INNOVAX HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2680

Annual Report 2018/19

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chung Chi Man
Mr. Poon Siu Kuen, Calvin

Independent Non-executive Directors

Mr. Lo Wai Kwan
Dr. Wu Kwun Hing
Mr. Choi Wai Ping
Ms. Chan Ka Lai, Vanessa
Mr. Cheung Kwok Kwan *JP*

AUDIT COMMITTEE

Ms. Chan Ka Lai, Vanessa *(Chairlady)*
Mr. Lo Wai Kwan
Dr. Wu Kwun Hing
Mr. Cheung Kwok Kwan *JP*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Cricket Square
Hutchison Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A to C, 20/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Ms. Chau Lok Yi

LEGAL ADVISERS

Jingtian & Gongcheng LLP
Suites 3205–3207
32/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Nanyang Commercial Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

COMPLIANCE ADVISER

Sinolink Securities (Hong Kong) Company Limited
Unit 2503, 2505–06
25/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

WEBSITE

www.innovax.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Innovax Holdings Limited (the "Company"), I hereby present the annual report and audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 28 February 2019 (the "Year").

LEAPING TO A NEW INTERNATIONAL ARENA

Founded in 2014, we have a business objective to establish an integrated platform for providing financial and securities services to our clients. Marked with the momentous stage of the Company, the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in September 2018, provided an arena for us to better incarnate our business objective. The listing of shares not only allows us to have a sufficient and healthy capital base which is more than essential to a capital intensive business of placing and underwriting business and securities financing business, it also gives the Group opportunities to establish and enhance a more efficient and sustainable fund-raising platform thereby empowering the Group to open up new and direct access to the capital market for equity and/or debt financing at a lower cost of funding for its existing and future developments of the Group.

During the year of 2018, the global economy had been in fluctuations due to the international trade conflicts as well as other political issues like Brexit and "Yellow Vest Movements" in France. Whilst in China, the GDP growth rate hit 6.6% in 2018, meeting the initial expectation though, was growing at its slowest in nearly three decades.

Affected by the sluggish global demand and the ongoing US-China trade conflicts, the export in Hong Kong was marching on a downward trend. The earlier normalisation of US monetary policy led to a tightened monetary stance in Hong Kong towards end-2018, shown by the upswing of Hong Kong Interbank Offered Rate (HIBOR). Total loans were observed to have decelerated in 2018 under the influence of moderating economic growth and weaker loan demand. The stock market in Hong Kong had been undermined and overall performance of capital market and investment sentiments were impaired. The Hang Seng Index had been dropping for months since May 2018. Facing the difficult times in 2018, with the effort we made and solid foundation we established throughout the years as well as our commitment for quality services to clients, together with listing of shares in 2018, which brought new resources and capital to the Group, we persisted to maintain stable growth of our businesses during the Year.

ADHERE TO INNOVATION; DEDICATE FOR EXCELLENCE

2018 was seemingly murky to start a new page to the eyes of many. Nonetheless, the business performance of the Group of 2018 was a sound evidence that the Group is more than prepared for the obstacles and challenges ahead. We believe those crises are often times of opportunities. With the listing of shares in 2018, the Company has grabbed hold of this chance to strengthen our risk management and internal control and corporate governance systems and poised to provide quality and secured services to our clients. 2018 was a year to inspire and get ready to set off for the new opportunities ahead.

In the year to come, the overall global environment remains uncertain but optimistic. In the U.S., even though according to the forecast released at the Federal Open Market Committee meeting in March 2019, it is predicted that GDP growth in 2019 will slow to 2.1% from 3% in 2018, there are various favorable factors which shall also be taken into consideration. In view of the slothful global economic growth in 2018, the Fed is more concerned about inhibiting growth than about preventing inflation and takes a more dovish stance since end-January which may lead to a halt in the interest rate hikes this year. Meanwhile in China, after factoring in a variety of headwinds, including the trade war with the U.S., an already high debt level and financing bottlenecks for private enterprises, China has set a lower economic growth target for this year from 6.5% to a range of 6%-6.5%. To cope with that, the Chinese government will step up fiscal measures to stabilise both economic growth and Renminbi exchange rate at an adaptive and balanced level.

As for Hong Kong, similarly, with the likely deceleration in global economic expansion and the increasing uncertainties from the external environment, the Hong Kong government forecasts Hong Kong's economy to grow by 2-3% in 2019. Still, with the related improvement in global liquidity, the upward trend of interest rate that came to a halt in early 2019, all created a more positive environment for economic development in Hong Kong. In fact, after rain comes sunshine, Hong Kong stock market rebounded with trading volume and Hang Seng Index increasing during the first two months of 2019.

Due to this unclear market condition in 2019, the Group shall stay alert to the future development in the external economic and political developments as well as new technological development like artificial intelligence etc, in order to take advantage of the underlying opportunities to expedite and realize the business objective of our Group and provide the advanced services to our clients. Encountering the difficult environment in 2018, Hong Kong remains an important banking and financial centre in the Asia Pacific. Hong Kong is still the 3rd leading global financial centre, only after London and New York, according to the Global Financial Centre Index. With the development of the Guangdong-Hong Kong-Macau Greater Bay Area and the China's "One Belt One Road" and cross-border Stock Connect Schemes, the Group sees great potential in cross-border opportunities for investment and financing business and explore new business footprints and clients portfolio in the near future. The Group will continue to provide comprehensive, professional, advanced and excellent financial products and services to clients in Hong Kong and the Greater China, continuing to put forward its business objective and aspiration of becoming customers' ideal integrated financial service provider and creating long-term value for the Group and its shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, and our Directors for their dedication and perseverance, especially during this time of opportunities and challenges. I would also like to express our sincere gratitude to our clients for their invaluable patronage and to the shareholders for their continued confidence in and support of the Group. I would also like to sincerely thank our business partners, banks for their continuous support throughout the Year. In the year to come, we hope that we will continue working together to achieve new development for the Group, to fulfil dreams for our employees, and to generate a greater return for our shareholders.

Chung Chi Man
Chairman
Hong Kong, 28 May 2019

Management Discussion and Analysis

MARKET OVERVIEW

The global economy had experienced some turbulence in 2018 and the early 2019. Benefited from the south-bound funds brought by the cross-border Stock Connect schemes in 2018, especially when the Mainland economy had maintained rapid growth, Hong Kong stock market had a strong start in 2018. The economy of China had maintained stable growth in its GDP in 2018. The Hang Seng Index once wheeled to a record high of 33,484 points in January 2018. Meanwhile, the U.S. economy had also a positive beginning with the drastic corporate tax reduction by the U.S. president Donald Trump from 35% to 21%. The U.S. economy had experienced a decline of long spiking high unemployment rate.

