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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

The board (the “Board”) of directors (the “Directors”) of Innovax Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2023 (the “Period”), together with comparative figures for the six months ended 31 August 2022 (the “Corresponding Period”), as follows:

FINANCIAL SUMMARY	Six months ended	
	31 August 2023 (unaudited) HK\$'000	31 August 2022 (unaudited) HK\$'000
Total revenue	12,005	18,044
Profit/(Loss) and total comprehensive income/(expense) for the period	9,347	(9,339)
Earnings/(Loss) per share Basic and diluted (HK cents)	2.34	(2.33)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

		Six months ended	
		31 August 2023	31 August 2022
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue			
Corporate finance advisory services	5	1,868	7,638
Placing and underwriting services	5	2,719	924
Securities dealing and brokerage services	5	2,256	996
Asset management services	5	220	237
Interest income from securities financing services	5	4,437	8,179
Interest income from money lending services	5	505	70
		<hr/>	<hr/>
Total revenue		12,005	18,044
Other income	7	2,363	1,078
Other gains and losses	8	16,509	1,850
		<hr/>	<hr/>
		30,877	20,972
Other operating expenses			
Other operating expenses		(5,706)	(6,966)
Depreciation of property and equipment	16	(81)	(169)
Depreciation of right-of-use assets	17	(695)	(1,032)
Impairment allowance on financial instruments and contract assets, net of reversal	9	(41)	48
Staff costs	10	(14,976)	(21,969)
Finance costs	11	(28)	(223)
Share of loss of joint ventures		(3)	—
		<hr/>	<hr/>
Profit/(loss) before tax	12	9,347	(9,339)
Income tax expenses	13	—	—
		<hr/>	<hr/>
Profit/(loss) and total comprehensive income/(expense) for the period		9,347	(9,339)
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(loss) per share			
Basic and diluted (HK cents)	15	2.34	(2.33)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at	
		31 August 2023 (unaudited) HK\$'000	28 February 2023 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property and equipment	16	158	239
Right-of-use assets	17	991	1,686
Intangible asset	18	500	500
Deferred tax assets	30	357	357
Loan receivables	20	4,885	4,885
Other receivables, deposits and prepayments	21	275	633
Interest in joint venture		—	3
Total non-current assets		7,166	8,303
Current assets			
Accounts receivable	19	45,851	87,138
Loan receivables	20	13,351	10,626
Other receivables, deposits and prepayments	21	3,412	852
Amount due from a joint venture		8	—
Financial assets at fair value through profit or loss	22	60,870	42,586
Cash and bank balances	23	113,633	87,390
Cash and bank balances — held on behalf of customers	24	76,166	70,720
Total current assets		313,291	299,312
Total assets		320,457	307,615
Current liabilities			
Accounts payable	25	100,094	91,808
Other payables and accruals	26	1,089	5,173
Contract liabilities	27	129	93
Amount due to a joint venture		—	1
Lease liabilities	28	1,084	1,496
Total current liabilities		102,396	98,571

		As at	
		31 August	28 February
		2023	2023
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Net current assets		<u>210,895</u>	<u>200,741</u>
Total assets less current liabilities		<u>218,061</u>	<u>209,044</u>
Non-current liabilities			
Lease liabilities	28	<u>—</u>	<u>330</u>
Net assets		<u>218,061</u>	<u>208,714</u>
Equity			
Share capital	29	4,000	4,000
Reserves		<u>214,061</u>	<u>204,714</u>
Total equity		<u>218,061</u>	<u>208,714</u>

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, the founder of the Group, 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”) 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 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 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 (the “Listing Rules”) 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 the annual report of the Company for the year ended 28 February 2023, 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 of the Group for the Period are the same as those presented in the audited consolidated financial statements of the Group for the year ended 28 February 2023.

Application of new and amendments to HKFRSs

During the Period, the Group has first applied 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 2023 for the preparation of the Group's unaudited condensed consolidated financial statements:

- Insurance Contracts — HKFRS 17
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12
- International Tax Reform — Pillar Two Model Rules — Amendments to HKAS 12

The application of the new and amendments to HKFRSs during the 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, loan receivables 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.

Income taxes

No deferred tax asset was recognised during the Period. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits will be available or existing taxable temporary differences will be reversed in the future. In case where the actual future taxable 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 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 IPO process.

The Group provides financial advisory service 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, the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) or the Codes on Takeovers and Mergers (the “Takeovers Code”). The revenue is recognised over time during the service period.

