u>(275)</u>
	<u>87,138</u>	<u>105,837</u>

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

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

Accounts receivable arising from the securities financing services is generally secured by listed equity securities. The management of the Group ensures that the available cash balance and listed equity securities belonging to clients 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.

During the Year, there has not been any significant change in the quality of the collateral held for the accounts receivable arising from the securities financing services. The Group has taken into consideration of these collaterals for loss allowance calculation for the accounts receivable arising from the securities financing services.

In respect of the accounts receivable arising from the corporate finance advisory services, the placing and underwriting services, the securities dealing and brokerage services and the asset management services, the aging analysis based on trade date/invoice date as at 28 February 2022 and 28 February 2023 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	22,254	11,491
31–60 days	75	1,930
61–90 days	75	—
Over 90 days	155	—
Less: impairment allowance	<u>(66)</u>	<u>(143)</u>
	<u>22,493</u>	<u>13,278</u>

No aging analysis in respect of the accounts receivable arising from the securities financing services is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of the business.

As at 28 February 2023, the accounts receivable arising from the asset management services, which was the amount due from Innovax Alpha SPC — Innovax Balanced Fund SP, being a related party, was approximately HK\$36,000 (2022: approximately HK\$42,000).

15. LOAN RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Secured loan receivables	5,000	—
Unsecured loan receivables	10,876	206
Less: impairment allowance	<u>(365)</u>	<u>(5)</u>
	<u>15,511</u>	<u>201</u>
Analysed as		
Non-current	4,885	—
Current	<u>10,626</u>	<u>201</u>
	<u>15,511</u>	<u>201</u>

The Group has provided money lending services in Hong Kong during the Year. The customers are mainly individuals. During the Year, the Group recorded an interest income from the money lending services of approximately HK\$163,000 (2022: approximately HK\$21,000), representing an increase of approximately 676.2% as compared with the year ended 28 February 2022.

As at 28 February 2023, the secured loan receivables were secured by property units and carried interest at a fixed rate at 8.5% (2022: Nil) per annum, while the unsecured loan receivables carried interest at a floating rate ranging from 3% to 15% (2022: 10%) per annum.

16. CONTRACT ASSETS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets	—	345
Less: impairment allowance	<u>—</u>	<u>(8)</u>
	<u>—</u>	<u>337</u>

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 relevant duties of a sponsor as stated in the mandate are completed.

The Group requires certain customers to provide upfront deposits ranging from approximately 7% to approximately 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 submission of the listing application to the Stock Exchange, upon hearing of the listing application and upon listing of the applicant's shares on the Stock Exchange.

For unbilled revenue arising from the sponsor mandate that is conditional on the Group's achieving specified milestones as stipulated in the sponsor mandate, it is 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 corporate finance advisory services not provided, it is recognised as contract liabilities.

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

Movements in contract assets are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance as at 1 March	345	1,904
Transfer from contract assets recognised at the beginning of the year to accounts receivable	(345)	(579)
Changes as a result of changes in the measure of progress	—	—
Reversal of changes as a result of changes in the measure of progress	—	(980)
	<u>—</u>	<u>—</u>
Balance as at 28 February	<u>—</u>	<u>345</u>

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deposits with the Stock Exchange and a clearing house	230	230
Interest receivable	109	—
Loan advanced to staff and a margin client	—	9,300
Prepayment	295	533
Utility deposit	497	620
Others	357	—
Less: impairment allowance	(3)	(214)
	<u>1,485</u>	<u>10,469</u>
Analysed as		
Non-current	633	230
Current	852	10,239
	<u>1,485</u>	<u>10,469</u>

18. INTEREST IN JOINT VENTURE/AMOUNT DUE TO A JOINT VENTURE

	2023 HK\$'000	2022 HK\$'000
Cost of unlisted interest in a joint venture (<i>note i</i>)	5	—
Share of losses	(2)	—
	<u>3</u>	<u>—</u>
Amount due to a joint venture (<i>note ii</i>)	<u>1</u>	<u>—</u>

Notes:

- (i) As at 28 February 2023, the cost of investment comprised an investment in a joint venture of HK\$5,000 (2022: Nil).
- (ii) The amount due to a joint venture is unsecured, interest-free and repayable on demand.