Nevertheless, the economic growth of second half of 2018 and early 2019 held back with the uncertainties casted by the trade disputes between China and the U.S. and the increase of oil price due to OPEC reduced oil output and sanctions against Iran and Venezuela. In addition to the unstable econ-political environment in Eurozone brought by the Brexit and "Yellow Vest Movements" in France, which, as a result, weakened the global consumption and investment sentiments. The trade disputes with the U.S. together with the unusual depreciation of Renminbi had painted pessimism on the canvas of Chinese economy. Up to January 2019, China has already made five Required Reserve Ratio cuts since last year. Yet, thanks to the policies and measures of China, the Chinese economy had remained stable in late 2018 and early 2019. Meanwhile, amidst the global economic turmoil, the annual growth rate of the Hong Kong economy had remained at 3.2% which was a moderate decrease from that in 2017. Even though the Hang Seng Index slumped to 25,846 at the end of December 2018 which represented an approximately 22% decrease from the record high in January 2018, entering the year 2019, the stock market in Hong Kong recouped and maintained at the point around 30,000.

As a matter of fact, in 2018, there were approximately 2,300 companies listed on the Main Board and the GEM, which was an increase of 4.5% as compared with previous periodical data. The total average daily turnover of south-bound trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect schemes was HK$12.7 billion in 2018, up 29.3% year-on-year. South-bound Trading in the total turnover of the Hong Kong market rose from approximately 5.6% in 2017 to approximately 5.9% in 2018.

OVERVIEW

Established in Hong Kong since 2014, Innovax Holdings Limited (the "Company", together with its subsidiaries, the "Group") are an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") through three operating subsidiaries including Innovax Capital Limited ("Innovax Capital"), Innovax Securities Limited ("Innovax Securities") and Innovax Asset Management Limited ("Innovax Asset Management"). The Group aims to establish an integrated platform for providing a wide range of financial and securities services to its clients. The Group provides corporate finance advisory services including (i) acting as sponsors to companies pursuing listing on the Main Board and GEM; (ii) acting as financial and independent financial adviser; and (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services as well as asset management services.

The total revenue of the Group increased from approximately HK$84.4 million for the year ended 28 February 2018 to approximately HK$85.2 million for the year ended 28 February 2019 (the "Year"), representing an increase of approximately 0.9%.

On 14 September 2018 (the "Listing Date"), the shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange of Hong Kong Limited by way of global offering (the "Listing"), raising gross proceeds of approximately HK$180.0 million. With the support from the Listing, the Group believes that it can continue with the momentum and continue to develop and grow sustainably in its business.

BUSINESS REVIEW

Corporate Finance Advisory Services

The corporate finance advisory services of the Group mainly comprise services including (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services. Our corporate finance advisory business recorded a significant growth in revenue of approximately 21.9%, from approximately HK$54.8 million for the year ended 28 February 2018 to approximately HK$66.8 million during the year ended 28 February 2019.

During the Year, we were engaged in a total of 78 corporate finance advisory projects, which included 39 IPO sponsorship projects, 17 financial and independent financial advisory projects and 22 compliance advisory projects, while we were engaged in a total of 55 corporate finance advisory projects, which included 26 IPO sponsorship projects, 8 financial and independent financial advisory projects and 21 compliance advisory projects during the year ended 28 February 2018.

IPO sponsorship services

IPO sponsorship services remain the Group's core driver for the Year. During the Year, the Group has completed 4 Main Board and 1 GEM IPO sponsorship engagement.

Income generated from IPO sponsorship services was approximately HK$53.6 million during the Year (2018: approximately HK$48.9 million). During the Year, we were engaged in 39 IPO sponsorship projects, while we were engaged in 26 IPO sponsorship projects during the year ended 28 February 2018.

Financial and independent financial advisory services

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

Income generated from financial and independent financial advisory services was approximately HK$5.5 million during the Year (2018: approximately HK$1.6 million). During the Year, we were engaged in 10 financial advisor projects and 7 independent financial advisory projects while we were engaged in 6 financial advisor projects and 2 independent financial advisory projects during the year ended 28 February 2018.

Compliance advisory services

The Group act as compliance advisers to listed companies on the Main Board or GEM and advise them on post-listing compliance matters in return for advisory fee.

Income generated from compliance advisory services was approximately HK$7.7 million during the Year (2018: approximately HK$4.4 million). During the Year, we were engaged in 22 compliance advisory projects, while we were engaged in 21 compliance advisory projects during year ended 28 February 2018.

Placing and Underwriting Services

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

During the Year, the Group completed 4 transactions as lead manager and 4 transactions as co-lead manager for a total of 8 IPOs. Income generated from placing and underwriting business was approximately HK$14 million during the Year (2018: approximately HK$25 million). We had only 8 placing and underwriting projects during the Year due to the slightly weakened stock market in Hong Kong. During the year ended 28 February 2018, we completed 15 placing and underwriting projects.

Securities Dealing and Brokerage Services

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

As at 28 February 2019, the Group had 569 securities accounts maintained in Innovax Securities (As at 28 February 2018: 437) and its commission income generated from securities dealing and brokerage business was approximately HK$3.5 million during the Year (2018: HK$4.3 million).

Securities Financing Services

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

As at 28 February 2019, the total outstanding balance of margin loans amounted to approximately HK$1.8 million (As at 28 February 2018: approximately HK$3.9 million) and its interest income generated from securities financing services was approximately HK$299,000 during the Year (2018: approximately HK$69,000).

Asset Management Services

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

As at 28 February 2019, the asset under management ("AUM") of Innovax Alpha SPC — Innovax Balanced Fund SP was approximately US$4.5 million (equivalent to approximately HK$35.1 million) (As at 28 February 2018: approximately US$2.7 million) and the AUM of the discretionary account managed by the Group was approximately HK$2.6 million (As at 28 February 2018: approximately HK$3.5 million). The income generated from asset management business was approximately HK$658,000 during the Year (2018: approximately HK$247,000).

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue recorded a growth of 0.9% to approximately HK$85.2 million (2018: approximately HK$84.4 million), mainly driven by growth of corporate finance services segment.

Administrative and Operating Expenses

The Group's administrative and operating expenses increased by approximately HK$6.3 million from approximately HK$8.4 million for the year ended 28 February 2018 to approximately HK$14.7 million for the Year due to increase in donation of approximately HK$500,000, advertising and promotion expenses of approximately HK$1.1 million and audit fee of approximately HK$900,000.