The Group provides independent financial advisory service to customers. It acts as an independent financial adviser to independent board committees and 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 service 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 or a sub-underwriter or a distributor for listing applicants in IPOs and acts as a placing or sub-placing agent or an underwriter or a sub-underwriter or a distributor for issue of new shares by listed companies or placing of existing shares of 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:

	Six months ended	
	31 August	31 August
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Corporate finance advisory services		
Sponsor fee income	683	4,570
Advisory fee income — financial and independent financial advisory	600	1,854
Advisory fee income — compliance advisory	585	1,214
	1,868	7,638
Placing and underwriting services		
Placing and underwriting fee income	2,719	924
Securities dealing and brokerage services		
Commission income	2,256	996
Asset management services		
Management fee income	220	237
Sub-total — Revenue from contracts with customers	7,063	9,795
Interest income from securities financing services		
Interest income — Margin clients	4,424	8,164
Interest income — Cash clients	13	15
	4,437	8,179
Interest income from money lending services		
Interest income — personal loans	505	70
Sub-total — Interest income from securities financing services and money lending services	4,492	8,249
Total	12,005	18,044

	Six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Timing of revenue recognition		
At a point in time	4,975	1,920
Over time	2,088	7,875
	7,063	9,795
Interest revenue	4,942	8,249
Total	12,005	18,044

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 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 partially satisfied). As permitted under HKFRS 15, the transaction price allocated to these unsatisfied and partially satisfied performance obligation 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 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 Period, the following external customer contributed more than 10% of the total revenue of the Group.

	Six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Customer A	2,007	3,835

7. OTHER INCOME

	Six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Interest income from bank balances	1,426	23
Interest income from other receivables	—	194
Dividend income	858	—
Handling fee income	77	169
Government grant	—	682
Others	2	10
	<u>2,363</u>	<u>1,078</u>

8. OTHER GAINS AND LOSSES

	Six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Realised (loss)/gain on financial assets at fair value through profit or loss	(3,012)	50
Unrealised gain on financial assets at fair value through profit or loss	19,521	1,800
	<u>16,509</u>	<u>1,850</u>

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

	Six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Reversal of impairment losses on accounts receivable	23	82
Provision of impairment losses on loan and interest receivables	(64)	(34)
	<u>(41)</u>	<u>48</u>

10. STAFF COSTS

	Six months ended	
	31 August 2023 <i>HK\$'000</i> (unaudited)	31 August 2022 <i>HK\$'000</i> (unaudited)
Directors' emoluments	2,448	2,148
Other staffs		
Salaries and allowance	12,071	11,742
Bonuses	200	1,420
Contributions to Mandatory Provident Fund Scheme	257	250
Share option expenses	—	6,409
	<u>14,976</u>	<u>21,969</u>

11. FINANCE COSTS

	Six months ended	
	31 August 2023 <i>HK\$'000</i> (unaudited)	31 August 2022 <i>HK\$'000</i> (unaudited)
Interest expenses — bank loan	—	201
Interest expenses — lease liabilities	<u>28</u>	<u>22</u>
	<u>28</u>	<u>223</u>

12. PROFIT/(LOSS) BEFORE TAX

	Six months ended	
	31 August 2023 <i>HK\$'000</i> (unaudited)	31 August 2022 <i>HK\$'000</i> (unaudited)
Profit/(loss) for the period has been arrived at after charging:		
Depreciation of property and equipment	81	169
Depreciation of right-of-use assets	695	1,032
Written off of property and equipment	<u>—</u>	<u>801</u>

13. INCOME TAX

Six months ended	
31 August 2023	31 August 2022
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Hong Kong Profits Tax:

— Current tax	—	—
Deferred tax	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Hong Kong Profits Tax was not provided for during the Period as the Group has no estimated assessable profits arising in Hong Kong during the Period.

14. DIVIDEND

The Board does not recommend payment of any dividend for the Period (the Corresponding Period: HK\$Nil).

15. EARNINGS/(LOSS) PER SHARE

Six months ended	
31 August 2023	31 August 2022
(unaudited)	(unaudited)

Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share:

Earnings/(loss) for the period attributable to owners of the Company (HK\$'000)	<u>9,347</u>	<u>(9,339)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>400,000,000</u>	<u>400,000,000</u>
Earnings/(Loss) per share		
Basic and diluted (HK cents)	<u>2.34</u>	<u>(2.33)</u>

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 2022	806	491	5,882	89	7,268
Additions	55	—	258	11	324
Written off	—	—	(2,653)	—	(2,653)
As at 28 February 2023	861	491	3,487	100	4,939
Additions	—	—	—	—	—
As at 31 August 2023	861	491	3,487	100	4,939
Depreciation					
As at 1 March 2022	765	487	4,964	83	6,299
Charge for the year	35	2	1,013	4	1,054
Written off	—	—	(2,653)	—	(2,653)
As at 28 February 2023	800	489	3,324	87	4,700
Charge for the period	14	1	64	2	81
As at 31 August 2023	814	490	3,388	89	4,781
Carrying amount					
As at 31 August 2023	<u>47</u>	<u>1</u>	<u>99</u>	<u>11</u>	<u>158</u>
As at 28 February 2023	<u>61</u>	<u>2</u>	<u>163</u>	<u>13</u>	<u>239</u>