Details of the joint venture as at 28 February 2023 and 2022 are as follow:

Name of entity	Place of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
			2023	2022	
InnoCity GBA Capital Limited (“Innocity”)	Hong Kong	Hong Kong	50%	—	Inactive

The joint venture is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the Group’s immaterial joint venture:

	2023 HK\$'000	2022 HK\$'000
Aggregate carrying amount of the Group’s joint venture in the consolidated financial statements	<u>3</u>	<u>—</u>
	<u>2023 HK\$'000</u>	<u>2022 HK\$'000</u>
Share of losses and total comprehensive expense of the Group’s joint venture	<u>(2)</u>	<u>—</u>

19. CASH AND BANK BALANCES

As at 28 February 2023, cash and bank balances, which mainly represent demand deposits and fixed deposits with an original maturity within 3 months at banks, were approximately HK\$11,058,000 (2022: approximately HK\$4,943,000).

20. CASH AND BANK BALANCES — HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and bank balances — held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 21) to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The cash and bank balances — held on behalf of customers are 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.

21. ACCOUNTS PAYABLE

	2023	2022
	HK\$'000	HK\$'000
Accounts payable arising from:		
— Securities dealing and brokerage services	91,712	92,370
— Placing and underwriting services	96	96
	91,808	92,466

The settlement terms of clearing house and securities trading clients from the ordinary course of business of the securities dealing and brokerage services range from one to two days after the trade date of those transactions. Accounts payable from the placing and underwriting services is repayable on demand. As at 28 February 2023, amounts due to directors and key management personnel of the Group included in accounts payable arising from the securities dealing and brokerage services were approximately HK\$57,000 (2022: approximately HK\$88,000).

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

As at 28 February 2023, accounts payable arising from the securities dealing and brokerage services also included those payables placed in segregated accounts with authorised financial institutions of approximately HK\$70,720,000 (2022: approximately HK\$82,370,000).

22. OTHER PAYABLES AND ACCRUALS

	2023	2022
	HK\$'000	HK\$'000
Accrued expenses	5,022	1,102
Other payables	151	22
	5,173	1,124

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

23. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Advisory fee	<u>93</u>	<u>473</u>
	<u><u>93</u></u>	<u><u>473</u></u>

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

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

24. LEASE LIABILITIES

	<i>HK\$'000</i>
As at 1 March 2021	3,025
Addition	—
Interest expenses	53
Lease payments	<u>(2,357)</u>
As at 28 February 2022	721
Addition	2,744
Interest expenses	70
Lease payments	<u>(1,709)</u>
Balance as at 28 February 2023	<u><u>1,826</u></u>

Future lease payments are due as follows:

	28 February 2023		
	Future lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
Not later than one year	1,538	(42)	1,496
Later than one year but not later than two years	<u>332</u>	<u>(2)</u>	<u>330</u>
Lease liabilities as at 28 February 2023	<u><u>1,870</u></u>	<u><u>(44)</u></u>	<u><u>1,826</u></u>

	28 February 2022		
	Future lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
Not later than one year	724	(3)	721
Later than one year but not later than two years	<u>—</u>	<u>—</u>	<u>—</u>
Lease liabilities as at 28 February 2022	<u><u>724</u></u>	<u><u>(3)</u></u>	<u><u>721</u></u>

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

	28 February 2023 <i>HK\$'000</i>	28 February 2022 <i>HK\$'000</i>
Current liabilities	1,496	721
Non-current liabilities	<u>330</u>	<u>—</u>
	<u><u>1,826</u></u>	<u><u>721</u></u>

(ii) Amounts recognised in profit or loss

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	<u>70</u>	<u>53</u>

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets measured at FVTPL		
— Equity securities listed in Hong Kong	<u><u>42,586</u></u>	<u><u>42,319</u></u>