The following is a breakdown of administrative and other operating expenses during the Year:

	2019	2018
	HK$'000	HK$'000
Advertising and promotion expenses	**1,202**	69
Audit fee	**1,420**	520
Donation	**1,000**	500
Depreciation	**866**	562
Rent expenses	**1,826**	1,740
Miscellaneous expenses	**8,353**	5,057
	14,667	8,448

Staff Costs

Staff costs decreased by approximately 1.6% from approximately HK$44.6 million for the year ended 28 February 2018 to approximately HK$43.9 million for the Year.

Profit attributable to the owners of the Company

Profit for the Year attributable to owners of the Company dropped by 51.6% to approximately HK$12.3 million (2018: approximately HK$25.4 million) due to listing expenses of approximately HK$9.6 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 2019, the Group's net current assets amounted to HK$224.8 million (as at 28 February 2018: HK$44.4 million), and its liquidity as represented by current ratio (current assets/current liabilities) was 5.63 times (as at 28 February 2018: 1.52 times). Bank balances amounted to approximately HK$217 million (as at 28 February 2018: HK$56.1 million). As at 28 February 2019, the Group has no bank loans (as at 28 February 2018: HK$8.1 million) and amount due to a director (as at 28 February 2018: HK$1.7 million). As at 28 February 2019, the Group's debts including payables incurred not in the ordinary course of business were HK$Nil, representing a gearing ratio of Nil (2018: 0.2).

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business (representing bank loans and amounts due to a Director) divided by the total equity as at the end of the Year.

On 14 September 2018, the shares of the Company were listed on the Main Board of the Stock Exchange by way of global offering comprising a public offering of 40,000,000 ordinary shares and international offering of 60,000,000 shares, with a par value of HK$0.01 each at an offer price of HK$1.80 per share with net proceeds of approximately HK$158.0 million. The Company believes that the funding from the global offering on the Main Board would allow the Group to continue with its future business development as a more integrated and reputable financial services provider and to gain access to capital market for raising funds in the future.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then sole Shareholder passed on 24 August 2018. The Company is thus entitled to issue a maximum of 40,000,000 shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the shares in issue as at the Listing Date. The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries, any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries (collectively, the "Eligible Participants") to optimize their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

During the Year and since the Listing Date, no options were granted by the Company under the Share Option Scheme.

The Company did not have any outstanding share options as at 28 February 2019 and up to the date of this report.

PLEDGE OF ASSETS

As at 28 February 2019, the Group did not have any pledged assets (As at 28 February 2018: Nil).

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 28 February 2019, the Group did not have any significant capital commitment and contingent liabilities (As at 28 February 2018: Nil).

OPERATING LEASE COMMITMENT, UNDERWRITING COMMITMENT AND LOAN COMMITMENT

Details regarding the operating lease commitment, underwriting commitment and loan commitment are set out in Note 32 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2019, the Group employed 51 staff (including executive Directors) (As at 28 February 2018: 43). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Moreover, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Employee benefit expenses primarily consist of salaries, bonus and allowance as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Employee benefits expenses was approximately HK$43.9 million during the Year (2018: approximately HK$44.6 million), representing a decrease of approximately HK$700,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the reporting 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 28 February 2019, the Group did not make any significant investments.

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.

FINAL DIVIDEND

On 17 May 2018, the Company declared dividend of approximately HK$5.0 million, which was fully repaid by its internal resources before the Listing.

The directors of the Company do not recommend the payment of a dividend for the year ended 28 February 2019.

EVENT AFTER THE REPORTING PERIOD

On 28 March 2019, the Group had utilized USD1 million (equivalent to approximately HK$7.8 million) of the net proceeds from IPO to invest in the fund managed by the subsidiary of the Group, Innovax Alpha SPC — Innovax Balanced Fund SP for return in accordance to the intended use of proceeds as disclosed in the Prospectus. The investment will be treated as financial assets at fair value through profit or loss.

USE OF PROCEEDS

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

Up to 28 February 2019, the Group has utilized HK$110.2 million, accounting for approximately 69.7% of the net proceeds from Listing as follows:

Intended use of proceeds	Net proceeds raised as stated in Prospectus	Actual use of net proceeds up to 28 February 2019	Unutilized use of net proceeds up to 28 February 2019
Increasing our capital for the expansion of our placing and underwriting business	HK$80 million	HK$80 million	—
Increasing our capital for the expansion of our securities financing business	HK$33 million	HK$15 million	HK$18 million
Enhancing and developing our corporate finance advisory business by attracting more talents and expanding our corporate finance team	HK$15 million	HK$0.2 million	HK$14.8 million
Expanding our asset management business by attracting more talents and expanding our asset management team and increasing seed money to establish new funds	HK$15 million	—	HK$15 million
Our working capital requirement and general corporate purposes	HK$15 million	HK$15 million	—
Total	**HK$158 million**	**HK$110.2 million**	**HK$47.8 million**

As at 28 February 2019, approximately 69.7% of the net proceeds raised has been utilized as intended. The remaining unutilized 30.3% of the net proceeds are placed in licensed banks in Hong Kong as at 28 February 2019.

During the Year, the Group has applied the net proceeds according to the disclosure in the Prospectus gradually as follows: as there was (a) shrinking in number and size of the placing and underwriting transactions under a pessimistic sentiment about the stock market which resulted an overall decrease in demand for security financing services; and (b) slowdown in domestic and cross-border merger and acquisition and other fund raising activities, the Group believed that it would be more beneficial for the Company to adopt a conservative but flexible approach for utilizing the proceeds effectively and efficiently for the long term benefit and development of the Group. The Group therefore has slowdown the recruitment in corporate finance and asset management teams during the Year. The Group would stay attentive to the market conditions and take suitable and prudent actions accordingly. Evident with the steady growth of the Group's business performance, the Company believes that it has taken an appropriate strategy in the use of proceeds from Listing.

NO MATERIAL ADVERSE CHANGE

Save for the one-off listing expenses incurred during the Year, the Directors have confirmed that there was no material adverse change in the Group's financial and trading position or prospects as at 28 February 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 28 February 2019.

OUTLOOK AND PROSPECT

Looking forward, ambiguity persists in the global economy and financial market. The tension between two major players in the world economy, the U.S. and China, remains to be resolved. Worse still, the compromise for Brexit has yet to be reached and the deadlock continued to be unbroken. On the other hand, during the first few months of 2019, there were signs from various countries in the international arena that shed sanguine light to the outlook in 2019. The U.S. interest rate hike slowed down while the Chinese economy has sustained healthy growth. Amid the tariff fight with Washington, China's economy expanded by 6.4% over a year earlier in the three months ended in March 2019. China had stepped up government spending last year and told banks to lend more after economic activity weakened, raising the risk of politically dangerous job losses. The Chinese government's decision to ease credit controls aimed at reining in rising debt seemed to start yielding results.