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 2023 HK\$'000 (unaudited)	28 February 2023 HK\$'000 (audited)
Properties leased for own use, carried at depreciated cost	991	1,686

(ii) Amounts recognized in profit or loss:

	Six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Depreciation of right of use assets	695	1,032

As at 31 August 2023 and 28 February 2023, the Group leased various office for its operations. The existing lease contracts were entered into for a fixed term of 2 years while the lease contracts immediately preceding those were entered into for a fixed term of about 1 years and 4 months to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms 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 AND CARRYING AMOUNTS

At 1 March 2022, 28 February 2023 and 31 August 2023 500

Intangible asset is considered by the Directors 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 life is determined to be finite. Instead, the intangible asset is tested for impairment annually.

19. ACCOUNTS RECEIVABLE

	As at	
	31 August 2023 <i>HK\$'000</i> (unaudited)	28 February 2023 <i>HK\$'000</i> (audited)
Accounts receivable arising from:		
— Corporate finance advisory services	465	700
— Securities dealing and brokerage services	25,203	21,823
— Securities financing services		
— Secured margin loan	19,370	64,741
— Placing and underwriting services	918	—
— Asset management services	34	36
Less: impairment allowance	<u>(139)</u>	<u>(162)</u>
	<u>45,851</u>	<u>87,138</u>

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

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

Accounts receivable arising from the securities financing business 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 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.

During the Period, there has not been any significant changes 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 2023 and 31 August 2023 are as follows:

	As at	
	31 August 2023 <i>HK\$'000</i> (unaudited)	28 February 2023 <i>HK\$'000</i> (audited)
0–30 days	26,405	22,254
31–60 days	80	75
61–90 days	—	75
Over 90 days	135	155
Less: impairment allowance	<u>(114)</u>	<u>(66)</u>
	<u><u>26,506</u></u>	<u><u>22,493</u></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 31 August 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 as disclosed in note 33, was approximately HK\$34,000 (as at 28 February 2023: approximately HK\$38,000).

20. LOAN RECEIVABLES

	As at	
	31 August 2023 <i>HK\$'000</i> (unaudited)	28 February 2023 <i>HK\$'000</i> (audited)
Secured loan receivables	5,000	5,000
Unsecured loan receivables	13,665	10,876
Less: impairment allowance	<u>(429)</u>	<u>(365)</u>
	<u><u>18,236</u></u>	<u><u>15,511</u></u>
Analysed as		
Non-current	4,885	4,885
Current	<u>13,351</u>	<u>10,626</u>
	<u><u>18,236</u></u>	<u><u>15,511</u></u>

The Group has provided money lending services in Hong Kong during the Period. The customers are mainly individuals. During the Period, the Group recorded an interest income from the money lending services of approximately HK\$505,000 (the Corresponding Period: approximately HK\$70,000), representing an increase of approximately 621.4% as compared with the Corresponding Period.

As at 31 August 2023, the secured loan receivables were secured by property units and carried interest at a fixed rate at 8.5% (as at 28 February 2023: 8.5%) per annum, while the unsecured loan receivables carried interest at fixed and floating rate ranging from 3% to 15% (as at 28 February 2023: 3%–15%) per annum.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	31 August 2023 HK\$'000 (unaudited)	28 February 2023 HK\$'000 (audited)
Deposits with the Stock Exchange and a clearing house	730	230
Dividend receivables	858	—
Interest receivable	424	109
Other receivables	1,055	357
Prepayment	123	295
Utility deposit	497	497
Less: impairment allowance	—	(3)
	<u>3,687</u>	<u>1,485</u>
Analysed as		
Non-current	275	633
Current	<u>3,412</u>	<u>852</u>
	<u>3,687</u>	<u>1,485</u>

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 August 2023 HK\$'000 (unaudited)	28 February 2023 HK\$'000 (audited)
Financial assets measured at FVTPL		
— Equity securities listed in Hong Kong	59,852	42,586
— Equity securities listed in US	<u>1,018</u>	—
	<u>60,870</u>	<u>42,586</u>

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

23. CASH AND BANK BALANCES

As at 31 August 2023, cash and bank balances mainly represent demand deposits and fixed deposits with an original maturity within 3 months at banks, were approximately HK\$81,593,000 (as at 28 February 2023: approximately HK\$11,058,000).

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 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 Securities and Futures (Client Money) Rules under the SFO. The Group is not allowed to use the client's monies to settle its own obligations.