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

26. RELATED PARTY TRANSACTIONS

During the two years ended 28 February 2023, the Group entered into the following transactions with related parties:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commission income		
— Mr. Chung Chi Man	—	3
— Mr. Poon Siu Kuen Calvin	—	2
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>note</i>)	<u>455</u>	<u>553</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the Year, the global economic and business environment was highly unstable and volatile. Continuous concern over the COVID-19 pandemic and worsening geopolitical factors, including the outbreak of Russia-Ukraine conflicts and the continuous Sino-US tensions, posing negative impact on the global supply chains and driving up energy price, resulted in a higher-than-expected inflation in overseas countries. Major overseas developed countries implemented tight monetary and fiscal policies during the Year. The US Federal Reserve accelerated its balance sheet reduction programme and started to raise the interest rate in March 2022. During the Year, the US Federal Reserve raised its benchmark interest rates eight times with accumulative increase of 450 basis points in the interest rate. Monetary tightening, together with other factors, had led to a significant and negative impact on the global economy and the performance of most of the financial markets globally.

In China, economic and business activities were seriously hindered by stringent policies to control and maintain its dynamic zero-COVID status. In addition, increasing market worries over slowdown in economic growth, tightening regulatory control by the Chinese government in different industry sectors, and rising credit and liquidity risks across the properties sector and the banking sector, resulted in bearish market sentiment. After relaxation and easing of COVID-19 restrictions in November 2022 and alleviated worries over the financial conditions of the properties sector, the market witnessed positive momentum to resumption of economic activities and easing of disruption on supply chain and more importantly the recovery of economic growth.

In Hong Kong, the economy was negatively affected by the fifth wave of COVID-19 infection and the relevant quarantine policies as well as the rising interest rate. Since the last quarter of 2022, given the uplift of the control policies over COVID-19 pandemic, the economy has been gradually recovering.

Given the above economic condition, the global stock market was inevitably in a downturn and highly volatile. The US stock market had its worst year since the subprime mortgage crisis. From 1 March 2022 up to 28 February 2023, the Dow Jones index, the S&P 500 index and the Nasdaq Composite opened at 33,893, 4,374 and 13,571 respectively and closed at 32,657, 3,970, 11,456 respectively, declining by approximately 3.7%, approximately 9.2% and approximately 16.7% respectively, and recording the highest point at 34,712, 4,637 and 14,647 respectively and the lowest point at 28,661, 3,492 and 10,089 respectively. The Shanghai Composite Index, Shenzhen Composite Index and GEM Index opened at 3,462, 13,456 and 2,881 respectively and closed at 3,280, 11,784 and 2,429 respectively, declining by approximately 5.3%, approximately 12.4% and approximately 15.7% respectively, and recording the highest point at 3,500, 13,517 and 2,905 respectively and the lowest point at 2,864, 10,181 and 2,150 respectively. The Hang Seng Index opened at 22,713 and closed at 19,786, declining by approximately 12.9%, and even hitting its lowest level at 14,597 over the past 13 years in November 2022. During the Year, the average daily trading volume of the Hong Kong stock market decreased to approximately HK\$124.6 billion by approximately 16.6% as compared to the year ended 28 February 2022. During the Year, the total amount of funds raised from newly listed companies on the Main board and the Growth Enterprise Market (“GEM”) of the Stock Exchange

decreased by approximately 62.9% to approximately HK\$99.3 billion, notwithstanding that the number of newly listed companies on the Main Board and GEM increased by approximately 10.7% to 93 (including one company that was transferred from GEM to the Main Board and 9 listing by way of introduction), as compared to the year ended 28 February 2022.

Business Overview

The Group is an integrated financial and securities services provider licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and money lending business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Group provides a wide range of financial and securities services to its clients. Its services cover corporate finance advisory services including (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services, placing and underwriting services, dealing and brokerage services for securities trading and futures contracts trading, securities financing services, research services, asset management services and money lending services.

Corporate Finance Advisory Services

During the Year, the Group was engaged in a total of 44 corporate finance advisory projects (2022: 51 projects), including 12 IPO sponsorship projects (2022: 17 projects), 21 financial and independent financial advisory projects (2022: 20 projects) and 11 compliance advisory projects (2022: 14 projects). Income generated from the corporate finance advisory business amounted to approximately HK\$17.4 million, representing an increase of approximately 17.8% from approximately HK\$14.8 million for the year ended 28 February 2022.

IPO sponsorship services

Leveraging on its competitiveness and solid experience, provision of IPO sponsorship services remains as the Group's core business. During the Year, the Group was engaged in 12 IPO sponsorship projects (2022: 17 projects) and income generated from provision of IPO sponsorship services was approximately HK\$11.1 million (2022: approximately HK\$6.4 million).