During the Year, the Group had been equipping itself to hurdle challenging environment ahead. With the milestone of the Listing of Shares, the Group has entered into a larger platform for our business development with a reputable corporate profile and brand name which helps us attract more clients and broaden spectrum of the clients. It increased the credibility and enabled us to gain direct access to the capital market for equity and also debt financing at a lower cost of funding to fund our existing operations and future expansion, which could be instrumental to maintain sustainable development in this volatile economic conditions. More importantly, it enhanced our ability to grab hold of the opportunities not only in Hong Kong but in other places in China in the years to come. The China's "One Belt One Road" and cross-border Stock Connect ignite new prospects for capital inflow to Hong Kong. The leading position of Hong Kong as an international financial hub shall attract more investment from other places with the initiation of the Guangdong-Hong Kong-Macao Greater Bay Area. With the reputation as well as the resources brought by the Listing of Shares in 2019, the Group shall further step up our business and stay alert of the economic conditions to seek for new opportunities and areas of business growth so that the Group can lay a solid foundation for further expansion and make appropriate adjustments accordingly.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHUNG Chi Man (鍾志文), aged 46, is the founder of the Group, the chairman and an executive Director of the Company. Mr. Chung was appointed as a Director on 14 June 2016 and was re-designated as an executive Director on 4 May 2018. He was appointed as chairman of the Company on 4 May 2018. He is also a director of Innovax Capital, Innovax Securities and Innovax Asset Management. He has acted as a responsible officer of Innovax Capital for Type 1 (dealing in securities) regulated activity since 25 February 2015. Mr. Chung is primarily responsible for overall strategic planning and overseeing the general management of the Group and overall supervision and management of the Group's placing and underwriting business.

Mr. Chung possesses over 20 years of experience in financial services, accounting and management as well as investment consultancy. Mr. Chung started his career as an assistant manager in the corporate banking department of Sanwa Bank Limited (now known as the Bank of Tokyo-Mitsubishi UFJ) during July 1995 to December 1999. From December 1999 to April 2003, he worked at Hang Seng Bank with his last position being a senior relationship officer. Mr. Chung served various senior managerial and financial advisory positions in (i) Power Guard Industrial Company Limited, a metal photo frame manufacturer, from June 2003 to December 2009 with his last position as chief executive officer; and (ii) Convoy Financial Services Limited ("Convoy") from January 2010 to February 2015 as chief wealth management advisor. As Innovax Capital was in the initial set-up stage with no substantial work commitment from its incorporation in June 2014 to February 2015, Mr. Chung was able to allocate sufficient time between his roles in Convoy and the Group during such period. In anticipation of the grant of conditional approval from the SFC to grant Innovax Capital the licenses to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015, Mr. Chung ceased his employment with Convoy in February 2015.

Mr. Chung obtained a bachelor degree in business administration from the Chinese University of Hong Kong in December 1995. He was awarded Sir Edward Youde Memorial Scholarship in 1992 and is a fellow member of the Association of Chartered Certified Accountant since July 2001.

Mr. POON Siu Kuen, Calvin (潘兆權), aged 48, joined the Group and was appointed as a director and head of corporate finance department of Innovax Capital in February 2015. He was appointed as an executive Director and the chief executive officer of the Company on 4 May 2018. He has acted as a responsible officer of Innovax Capital for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since December 2017 and February 2015, respectively. He is also one of the sponsor principals of Innovax Capital. Mr. Poon is primarily responsible for overall management of our Group and supervision and management of our corporate finance advisory business.

Mr. Poon has over 18 years of experience in corporate finance. Prior to joining the Group, Mr. Poon worked as an accountant at KPMG Hong Kong from December 1996 to February 2000. From July 2001 to December 2005, he was employed by Kingsway Capital Limited, a financial services company, as an associate director, where he handled various IPO projects, M&A transactions and fund raising exercises. He then joined China Everbright Capital Limited, a financial services company from December 2005 to February 2015 with his last position being the executive director of the corporate finance department.

Mr. Poon obtained a bachelor degree in civil engineering and a master degree in practising accounting from Monash University in Australia in October 1995 and November 2000, respectively. He has been an associate member of CPA Australia since September 1997, and advanced to full CPA status in April 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Wai Kwan (羅惠均), aged 45, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital on 16 March 2015.

Mr. Lo is a senior finance executive with over 20 years of experience in the consumer goods industry. From September 2005 to December 2009, Mr. Lo worked as the Global Head of Marketing Finance Planning of British American Tobacco p.l.c., London, a tobacco company. He has served as the regional head of corporate finance for the Asia Pacific and Middle East region of British American Tobacco Asia Pacific Region Limited, a tobacco company, since January 2010. He is responsible for strategic planning, setting, monitoring and reporting of key performance targets.

Mr. Lo obtained a bachelor degree in business administration from the Chinese University of Hong Kong in December 1996. He further obtained a master degree of business administration from the University of Western Ontario in Canada in October 2004. He has been a member of the American Institute of Certified Public Accountants since August 1998.

Dr. WU Kwun Hing (胡觀興), aged 52, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital on 16 March 2015.

Dr. Wu has over 27 years of experience in engineering, including extensive experience on major infrastructure projects. Dr. Wu is currently chief tunnel ventilation and station air-conditioning engineer of Oriental Consultants Global Co. Ltd since May 2018. From September 1992 to November 2017, Dr. Wu worked at WSP (Asia) Limited (formerly known as Parsons Brinckerhoff (Asia) Limited), an engineering professional services firm, with his last position being a technical director. In December 2017, he founded SimEng Technologies Limited, an engineering consultancy company, and served as the director.

Dr. Wu obtained a bachelor degree in mechanical engineering from the Hong Kong Polytechnic University in 1992 and a PhD in mechanical engineering from the Hong Kong University of Science and Technology in 2008.

Mr. CHOI Wai Ping (蔡偉平), aged 45, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined the Group as an independent non-executive director of Innovax Capital on 22 March 2016.

Mr. Choi is a chartered engineer with 20 years of experience specialising in information and communication technology, electronics engineering, software engineering and health informatics. From December 1998 to February 2000, Mr. Choi worked at the Automation Systems Division of the Hong Kong Productivity Council, with his last position being an associate consultant. He was then employed as a software engineer and senior engineer of Gemalto Technologies (Asia) Limited, an electrical and electronic products distributor, between March 2000 to and June 2007, responsible for the development of Smart Card Operating System of EMV Banking Card and Mobile Sim Card. He joined MaCaPS International Limited, a security and information protection system company, in November 2007 and is currently a general manager of such company.