25. ACCOUNTS PAYABLE

	As at	
	31 August 2023 <i>HK\$'000</i> (unaudited)	28 February 2023 <i>HK\$'000</i> (audited)
Accounts payable arising from:		
— Securities dealing and brokerage services	99,998	91,712
— Placing and underwriting services	<u>96</u>	<u>96</u>
	<u>100,094</u>	<u>91,808</u>

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 31 August 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\$56,000 (as at 28 February 2023: approximately HK\$57,000).

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

As at 31 August 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\$76,166,000 (as at 28 February 2023: approximately HK\$70,720,000).

26. OTHER PAYABLES AND ACCRUALS

	As at	
	31 August 2023 <i>HK\$'000</i> (unaudited)	28 February 2023 <i>HK\$'000</i> (audited)
Accrued expenses	961	5,022
Other payables	<u>128</u>	<u>151</u>
	<u>1,089</u>	<u>5,173</u>

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

27. CONTRACT LIABILITIES

	As at	
	31 August 2023 <i>HK\$'000</i> (unaudited)	28 February 2023 <i>HK\$'000</i> (audited)
Advisory fee	<u>129</u>	<u>93</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 Period, advisory fee of approximately HK\$93,000 (the Corresponding Period: approximately HK\$473,000) 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 2022	721
Addition	2,744
Interest expenses	70
Lease payments	<u>(1,709)</u>
As at 28 February 2023	<u><u>1,826</u></u>
Interest expenses	28
Lease payment	<u>(770)</u>
Balance as at 31 August 2023	<u><u>1,084</u></u>

Future lease payments are due as follows:

	As at	
	31 August	28 February
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Current liabilities	1,084	1,496
Non-current liabilities	<u>—</u>	<u>330</u>
	<u>1,084</u>	<u><u>1,826</u></u>

29. SHARE CAPITAL

	Par value	Number of shares	Nominal amount
			<i>HK\$'000</i>
Ordinary shares			
Authorised:			
At 28 February 2023 and 31 August 2023	<u>HK\$0.01</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 28 February 2023 and 31 August 2023	<u>HK\$0.01</u>	<u>400,000,000</u>	<u>4,000</u>

30. DEFERRED TAX ASSET

The deferred tax assets recognised by the Group and movement therein during the Period are as follows:

	Tax losses <i>HK\$'000</i>	Temporary difference on accumulated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 March 2022	—	(357)	(357)
Credited to profit or loss for the year	<u>—</u>	<u>—</u>	<u>—</u>
At 28 February 2023 and 31 August 2023	<u>—</u>	<u>(357)</u>	<u>(357)</u>

31. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted the Share Option Scheme pursuant to a written 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.

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 share options. The variables and assumptions used in the computing the fair value of the share options are 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 the historical daily close price volatility of the Company.

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

The Share Option Scheme was terminated on 18 August 2023 while the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme. The Company has adopted a new share option scheme pursuant to Chapter 17 of the Listing Rules on 18 August 2023 which no options have been granted, cancelled, exercised or lapsed under this new share option scheme since the adoption date.

32. CONTINGENT LIABILITIES

As at 31 August 2023, the Group did not have any significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

During the Period and the Corresponding Period, the Group entered into the following transactions with related parties:

	For the six months ended	
	31 August 2023 HK\$'000 (unaudited)	31 August 2022 HK\$'000 (unaudited)
Commission income		
Mr. Chung Chi Man	0.1	—
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>Note</i>)	<u>213</u>	<u>237</u>

Note: Mr. Li Lap Sun (key management personnel of the Group) has interests in 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

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) (the “SFO”) 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.

During the Period, the Group’s total revenue was approximately HK\$12.0 million, representing a decrease of approximately 33.5%, as compared to the Corresponding Period. Such decrease was mainly attributable to the decrease in revenue derived from the Group’s corporate finance business, asset management business and securities financing business of approximately 75.5%, approximately 7.2% and approximately 45.8% respectively, as compared to the Corresponding Period, notwithstanding that the revenue derived from the Group’s securities dealing and brokerage business, placing and underwriting business and money lending business increased by approximately 126.5%, approximately 194.2% and approximately 621.4% respectively, as compared to the Corresponding Period.

During the Period, the Group recorded a profit and total comprehensive income of approximately HK\$9.3 million, as compared with the loss and total comprehensive expense of approximately HK\$9.3 million for the Corresponding Period. The change from loss to profit was mainly attributable to the net unrealised gain on financial assets at fair value through profit or loss and the Group’s effort in cost control by reducing the total costs and expenses by approximately 29.0% from approximately HK\$30.3 million for the Corresponding Period to approximately HK\$21.5 million for the Period.