During the Year, the Group completed IPO sponsorship services for 2 companies out of the 93 companies newly listed on the Stock Exchange.

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 the 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, the GEM Listing Rules and the Takeovers Code.

During the Year, the Group was engaged in 12 financial advisory projects (2022: 7 projects) and 9 independent financial advisory projects (2022: 13 projects) and income generated from provision of financial and independent financial advisory services was approximately HK\$4.4 million (2022: approximately HK\$3.5 million).

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.

During the Year, the Group was engaged in 11 compliance advisory projects (2022: 14 projects) and income generated from provision of compliance advisory services was approximately HK\$1.9 million (2022: approximately HK\$4.9 million).

Placing and Underwriting Services

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

During the Year, the Group completed 5 placing and underwriting projects (2022: 8 projects), including 4 transactions as global coordinator or bookrunner or lead manager for IPOs and 1 transaction as placing agent for issue of new shares by a listed company, and income generated from the placing and underwriting business was approximately HK\$9.5 million (2022: approximately HK\$4.2 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 28 February 2023, the Group had 916 securities accounts maintained in Innovax Securities Limited (2022: 812) and the commission income generated from the securities dealing and brokerage business was approximately HK\$3.1 million during the Year (2022: approximately HK\$1.9 million).

Securities Financing Services

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

As at 28 February 2023, the total outstanding balance of margin loans amounted to approximately HK\$64.7 million (2022: approximately HK\$92.7 million) and the interest income generated from the securities financing business was approximately HK\$14.8 million during the Year (2022: approximately HK\$13.4 million).

Asset Management Services

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

As at 28 February 2023, the asset under management of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$3.1 million (equivalent to approximately HK\$24.5 million) (2022: approximately US\$3.7 million (equivalent to approximately HK\$28.8 million)). The income generated from the asset management business was approximately HK\$455,000 during the Year (2022: approximately HK\$553,000).

Money Lending Services

The Group provides money lending services through Innovax Credit Limited.

During the Year, the Group had provided personal loan service. Clients are generally solicited through (i) proactively approaching by the Group's management and (ii) referral from existing clients. The source of funds of the money lending business is mainly from the Groups' internal resources.

Details of the Group's money lending business for the two years ended 28 February 2023 are as follows:

	2023	2022
Personal loans		
Number of personal loans (per person)	6	1
Outstanding principal of personal loans (HK\$'000)	15,511	201
Range of interest rates (per annum)	<u>3%–15%</u>	<u>10%</u>

The Group will only advance new loans to those borrowers who have good financial credit rating and all overdue balances are reviewed regularly by the Group's senior management.

During the Year, the interest income from the money lending business was approximately HK\$163,000 (2022: approximately HK\$21,000) and accounted for approximately 0.36% (2022: 0.06%) of the Group's revenue. The loan receivable as at 28 February 2023 was approximately HK\$15.5 million (2022: approximately HK\$201,000). During the Year, the Group's money lending business did not record any doubtful or bad debt.

As at 28 February 2023, the amount of loan receivables due from the largest borrower and the five largest borrowers were approximately HK\$7.3 million (approximately 47.1% of the total loan receivables) (2022: approximately HK\$201,000 (100% of the total loan receivables)) and approximately HK\$15.5 million (approximately 99.9% of the total loan receivables) (2022: approximately HK\$201,000 (100% of the total loan receivables)) respectively.

The Group has in place internal control procedures in relation to its money lending business, including but not limited to conducting prudent credit assessment and customer due diligence by gathering personal and financial background information of the clients, and performing relevant litigation search, company search, and/or land search from the Hong Kong courts, Companies Registry and Land Registry as necessary. The Group cautiously determines the approval of the loan application taking into account the credit assessment and customer due diligence results and the relevant loan terms. The senior management of the Group conducts regular review on the repayment progress and the outstanding balance exposure.

The Group has implemented effective credit control procedures and there was no delinquent loan as at the date of this announcement.