Mr. Choi obtained a bachelor degree in computer engineering from the City University of Hong Kong in November 1995. He obtained his master degree of philosophy in electronics engineering and a master degree of arts in arbitration and dispute resolution from the City University of Hong Kong in November 2001 and November 2007, respectively.

Mr. Choi was registered as a chartered engineer with the Engineering Council in the United Kingdom since 2004. Mr. Choi is currently a member of the Institution of Engineering and Technology in the United Kingdom.

He is also a member of the Chartered Institution of Arbitrators of the United Kingdom and an accredited construction mediator of the Hong Kong Construction Arbitration Centre.

Ms. CHAN Ka Lai, Vanessa (陳嘉麗), aged 45, was appointed as an independent non-executive Director on 24 August 2018. She is mainly responsible for supervising and providing independent advice to the Board.

Ms. Chan is a professional accountant with over 20 years of experience in auditing, accounting and financial management. Currently, Ms. Chan is the operating director of WA C&E Limited which specialising in providing business advisory services. She worked in China Agri-Industries Holdings Limited, a stated-owned enterprise listed on the Main Board of the Stock Exchange (stock code: 606) from November 2009 to December 2018 with the last position as financial controller. Prior to joining China Agri-Industries Holdings Limited, she worked as an accounting manager of The Kowloon Motor Bus Co. (1933) Ltd. from August 2005 to February 2008 and worked in KPMG Hong Kong from July 1995 to August 2005 with the last position as senior manager.

Ms. Chan obtained a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University in October 1995. She is a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2006 and the Association of Chartered Certified Accountants since October 2006. Ms. Chan is also a member of the Hong Kong Institute of Chartered Secretaries and Administrators since March 2004 and the Hong Kong Institute of Directors since January 2018.

Mr. CHEUNG Kwok Kwan JP (張國鈞), aged 44, was appointed as an independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board.

Mr. Cheung is a practising solicitor of the High Court of Hong Kong with 20 years of experience in the legal profession. Mr. Cheung started his career as a trainee solicitor at Wilkinson & Grist from August 1998 to July 2000. He then worked as an assistant solicitor at various law firms, including: (i) Tsang, Chan & Wong from October 2000 to August 2001; (ii) Haldanes from October 2001 to December 2002; and (iii) Christine M. Koo & Ip, Solicitors & Notaries LLP from December 2002 to November 2003. From November 2003 to April 2004, Mr. Cheung was a consultant of Leung & Lau (formerly known as Jonathan Lau & Co). He joined Cheung & Liu, Solicitors (formerly known as Clarence Wong, Cheung & Liu) as a consultant from April 2004 to June 2012. He is a partner of Cheung & Yeung, Solicitors since June 2012 and is also an arbitrator of the South China International Economic and Trade Arbitration Commission, a civil celebrant of marriage and China-appointed attesting officer in Hong Kong.

Mr. Cheung serves as the member of the Executive Council, Legislative Council and the Central and Western District Council of Hong Kong. In addition, he is a director of the Hong Kong Mortgage Corporation Limited, a member of the Housing Authority, the Appeal Tribunal Member under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and the Appeal Committee Member of the Appeal Committee of the Hong Kong Football Association Limited. He was also the Chairman of the Practice and Examination Committee of the Estate Agents Authority.

Mr. Cheung is currently an independent non-executive director of Hang Yick Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1894) since 19 September 2018.

Mr. Cheung obtained a bachelor degree in laws and postgraduate certificate in laws from the City University of Hong Kong in November 1997 and August 1998, respectively. He was admitted as a solicitor of the High Court of Hong Kong in September 2000.

SENIOR MANAGEMENT

Mr. SO Hin Pong (蘇顯邦), aged 62, was appointed as the chief executive officer and executive director of Innovax Securities on 27 March 2017. He is the responsible officer for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities of Innovax Securities and is mainly responsible for supervising and managing the Group's securities dealing and brokerage business and securities financing business. He is also a responsible officer for Type 9 (asset management) regulated activity of Innovax Asset Management.

Mr. So has over 30 years of experience in the finance and securities industry. Prior to joining the Group, Mr. So worked at Sun Hung Kai Group from February 1982 to June 2001, during which he had served as (i) executive director of Sun Sun Fund, a fund launched by Sun Hung Kai Group; and (ii) senior manager of the management and marketing department of SHK Fund Management Limited, where he managed the AEs' business activities. He then worked at China Everbright Limited (stock code: 165), a company listed on the Main Board of the Stock Exchange, from June 2001 to March 2011 and China Everbright Securities International Limited, an affiliate company of China Everbright Limited, from April 2011 to March 2017. He had served as the responsible officer for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the operating subsidiaries of China Everbright Limited and China Everbright Securities International Limited during the respective periods.

Mr. So obtained the Diploma in Advanced Financial Management from the Asia International Open University in Macau in July 1995 and the Diploma in Finance from the Chinese University of Hong Kong in October 1997.

Mr. LI Lap Sun (李立新), aged 52, was appointed as the chief investment officer and executive director of Innovax Asset Management in March 2017. He is mainly responsible for supervising and managing the Group's asset management business.

Mr. Li has over 20 years of experience in finance and asset management. Mr. Li worked at Merrill Lynch (Asia Pacific) Limited from March 1994 to August 2004, with his last position being a director. He then worked at Goldman Sachs (Asia) L.L.C. as an executive director in the equities division from October 2004 to March 2007. During the period from June 2007 to March 2017, Mr. Li served as the fund manager of Spitzer Asset Management Limited ("Spitzer Asset") (a licensed corporation which carried out Type 9 (asset management) regulated activity), which is principally engaged in the provision of asset management services and he was a director of Spitzer Asset during the period from 15 February 2017 to 21 March 2017. He was also a responsible officer of Spitzer Asset to carry out Type 9 (asset management) regulated activity from 14 June 2007 to 21 March 2017.

Mr. Li obtained a bachelor degree of arts in economics from the University of California, Los Angeles in the US in June 1989 and a master degree in business administration from the University of Southern California in the United States in May 1992.

Mr. Li is the independent non-executive director of BCI Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8412), since March 2017. Save as disclosed above, Mr. Li has not held any directorship in any other publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this Annual Report.

Ms. CHAU Lok Yi (周樂怡), aged 39, is the Group's chief financial officer and company secretary of the Company and is mainly responsible for overall management of financial and company secretarial matters of the Group. Ms. Chau joined the Group in May 2017.