MARKET REVIEW

During the Period, the global economic environment and disruption on global supply chain have been gradually resuming, however, concerns and worries over the geopolitical issues including but not limited to Russia-Ukraine conflict and the Sino-US tension, inflationary pressure in both developed and developing countries, tightening monetary policy and occurrence of a global economic recession have been intensifying. Interest rates remained at high level and US Federal Reserve raised interest rates by a cumulative 75 basis points during the Period.

In China, affected by the disruptions to the supply chain during the COVID-19 pandemic period, liquidity problem of local governments and property developers, decreased export, industrial output and retail sales growth, and the continuous Sino-US tensions, the recovery of the economic environment was weak and disappointing during the Period. The GDP growth in the second quarter of 2023 was approximately 6.3%, which is lower than the market expectation.

After the COVID-19 pandemic, Mainland China and Hong Kong resumed cross-border traffic. However, during the Period, mainly hindered by the rising interest rates, the recovery of the economy of Hong Kong was lack of positive momentum, especially reflected from the performance of the property market, the capital market and the retail and consumption sectors.

Deteriorated investor confidence and sluggish consumption and investment environment have led to a highly uncertain and volatile performance of the global stock capital market. Nonetheless, during the Period, the US stock market performed strongly, with technology and growth stocks being outstanding. The Dow Jones index, the S&P 500 index and the Nasdaq Composite increased by approximately 6.3%, approximately 13.5% and approximately 22.5% respectively, closing at 34,722, 4,508, 14,035 respectively. On the other hand, during the Period, the Shanghai Stock Exchange Composite Index, Shenzhen Stock Exchange Composite Index and ChiNext Index decreased by approximately 4.9%, approximately 9.1% and approximately 13.4% respectively, closing at 3,120, 1,947 and 2,103 respectively. During the Period, the Hang Seng Index decreased by approximately 10.9%, closing at 18,382 and the average daily trading turnover of the Hong Kong stock market decreased to approximately HK\$105.9 billion by approximately 17.0% as compared to the Corresponding Period. During the Period, the total amount of funds raised from newly listed companies on the Main Board and GEM decreased by approximately 65.6% to approximately HK\$16.9 billion, and the number of newly listed companies on the Main Board and GEM decreased by approximately 29.3% to 29 (including 2 companies that was transferred from GEM to the Main Board and 2 listings by way of introduction), as compared to the Corresponding Period.

BUSINESS REVIEW

Corporate Finance Advisory Services

During the Period, the Group was engaged in a total of 24 corporate finance advisory projects (the Corresponding Period: 36 projects) including 10 IPO sponsorship projects (the Corresponding Period: 12 projects), 10 financial and independent financial advisory projects (the Corresponding Period: 15 projects) and 4 compliance advisory projects (the Corresponding Period: 9 projects). Income generated from the corporate finance advisory business amounted to approximately HK\$1.9 million, representing a decrease of approximately 75.5% from approximately HK\$7.6 million during the Corresponding Period.

IPO sponsorship services

Leveraging on its competitiveness and solid experience, provision of IPO sponsorship services remains as the Group's core business. During the Period, the Group was engaged in 10 IPO sponsorship projects (the Corresponding Period: 12 projects) and income generated from provision of IPO sponsorship services was approximately HK\$0.7 million (the Corresponding Period: approximately HK\$4.6 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 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 Period, the Group was engaged in 6 financial advisory projects (the Corresponding Period: 9 projects) and 4 independent financial advisory projects (the Corresponding Period: 6 projects) and income generated from provision of financial and independent financial advisory services was approximately HK\$0.6 million (the Corresponding Period: approximately HK\$1.9 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 Period, the Group was engaged in 4 compliance advisory projects (the Corresponding Period: 9 projects) and income generated from provision of compliance advisory services was approximately HK\$0.6 million (the Corresponding Period: approximately HK\$1.2 million).

Placing and Underwriting Services

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

During the Period, the Group completed 6 placing and underwriting projects (the Corresponding Period: 3 projects), including 1 transaction as a placing agent for a rights issue by a listed company, 3 transactions as a sub-underwriter or a distributor for issue of new shares by listed companies, and 2 transactions as a placing agent or a sub-underwriter for placing of existing shares of listed companies, and income generated from the placing and underwriting business was approximately HK\$2.7 million (the Corresponding Period: approximately HK\$0.9 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 2023, the Group had 962 securities accounts maintained in Innovax Securities Limited (as at 28 February 2023: 916) and the commission income generated from the securities dealing and brokerage business was approximately HK\$2.3 million during the Period (the Corresponding Period: approximately HK\$1.0 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 31 August 2023, the total outstanding balance of margin loans amounted to approximately HK\$19.4 million (as at 28 February 2023: approximately HK\$64.7 million) and the interest income generated from the securities financing business was approximately HK\$4.4 million during the Period (the Corresponding Period: approximately HK\$8.2 million). The significant decrease in the total outstanding balance of margin loans was due to the Group's prudent approach and strategy to reduce its risk exposure under the deteriorating condition of the Hong Kong stock market during the Period.