Future Contracts Dealing and Brokerage Services

Since June 2019, the Group has been licensed to conduct type 2 (dealing in future contracts) regulated activity. During the Year, the Group did not conduct any business in relation to dealing in future contracts and therefore, no revenue was generated from the future contracts dealing and brokerage business. The Group plans to provide future contracts dealing and brokerage services to clients in return for commission income when appropriate.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue recorded an increase of approximately 30.3% to approximately HK\$45.5 million (2022: approximately HK\$35.0 million) which was attributable to completing more IPO sponsorship projects, achieving a higher trading volume of the securities dealing and brokerage business and generating higher interest income from the securities financing business as compared to the year ended 28 February 2022. During the Year, the revenue generated from the Group's corporate finance advisory business, placing and underwriting business, securities dealing and brokerage business, securities financing business and money lending business achieved an increase of approximately 17.8%, approximately 125.8%, approximately 64.6%, approximately 10.1% and approximately 676.2% respectively as compared to the year ended 28 February 2022.

Other Operating Expenses

During the Year, the Group's other operating expenses increased by approximately 30.1% to approximately HK\$12.6 million (2022: approximately HK\$9.7 million). Such increase was mainly attributable to an increase in marketing expenses during the Year.

Staff Costs

During the Year, staff costs increased by approximately 10.7% to approximately HK\$41.4 million (2022: approximately HK\$37.4 million). Such increase was mainly due to the recognition of share-based payment resulting from the grant of employee share options according to the share option scheme of the Company (the "Share Option Scheme") adopted on 24 August 2018.

Loss attributable to the owners of the Company

During the Year, the loss and total comprehensive expense amounted to approximately HK\$6.6 million (2022: approximately HK\$22.5 million) due to the significant increase in total revenue and other income by approximately 65.3% to approximately HK\$50.6 million (2022: approximately HK\$30.6 million) versus the mild increase in total costs and expenses by approximately 10.2% to approximately HK\$57.1 million (2022: approximately HK\$51.8 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 28 February 2023, the Group's net current assets amounted to approximately HK\$200.7 million (2022: approximately HK\$205.8 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 3.04 times (2022: approximately 3.17 times). As at 28 February 2023, bank balances amounted to approximately HK\$87.4 million (2022: approximately HK\$58.8 million).

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of the financial year. As at 28 February 2023 and 28 February 2022, the Group's debts including payables incurred not in the ordinary course of business were nil, representing a gearing ratio of nil.

As at 28 February 2023 and the date of this announcement, the total issued shares of the Company were 400,000,000.

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

SHARE OPTION SCHEME

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and was conditionally adopted and effective upon listing (“**Listing**”) of the Company’s shares on the Stock Exchange 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, representing 10% of the shares in issue as at the date of Listing. The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Group, 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 of the Group, and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Group (collectively, the “**Eligible Participants**”) to optimise their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

On 9 March 2022, the Company granted a total of 40,000,000 share options (“**Share Options**”) at the exercise price of HK\$0.324 to the Directors and certain employees of the Group.

Details of the grant of the Share Options are set out in the announcement dated 9 March 2022 of the Company. No Share Options had been exercised up to 28 February 2023.

Save for the above, the Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into shares as at 28 February 2023.

PLEDGE OF ASSETS

As at 28 February 2023, the Group did not have any pledged assets (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 Group’s exposure to the risk of foreign exchange rate fluctuations is not material.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 28 February 2023, the Group did not have any significant capital commitment and contingent liability (2022: Nil).

LOAN COMMITMENT

As at 28 February 2023, the Group did not have any loan commitment. (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2023, the Group employed 35 staff (including executive Directors) (2022: 35). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience of the employees.

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

During the Year, staff costs were approximately HK\$41.4 million (2022: approximately HK\$37.4 million), representing an increase of approximately 10.7%. Such increase was mainly due to the recognition of share-based payment of approximately HK\$6.7 million resulting from the grant of employee share options according to the Share Option Scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Significant Investments

As at 28 February 2023, the Group maintained an equity investment at fair value through profit and loss with a total carrying amount of approximately HK\$42.6 million. Details of the Group's significant investments as at 28 February 2023 are set out as follows:

Stock Code	Name of the investee	Percentage of the fair value of the investment in listed securities		Fair value of the investment in listed securities as at 28 February 2023	Carrying value of the investment in listed securities as at 28 February 2023	Unrealized gain for the year ended 28 February 2023
		Percentage of shareholding in the listed securities held by the Group as at 28 February 2023	investment in listed securities to total assets of the Group as at 28 February 2023			
				HK\$'000	HK\$'000	HK\$'000
Equity investments at fair value through profit and loss						
1542	Taizhou Water Group Co., Ltd	5.85%	11.8%	<u>36,390</u>	<u>48,755</u>	<u>2,106</u>
	Total			<u>36,390</u>	<u>48,755</u>	<u>2,106</u>

Performance and prospects of the investee

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

Taizhou Water together with its subsidiaries (the “**Taizhou Water Group**”) are principally engaged in supply of raw water, municipal water and tap water, ranking the first in Taizhou in terms of raw water and municipal water supply. Taizhou Water Group also offers tap water directly to end-users and engages in the installation of water pipelines for distributing tap water to end-users. Taizhou Water Group owns, operates and manages the Taizhou Water Supply System (Phase I), the Taizhou Water Supply System (Phase II), the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV). The designed raw water supply capacity is approximately 1,320,000 tonnes per day, and the municipal water supply capacity is approximately 750,000 tonnes per day in the South Area of Taizhou.

As stated in its annual report for the year ended 31 December 2022, Taizhou Water Group recorded a revenue for the year ended 31 December 2022 amounted to approximately RMB542.7 million, representing an increase of approximately 4.3% from the year ended 31 December 2021. Taizhou Water Group recorded a profit attributable to owners of the company for the year ended 31 December 2022 amounted to approximately RMB55.9 million, representing a decrease of approximately 53.5% from the year ended 31 December 2021. The basic earnings per share for the year ended 31 December 2022 amounted to approximately RMB0.28. The audited consolidated net asset value of Taizhou Water Group was approximately RMB1,166.6 million.

According to Taizhou Water’s annual report for the year ended 31 December 2022, the year of 2022 is the second year of the implementation of the “14th Five-Year” Plan. Taizhou Water Group follows the direction of water and environmental protection policies, integrates internal and external resources, continues to deepen the reform of state-owned enterprises around the core positioning of “integrated development operator of water and environmental protection resources” and continuously promotes the optimisation of the layout and restructuring of the state-owned economy. 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. During the year ended 31 December 2022, Taizhou Water Group invested in the construction of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV), which entered into operation and played a role in stabilising the quality and increasing the quantity of water during the peak water consumption period in the summer, thereby bringing Taizhou Water Group’s total water supply scale to a new level. In the next stage, Taizhou Water Group will strive to complement the whole industrial chain of water services by actively planning and implementing a number of new projects such as high-quality drinking water, packaged drinking water and comprehensive land remediation to create new profit growth points and lay a solid foundation for Taizhou Water Group to accelerate the transformation and upgrading of high-quality development.

The Company is optimistic about the long-term development of the water supply industry, and thus is optimistic on the future prospects of Taizhou Water Group. The Group may realise 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 realisation to be particularly favorable to the Group.

As at 28 February 2023, the Group held 11,701,000 H shares of Taizhou Water. Taizhou Water closed at HK\$3.11 as at 28 February 2023. The Group received dividend distributed by Taizhou Water of approximately HK\$2.1 million during the Year.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's gross assets as at 28 February 2023.

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

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the Year (2022: Nil).

EVENT AFTER THE REPORTING PERIOD

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

USE OF PROCEEDS

The net proceeds of the Group raised from the IPO was approximately HK\$158 million, after deducting the underwriting fees, commissions and other listing expenses.

Up to 28 February 2023, the Group had utilized HK\$157.12 million, accounting for approximately 99.4% of the net proceeds from the IPO. The Company made an announcement on 21 April 2020, regarding the change in use of proceeds in accordance to the market conditions and business development of the Group. Details of the change in use of proceeds are set out in the announcement dated 21 April 2020 of the Company.