Ms. Chau has over 15 years of experience in accounting. Prior to joining our Group, Ms. Chau worked at the finance and operations department of Oriental Patron Securities Limited, a company providing equity research, underwriting and securities brokerage services, from August 2003 to February 2005 with her last position being a junior accountant. Since February 2005, she worked at Morison Heng CPA Limited as a senior audit manager.

Ms. Chau obtained a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University in November 2003. She obtained her master degree in business administration from The University of Iowa in December 2016. She has been a member of the Hong Kong Institute of Certified Public Accountants since July 2007 and is registered as a practicing certified public accountant since January 2010.

Mr. LAM King Fung (林景烽), aged 38, is the chief operation officer and head of compliance of the Company and is mainly responsible for the business operation and regulatory compliance matters of the Group. Mr. LAM joined the Group in May 2017.

Mr. LAM has over 10 years of experience in regulatory compliance. Prior to joining the Group, Mr. LAM has been working with China Everbright Securities International Limited ("CESIL") from October 2010 to April 2017 with his last position as Senior Vice President of Legal, Compliance and Company Secretarial Department. CESIL is a subsidiary of Everbright Securities Company Limited (HKEx listed 6178.HK), which is an integrated financial group major in providing financial services in Hong Kong under the licensing regime of Securities and Futures Commission of Hong Kong.

Mr. LAM has obtained a bachelor degree of business in risk management from the Monash University of Australia in April 2005 and a master degree of corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. LAM is also a member of The Hong Kong Institute of Chartered Secretaries since 2015.

COMPANY SECRETARY

Ms. CHAU Lok Yi (周樂怡), aged 39, was appointed as the company secretary of the Company on 4 May 2018. For details of her education and experience, please refer to the paragraph headed "SENIOR MANAGEMENT" in this section.

Report of the Directors

The Board of the Company is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended 28 February 2019.

GLOBAL OFFERING

Innovax Holdings Limited, incorporated as an exempted company with limited liability in the Cayman Islands on 14 June 2016. The Company's shares were listed on the Main Board of the Stock Exchange on 14 September 2018 (the "Listing Date") by way of global offering (the "Listing").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company, together with its subsidiaries (the "Group"), is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") through three operating subsidiaries including Innovax Capital Limited, Innovax Securities Limited and Innovax Asset Management Limited.

An analysis of the principal activities of the Group during the year ended 28 February 2019 is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 39 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 5 to 13 and the "Chairman's Statement" as set out on pages 3 to 4 of this report. Such discussion forms part of this "Report of the Directors".

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed in the Environmental, Social and Governance Report on pages 41 to 52 of this Annual Report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 120 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 28 February 2019 and details of the shares issued during the year ended 28 February 2019 are set out in Note 30 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 39 to the consolidated financial statements.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

Further details are set out in the "Management Discussion and Analysis" section of this Annual Report and the Environmental, Social and Governance Report on pages 41 to 52 of this annual report.

KEY RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals and development. During the year ended 28 February 2019, there were no material and significant disputes between the Group and its employees and customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 28 February 2019 shall be disclosed in the and the Environmental, Social and Governance Report on pages 41 to 52 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 28 February 2019, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Associations of the Company or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 28 February 2019 are set out in Note 18 to the consolidated financial statements. There were no investment properties of the Group during the year ended 28 February 2019.

DEBENTURE ISSUED

The Group did not issue any debenture during the Year and up to the date of this annual report.

EQUITY-LINKED AGREEMENTS

Save for disclosed in "Share Option Scheme" as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 28 February 2019.

DIVIDEND

On 17 May 2018, the Company declared dividend of approximately HK$5.0 million, which was fully repaid by its internal resources before the Listing.

The directors of the Company do not recommend the payment of a dividend for the year ended 28 February 2019.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 59 of this annual report.

Details of the movements in the reserves of the Company during the year ended 28 February 2019 are set out in Note 40 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 28 February 2019, the Group has no bank loans (as at 28 February 2018: HK$8.1 million) and amounts due to a director (as at 28 February 2018: HK$1.7 million). Particulars of bank loans and other borrowings of the Group as at 28 February 2019 are set out in the section headed "Management Discussion and Analysis" in this Annual Report and Notes 26 and 28 to the consolidated financial statements.

MAJOR CUSTOMERS

As at 28 February 2019, sales to the Group's five largest customers accounted for 38.1% of the total sales for the year and sales to the largest customer included therein amounted to 14.7%. None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Due to the Group's business nature, the Group does not have major suppliers.

EMPLOYEE AND REMUNERATION POLICIES

As at 28 February 2019, the Group had 51 employees (28 February 2018: 43). The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined based on the employees' experience, qualification, position and responsibilities, and discretionary bonus which is determined at our management's sole discretion based on, among other things, the relevant employee's performance and our Group's financial performance. The salaries of our employees are assessed and reviewed annually to determine any salary adjustment is required.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee which is based on the Group's performance and the executives' respective contributions to the Group.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

The total remuneration cost incurred by the Group for the year ended 28 February 2019 was HK$6.5 million (for the year ended 28 February 2018: HK$6.5 million).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 28 February 2019.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 28 February 2019 are disclosed in Note 33 to the consolidated financial statements. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors confirm that the above related party transactions were conducted on normal commercial terms and on arm's length basis.

During the year ended 28 February 2019, the Group had provided securities dealing and brokerage services to Mr. Chung, Mr. So Hin Pong, Ms. Chau Lok Yi and Mr. Lam King Fung, all connected persons of the Company. Each of them had ceased to use the Group's securities dealing and brokerage services before Listing. Hence, the transactions mentioned above did not continue upon Listing and accordingly, they did not constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The investment management agreement signed between Innovax Asset Management and Innovax Alpha SPC (the "Investment Management Agreement") constituted a connected transaction or continuing connected transaction of the Company under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The Investment Management Agreement as disclosed in Note 33 to the consolidated financial statements is a continuing connected transaction which is fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1)(c) of the Listing Rules. Save as the connected transaction and continuing connected transactions disclosed above, the Directors consider that all other related party transactions disclosed in Note 33 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) throughout the year ended 28 February 2019.

DIRECTORS

The Directors who held office during the year ended 28 February 2019 and up to the date of this Annual Report are:

Executive Directors

Mr. Chung Chi Man
Mr. Poon Siu Kuen, Calvin *(appointed on 4 May 2018)*

Independent Non-executive Directors

Mr. Lo Wai Kwan *(appointed on 24 August 2018)*
Dr. Wu Kwun Hing *(appointed on 24 August 2018)*
Mr. Choi Wai Ping *(appointed on 24 August 2018)*
Ms. Chan Ka Lai, Vanessa *(appointed on 24 August 2018)*
Mr. Cheung Kwok Kwan *JP* *(appointed on 24 August 2018)*

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 18 of this Annual Report.