Asset Management Services

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

As at 31 August 2023, the asset under management of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US\$3.0 million (equivalent to approximately HK\$23.5 million) (as at 28 February 2023: approximately US\$3.1 million (equivalent to approximately HK\$24.5 million)). During the Period, the income generated from the asset management business was approximately HK\$220,000 (the Corresponding Period: approximately HK\$237,000).

Money Lending Services

The Group provides money lending services through Innovax Credit Limited.

During the Period, 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 Period and the year ended 28 February 2023 are as follows:

	31 August 2023	28 February 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Personal loans		
Number of personal loans (per person)	7	6
Outstanding principal of personal loans (HK\$'000)	18,236	15,511
Range of interest rates (per annum)	<u>3%–15%</u>	<u>3%–15%</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 Period, the interest income from the money lending business was approximately HK\$505,000 (the Corresponding Period: approximately HK\$70,000) and accounted for approximately 4.2% (the Corresponding Period: approximately 0.4%) of the Group's revenue. The loan receivables as at 31 August 2023 was approximately HK\$18.2 million (as at 28 February 2023: approximately HK\$15.5 million). During the Period, the Group's money lending business did not record any doubtful or bad debt.

As at 31 August 2023, the amount of loan receivables due from the largest borrower and the five largest borrowers were approximately HK\$7.3 million (approximately 40.3% of the total loan receivables) (as at 28 February 2023: approximately HK\$7.3 million (approximately 47.1% of the total loan receivables)) and approximately HK\$17.5 million (approximately 95.9% of the total loan receivables) (as at 28 February 2023: approximately HK\$15.5 million (approximately 99.9% 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 Period, 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 Period, the Group's total revenue was approximately HK\$12.0 million, representing a decrease of approximately 33.5%, as compared to the Corresponding Period. Such decrease was mainly attributable to the decrease in revenue derived from the Group's corporate finance business, asset management business and securities financing business of approximately 75.5%, approximately 7.2% and approximately 45.8% respectively, as compared to the Corresponding Period, notwithstanding that the revenue derived from the Group's securities dealing and brokerage business, placing and underwriting business and money lending business increased by approximately 126.5%, approximately 194.2% and approximately 621.4% respectively, as compared to the Corresponding Period.

Other Operating Expenses

During the Period, the Group's other operating expenses decreased by approximately 18.1% to approximately HK\$5.7 million (the Corresponding Period: approximately HK\$7.0 million). Such decrease was mainly attributable to a decrease in marketing expenses and sponsor disbursement expenses during the Period.

Staff Costs

During the Period, staff costs decreased by approximately 31.9% to approximately HK\$15.0 million (the Corresponding Period: approximately HK\$22.0 million). Such decrease was mainly due to the recognition of share-based payment during the Corresponding Period resulting from the grant of employee share options in March 2022 according to the share option scheme of the Company (the “Share Option Scheme”) adopted on 24 August 2018.

Profit attributable to the owners of the Company

During the Period, the Group recorded a profit and total comprehensive income of approximately HK\$9.3 million, as compared with the loss and total comprehensive expense of approximately HK\$9.3 million for the Corresponding Period. The change from loss to profit was mainly attributable to the net unrealised gain on financial assets at fair value through profit and loss and the Group’s effort in cost control by reducing the total costs and expenses by approximately 29.0% from approximately HK\$30.3 million for the Corresponding Period to approximately HK\$21.5 million for the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 August 2023, the Group’s net current assets amounted to approximately HK\$210.9 million (as at 28 February 2023: approximately HK\$200.7 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 3.06 times (as at 28 February 2023: approximately 3.04 times). As at 31 August 2023, bank balances amounted to approximately HK\$113.6 million (as at 28 February 2023: approximately HK\$87.4 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 reporting period. As at 31 August 2023 and 28 February 2023, the Group’s debt including payables incurred not in the ordinary course of business were nil, representing a gearing ratio of nil.

As at 31 August 2023 and as at 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.

PLEDGE OF ASSETS

As at 31 August 2023, the Group did not have any pledged assets (as at 28 February 2023: 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 31 August 2023, the Group did not have any significant capital commitment and contingent liability (as at 28 February 2023: Nil).