The use of proceeds as at 28 February 2023 and details of the reallocated net proceeds are as follows:

Use of Net Proceeds	Planned allocation of Net Proceeds as stated in the Prospectus	Proposed change of allocation of Net Proceeds	Revised allocation of Net Proceeds	Utilised amount up to 28 February 2023	Remaining unutilised amount after revised allocation
Increasing the Group's capital for the expansion of the Group's placing and underwriting business (<i>Note</i>)	HK\$80 million	–HK\$40 million	HK\$40 million	HK\$40 million	—
Increasing the Group's capital for the expansion of the Group's securities financing business	HK\$33 million	+HK\$59.03 million	HK\$92.03 million	HK\$92.03 million	—
Enhancing and developing the Group's corporate finance advisory business by attracting more talents and expanding the Group's corporate finance team	HK\$15 million	–HK\$14.1 million	HK\$0.9 million	HK\$0.9 million	—
Expanding the Group's asset management business by					
(a) attracting more talents and expanding the Group's asset management team and	HK\$5.25 million	–HK\$4.93 million	HK\$0.32 million	HK\$0.32 million	—
(b) increasing seed money to establish new funds	HK\$9.75 million	—	HK\$9.75 million	HK\$8.87 million	HK\$0.88 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\$157.12 million	HK\$0.88 million

Note: As at 21 April 2020, before revised allocation, the net proceeds utilised for maintaining minimum liquid capital requirement under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) was approximately HK\$80.0 million. After the reallocation, such utilised amount of the net proceeds was reduced to approximately HK\$40.0 million.

As at 28 February 2023, approximately 99.4% of the net proceeds from the IPO had been utilized as intended. The remaining unutilized 0.6% of the net proceeds were placed in licensed banks in Hong Kong as at 28 February 2023. As at the date of this announcement, the Company had utilised all of the net proceeds from the IPO in the manner consistent with the disclosure set out above.

NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the Group's financial and trading position or prospects since 28 February 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed, the Group did not have any plans for material investments and capital assets as at 28 February 2023.

OUTLOOK AND PROSPECT

With the COVID-19 pandemic being vanishing, economic activities worldwide are expected to gradually resume to pre-COVID-19 pandemic level and disruption on global supply chain is anticipated to be eased gradually. In China, it is expected that looser monetary policy and stronger fiscal stimulus measures will be imposed in the post-COVID-19 pandemic period. The Group is cautiously confident for gradual improvement to the current market situation and business environment. Nonetheless, financial markets will continue to be volatile due to the concerns and uncertainties over the geopolitical issues including but not limited to the unsolved Russia-Ukraine conflicts and the Sino-US tensions, global economic recovery progress during the post-pandemic period, inflationary pressure, pace of interest rate hikes by the US Federal Reserve and occurrence of economic recession.

As such, the Group considers its operation environment in the coming financial year to remain challenging. The Group will maintain a cautious and prudent approach to mitigate potential market risks and operational risks by further enhancing its risk management and credit control capabilities. The Group will stay vigilant and aware of impacts from adverse market condition and operational environment by following disciplined cost control strategy.

Being an integrated platform for providing financial and securities services, the Group will continue to reinforce the development of the existing business segments by widening its product scope, range of services and customer base. In the meantime, the Group will strive to seek for business opportunities to diversify its business development into new business lines.

Given the support from the Hong Kong and Chinese governments to the financial industry Hong Kong, including the improvement of the listing regime, expansion of offshore RMB business and continuous strengthening of Hong Kong's strategic role in the Greater Bay Area, Hong Kong shall remain as an important international financial hub and vital link to the Chinese market. The Group believes that the development of the Greater Bay Area will offer numerous opportunities to the Group's business development. The Group will continue to utilise the competitiveness of its overseas resources and follow the national development strategy to develop cross-border business by leveraging on business collaboration and introducing professional talents.

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

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

CORPORATE GOVERNANCE PRACTICES

During the Year and up to the date of this announcement, the Company has applied the principles and code provisions of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules (the "**Code Provisions**") as the basis of the Company's corporate governance practices.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

As at the date of this announcement, the Audit Committee comprises three members, namely, Ms. Chan Ka Lai, Vanessa (Committee Chairlady), Dr. Wu Kwun Hing and Mr. Yip Siu Hong (appointed with effect from 1 June 2022), all being independent non-executive Directors.

SCOPE OF WORK OF BDO LIMITED

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

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 30 May 2023

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

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