In accordance with Article 83(3) of the articles of association of the Company (the "Articles"), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the member after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the company and shall then be eligible for re-election. Accordingly, Mr. Poon Siu Kuen, Calvin, Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping, Ms. Chan Ka Lai, Vanessa and Mr. Cheung Kwok Kwan *JP* will retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with Article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Chung Chi Man will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors regarding their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended 28 February 2019. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DIRECTORS' SERVICE CONTRACT

None of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by employing company within one year without payment of compensation, other than statutory compensation.

RETIREMENT BENEFITS PLANS

The MPF Scheme is registered the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits schemes contribution arising from the MPF Scheme charged to the profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosed in Note 33 to the consolidated financial statements of this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders (as defined in below section) or their subsidiaries, during the year ended 28 February 2019.

DEED OF NON-COMPETITION

The controlling shareholders as defined in the Listing Rules and, in the context of the Company, means Mr. Chung Chi Man and Billion Shine International Investment Limited (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. Pursuant to the Deed of Non-competition, the Controlling Shareholders have undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of our 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 core business of our Group currently excluded or possibly in the future to be engaged by the Group in Hong Kong or such other countries as our Group may conduct or carry on business from time to time.

The Controlling Shareholders have confirmed to the Company that from the Listing Date and up to the date of this report, they and their respective close associates (as defined under the Listing Rules) have complied with the undertakings contained in the Deed of Non-competition. For the year ended 28 February 2019 and up to the date of this report, save and except for the interest the Directors have in the Company and its subsidiaries and disclosed in the section headed "Relationship with our Controlling Shareholders — Excluded Business" in the Prospectus, 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' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors or his/her connected entities 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 from the Listing Date and up to the date of this report.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the Year and up to the date of this report, the Directors (with the exception of the independent non-executive Directors) who have an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Director	Name of Company	Nature of Business	Nature of Interest
Chung Chi Man	China Capital Finance International Holdings Limited ("CCFI")	Money Lending Business	100% shareholder of CCFI

For details of the money lending business operated by CCFI, please refer to the section headed "Relationship with Our Controlling Shareholders — Excluded Business" in the Prospectus.

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

Throughout the period from the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 28 February 2019 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The shares of the Company were listed on the Stock Exchange on 14 September 2018. As at 28 February 2019, 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 Divisions 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 for Securities Transactions by Directors of Listed issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

Interest in Shares of the Company

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

Notes:

(1) The letter "L" denotes a person's long position in the Shares.

(2) Mr. Chung and Billion Shine International Investment Limited ("BSI") are the Controlling Shareholders. Mr. Chung owns the entire issued share capital of BSI. By virtue of the SFO, Mr. Chung is deemed to be interested in such Shares held by BSI.

(3) The calculation is based on the total number of 400,000,000 Shares in issue as at 28 February 2019.

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 1)*	Approximate percentage of shareholding in associated Corporation (%)
Mr. Chung Chi Man	BSI	Beneficial owner	110 Shares (L)	100%

Note:

(1) The letter "L" denotes a person's long position in the shares.

Save as disclosed above, as at 28 February 2019, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

The Shares of the Company were listed on the Stock Exchange on 14 September 2018. Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable. So far as is known to the Directors, as at the date of this annual report, 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 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 Shareholder	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding (%)** *(Note 3)*
BSI	Beneficial owner	300,000,000 Shares (L)	75%
Ms. Lee Yin Har	Interest of spouse *(Note 2)*	300,000,000 Shares (L)	75%

Notes:

(1) The letter "L" a person's with long position in the Shares.

(2) Ms. Lee Yin Har is the spouse of Mr. Chung. She is deemed, or taken to be, interested in all Shares in which Mr. Chung is interested in for the purpose of the SFO.

(3) The calculation is based on the total number of 400,000,000 Shares in issue as at 28 February 2019.

Save as disclosed above, as at 28 February 2019, 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 short positions in shares, underlying shares" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries, any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries (collectively, the "Eligible Participants") to optimize their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

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 our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date. The maximum number of shares comprised in option to any one individual shall be 1% of the Shares in issue as of the date of grant in any 12-month period up to the date of grant. There is no such requirement for the minimum period for which an option must be held before it can be exercised. The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date and the remaining life of the Share Option Scheme is 9 years.

The exercise price must not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) 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 (iii) the nominal value of a Share.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 28 February 2019. As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 40,000,000, representing approximately 10% of the issued shares of the Company.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 28 February 2019. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this report.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the Group raised from the initial public offering was approximately HK$158 million, after deducting the underwriting fees, commissions and other listing expenses. HK$110.2 million of the net proceeds has been utilized as at 28 February 2019 (approximately 69.7% of the total net proceeds) and the remaining HK$47.8 million (approximately 30.3% of the total net proceeds) unutilized proceeds is placed in licensed banks in Hong Kong. Details of the use of proceeds are set out in the "Management Discussion and Analysis" section in this report.

INTERESTS OF COMPLIANCE ADVISER

As at 28 February 2019, save and except for (i) the participation of Sinolink Securities (Hong Kong) Limited ("Sinolink") as Joint Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager in relation to the Listing; and (ii) the compliance adviser's agreement entered into between the Company and Sinolink dated 17 May 2018, neither Sinolink nor any of its directors, employees or close associates had any interest in the securities of the Company.

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 report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

CHARITABLE DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$1,000,000.

TAX RELIEF

The Company is not aware of any relief on taxation to the Shareholders by reasons of their holdings of the Shares. If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or exercise of any rights in relation to the Shares, they are advised to consult their professional advisers.

EVENT AFTER THE END OF THE YEAR

The event after the end of the Year is disclosed in Note 41 to the consolidated financial statements.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Chung Chi Man
Chairman
28 May 2019

Corporate Governance Report

The Board of Directors and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICES

On 14 September 2018, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of global offering. The Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 to the Listing Rules (the "Code Provisions") as the basis of the Company's corporate governance practices since the Listing Date.

The Board is of the view that the Company has complied with the Code Provisions set out in the CG Code throughout the period from the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising two executive Directors namely Mr. Chung Chi Man and Mr. Poon Siu Kuen, Calvin and five independent non-executive Directors, namely Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping, Ms. Chan Ka Lai, Vanessa and Mr. Cheung Kwok Kwan *JP*. Mr. Chung Chi Man is currently the chairman of the Board.