LOAN COMMITMENT

As at 31 August 2023, the Group did not have any loan commitment (as at 28 February 2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2023, the Group employed 34 staff (including executive Directors) (as at 28 February 2023: 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 Period, staff costs were approximately HK\$15.0 million (the Corresponding Period: approximately HK\$22.0 million), representing a decrease of approximately 31.9%. Such decrease was mainly due to the recognition of share-based payment during the Corresponding Period resulting from the grant of employee share options in March 2022 according to the Share Option Scheme.

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 2023, the Group maintained equity investments at fair value through profit and loss with a total carrying amount of approximately HK\$60.9 million. Details of the Group's significant investments as at 31 August 2023 are set out as follows:

Stock Code	Name of the investee	Percentage of shareholding in the listed securities held by the Group as at 31 August 2023	Percentage of the fair value of the investment in listed securities to total assets of the Group as at 31 August 2023	Fair value of the investment in listed securities as at 31 August 2023 <i>HK\$'000</i>	Unrealized (loss)/ gain for the period ended 31 August 2023 <i>HK\$'000</i>
Equity investments at fair value through profit and loss					
1542	Taizhou Water Group Co., Ltd	5.85%	10.4%	33,345	(3,042)
593	Dreameast Group Limited	9.28%	8.3%	26,507	22,547
	Total			59,852	19,505

Performance and prospects of the investee

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

Taizhou Water together with its subsidiaries (“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 services 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), with a designed raw water supply capacity of approximately 1,220,000 tonnes per day, and a designed municipal water supply capacity of 750,000 tonnes per day in southern Taizhou.

As stated in the interim report of Taizhou Water for the six months ended 30 June 2023, Taizhou Water Group recorded a revenue of approximately RMB280.3 million for the six months ended 30 June 2023, representing an increase of approximately 18.8% as compared to the six months ended 30 June 2022. For the six months ended 30 June 2023, Taizhou Water Group reported a loss after tax of approximately RMB62.6 million, representing a basic loss per share of approximately RMB0.25. The turnaround of result from profit to loss was mainly due to the commencement of operations of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV). As these construction projects have been completed and converted into fixed assets of Taizhou Water Group, the interests originally capitalised are currently recognised as expenses. In addition, there has been a substantial

increase in the depreciation of fixed assets. As at 30 June 2023, the condensed consolidated net asset value of Taizhou Water Group was approximately RMB1,088 million. No interim dividend for the six months ended 30 June 2023 was declared.

According to the interim report of Taizhou Water for the six months ended 30 June 2023, the year of 2023 is the third 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”. 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. With the fundamental goal of improving the water security guarantee capability in the southern area of Taizhou, Taizhou Water Group strives for excellence in the construction and management of water resource allocation projects this year. Taizhou Water Group will continue to explore the ecological environmental protection area and actively develop areas covering wastewater, reusable water, solid waste disposal and venous industrial park etc. to promote the development of green environmental protection business. Taizhou Water Group actively carries out cooperation and exchange with universities to explore the future layout of its environmental protection business, promote cooperation among industrial, academic and research areas to achieve a win-win development for schools and enterprises.

The Company is optimistic about the long-term development of the water supply industry, and thus is optimistic on the future 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 31 August 2023, the Group held 11,700,000 H shares of Taizhou Water. Taizhou Water closed at HK\$2.85 as at 31 August 2023. The Group received dividend distributed by Taizhou Water of approximately HK\$858,000 during the Period.

Dreameast Group Limited (“Dreameast”)

Dreameast together with its subsidiaries (“Dreameast Group”) are principally engaged in provision of property development and leasing as well as tourism park operations and other services.

As stated in the annual report of Dreameast for the year ended 31 December 2022, Dreameast Group recorded a revenue of approximately HK\$25.1 million for the year ended 31 December 2022, representing a decrease of approximately 51.0% from the year ended 31 December 2021. Dreameast Group recorded a loss of approximately HK\$910.7 million, representing a basic loss per share of

HK\$3.17, for the year ended 31 December 2022. As at 31 December 2022, the Dreameast Group had net liabilities of approximately HK\$837.1 million. No final dividend was declared for the year ended 31 December 2022.

According to the annual report of Dreameast for the year ended 31 December 2022, under favourable policies towards the culture and tourism sector as well as the real estate sector in China, Dreameast Group will continue to push forward with the consolidation of its business and restructuring of its assets to drive the revitalisation of its existing business and turn crisis into opportunity.

According to the announcement of Dreameast dated 30 August 2023, the publication of the announcement in respect of the interim results of Dreameast Group for the six months ended 30 June 2023 was delayed and hence the trading in the shares of Dreameast on the Stock Exchange has been suspended since 1 September 2023 until the interim results announcement is published by Dreameast.

The Company is optimistic about the future prospects of the culture and tourism sector in China and the recovery of the real estate sector in China, and thus is optimistic on the future prospects of Dreameast 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 31 August 2023, the Group held 26,507,058 shares of Dreameast. Dreameast closed at HK\$1.00 as at 31 August 2023. No dividend was distributed by Dreameast during the Period.

Save as disclosed above, the Group did not hold any other significant investment with a value greater than 5% of the Company's gross assets as at 31 August 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, 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (the Corresponding Period: Nil).

USE OF PROCEEDS

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

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. Up to 31 August 2023, the Group had utilised HK\$158.0 million as intended, accounting for 100% of the net proceeds from the IPO.

The use of proceeds as at 31 August 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 31 August 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\$9.75 million	—
The Group's working capital requirement and general corporate purposes	HK\$15 million	—	HK\$15 million	HK\$15 million	—
Total	<u>HK\$158 million</u>	<u>—</u>	<u>HK\$158 million</u>	<u>HK\$158 million</u>	<u>—</u>

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 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 31 August 2023.

OUTLOOK AND PROSPECT

The global economic environment is expected to be highly volatile under the continuous uncertainties regarding the geopolitical tensions, inflationary pressure, monetary policy and occurrence of a global economic recession. In addition, the Hong Kong financial market will also be highly influenced by the recovery of the economy of China and the release and execution of favourable government policies by the Chinese government towards different industry sectors.

Given the sluggish market sentiment, lower-than-expected company valuations, lengthy IPO application process, underwhelming stock price performances, gloominess is expected among the primary and secondary capital market in Hong Kong. The Group considers its operational environment in this 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.

With the support from the Hong Kong and Chinese governments to the financial industry of Hong Kong, new regulations encouraging more enterprises to get listed in Hong Kong including the new listing regime for specialist technology companies and the GEM listing reform proposal including a new streamlined transfer mechanism for eligible GEM companies to transfer to the Main Board and a new alternative eligibility test for companies in the high-growth segment, expansion of offshore RMB business and HKD-RMB Dual Counter Model being launched in June 2023 to facilitate the use of RMB in Hong Kong securities market, 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.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules for the Period and up to the date of this announcement.

Purchase, Sale or Redemption of the Company’s Listed Securities

Throughout the Period 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.

Audit Committee

The Company established audit committee (the “Audit Committee”) on 24 August 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. As at the date of this announcement, it comprises three members, namely, Ms. Chan Ka Lai, Vanessa (Committee Chairlady), Dr. Wu Kwun Hing and Mr. Yip Siu Hong, all being independent non-executive Directors. The Audit Committee is chaired by Ms. Chan Ka Lai, Vanessa, who possesses the appropriate professional qualifications.

The Audit Committee has reviewed and discussed with the management of the Group the unaudited condensed consolidated financial statements of the Group for the Period, as well as 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 results announcement had not been audited nor reviewed by the Group’s auditor, BDO Limited, but had been reviewed by the Audit Committee.

Model Code for Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained 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 Period.

Directors' Interest in Transactions, Arrangements or Contracts

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

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 BSI (collectively the “Controlling Shareholders”), have entered into the deed of non-competition dated 24 August 2018 (the “Deed of Non-competition”) in favour of the Company, details of which were set out in the prospectus of the Company dated 31 August 2018. 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 14 September 2018, being the date of listing of the Company’s shares on the Stock Exchange, 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 currently engaged or possibly in the future to be engaged by 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 announcement, 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 announcement, 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

As at 31 August 2023 and the date of this announcement, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

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	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			
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 independent non-executive Director			
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 Chi Man and BSI are the Controlling Shareholders. Mr. Chung Chi Man owns the entire issued share capital of BSI. By virtue of the SFO, Mr. Chung Chi Man 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 announcement.

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.

Save as disclosed above, as at 31 August 2023 and the date of this announcement, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest Discloseable under the SFO and Substantial Shareholders

So far as is known to the Directors, as at 31 August 2023 and the date of this announcement, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name of Director	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of interest in the Company (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 long position in the shares.
- (2) Ms. Lee Yin Har is the spouse of Mr. Chung Chi Man. She is deemed, or taken to be, interested in all shares in which Mr. Chung Chi Man 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 announcement.

Save as disclosed above, as at 31 August 2023 and the date of this announcement, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed “Directors’ and Chief Executive’s Interests and/or Short Positions in Shares, Underlying Shares and Debentures” above, had any interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (the Corresponding Period: Nil).

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 interim results and the interim report of the Company for the Period 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, 27 October 2023

As at the date of this announcement, the Board comprises: Mr. Chung Chi Man as the chairman of the Board and an executive Director, Mr. Poon Siu Kuen, Calvin as the chief executive officer of the Company and an executive Director, and 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 this 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.