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 18 of this Annual Report. None of the members of the Board is related to one another.

The Company has entered into a service contract with each of our executive Directors. The Group has also entered into a letter of appointment with each of our independent non-executive Directors.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by the Articles.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chung Chi Man is currently the chairman of the Board (the "Chairman") and Mr. Poon Siu Kuen, Calvin is the chief executive officer of the Company (the "Chief Executive Officer"). The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors written annual confirmation of their independence pursuant to the Listing Rules and the Company considers that each of them is independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

APPOINTMENT AND RE-ELECTION AND REMOVAL OF DIRECTORS

The procedure and process of appointment, re-election and removal of directors are laid down in the Company's Articles which provide that at each annual general meeting one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by meetings with the senior management of the Company.

During the year ended 28 February 2019, the Directors complied with the Code Provision A.6.5 of the Corporate Governance Code on participation in continuous professional training as follows:

	Mode of participation	
	a	b
Executive Directors		
Mr. Chung Chi Man	✓	✓
Mr. Poon Siu Kuen, Calvin	✓	✓
Independent Non-executive Directors		
Mr. Lo Wai Kwan	—	✓
Dr. Wu Kwun Hing	—	✓
Mr. Choi Wai Ping	—	✓
Ms. Chan Ka Lai, Vanessa	—	✓
Mr. Cheung Kwok Kwan *JP*	—	✓

a: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.

b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

BOARD MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

As the Company was only listed on 14 September 2018, the Board convened 1 meeting on 30 October 2018 and the Chairman held 1 meeting with the independent non-executive directors without the presence of other directors. The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code and the chairman shall meet at least annually with the independent non-executive directors without the presence of other directors.

Details of the attendance of the Directors from the Listing Date up to 28 February 2019 are as follows:

Executive Directors	
Mr. Chung Chi Man	1/1
Mr. Poon Siu Kuen, Calvin	1/1
Independent Non-executive Directors	
Mr. Lo Wai Kwan	1/1
Dr. Wu Kwun Hing	1/1
Mr. Choi Wai Ping	1/1
Ms. Chan Ka Lai, Vanessa	1/1
Mr. Cheung Kwok Kwan *JP*	1/1

During the period from the Listing Date up to 28 February 2019, the Company did not hold any general meeting.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

Our Company has established the 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 C.3 of the CG Code. The Audit Committee consists of four members, namely Ms. Chan Ka Lai, Vanessa, Mr. Lo Wai Kwan, Dr. Wu Kwun Hing and Mr. Cheung Kwok Kwan *JP*, all being independent non-executive Directors. Our Audit Committee is chaired by Ms. Chan Ka Lai, Vanessa, who has possessed the appropriate professional qualifications.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

During the period from the Listing Date up to 28 February 2019, 1 Audit Committee meeting was held. The attendance of each member is set out below:

Independent Non-executive Directors	Attendance/Number of Audit Committee meetings entitled to attend
Ms. Chan Ka Lai, Vanessa *(Chairlady)*	1/1
Mr. Lo Wai Kwan	1/1
Dr. Wu Kwun Hing	1/1
Mr. Cheung Kwok Kwan *JP*	1/1

The works performed by the Audit Committee during the year include the following:

— reviewed and discussed the interim results of the Group for the six months ended 31 August 2018.

— reviewed the financial reporting system, risk management and internal control systems.

The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

Remuneration Committee

Our Company has established the remuneration committee (the "Remuneration Committee") on 24 August 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of four members, namely Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping and Ms. Chan Ka Lai, Vanessa, all being independent non-executive Directors. Our Remuneration Committee is chaired by Mr. Lo Wai Kwan.

The primary duties of our Remuneration Committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

As the Company was only listed on 14 September 2018, no Remuneration Committee meetings were held during the Year.

The Remuneration Committee shall meet at least once annually, or more frequently if circumstances require, to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

The remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. The remuneration policy is subject to review by and the recommendations of the Remuneration Committee.

Nomination Committee

Our Company has established the nomination committee (the "Nomination Committee") on 24 August 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of four members, namely Dr. Wu Kwun Hing, Mr. Lo Wai Kwan, Mr. Choi Wai Ping and Ms. Chan Ka Lai, Vanessa, all being independent non-executive Directors. Our Nomination Committee is chaired by Dr. Wu Kwun Hing.

The primary function of our Nomination Committee is to review the structure, size and diversity (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of our Board, make recommendations on any proposed changes to our Board to complement our corporate strategy and make recommendations to our Board on the appointment of members of our Board.

As the Company was only listed on 14 September 2018, no Nomination Committee meetings were held during the Year.

The Nomination Committee shall meet at least once a year, or more frequently if circumstances require to review the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors and to develop and evaluate the corporate governance practices of the Company.

NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") on 28 May 2019 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

BOARD DIVERSITY POLICY

The board adopted a board diversity policy (the "Board Diversity Policy") on 28 May 2019.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

Nomination Committee has considered measurable objectives based on gender, age, professional experience and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the board diversity of the Company, as appropriate, to ensure its continued effectiveness at least once annually.

The current Board consists of a diverse mix of Board members with different appropriate skills, knowledges and experience to promote and achieve better performance of the Company.

REMUNERATION POLICY

The Directors and senior management of our Group receive compensation in the form of salaries, director fees, benefits-in-kind, discretionary bonuses related to the performance of our Group, and options which may be granted under the share option scheme. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to our Group's business and operations. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management, by reference to, among other things, salaries and bonus paid by comparable companies, responsibilities and performance of our Group.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration (including share-based compensation) of the Directors and members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 28 February 2019 is set out below:

Annual Remuneration	Number of individuals
HK$0 to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	—
HK$3,000,001 to HK$4,000,000	—
HK$4,000,001 to HK$5,000,000	1

CORPORATE GOVERNANCE FUNCTION

The Board assumes the responsibility for overseeing the overall management and strategic planning of our Group through directing and supervising our affairs. The Directors (including independent non-executive Directors) will be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities. Directors may make further enquiries for more information and have separate and independent access to our senior management and operational staff. There is also procedure in place to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at our expense to assist them in performing their duties to the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance, practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

The Board as a whole is responsible for identifying and considering the disclosure requirements and guidelines regarding inside information. Meanwhile, the compliance department of the Company is responsible for maintaining the watch list and restricted list and monitoring clients' trading and staff dealing. The Company's public side staff who are exposed to inside information must maintain the confidentiality of such information and may use it only for the business purpose for which it was communicated.

The Group does not have an internal audit function. Taking into account the size, nature and complexity of the Group's business, the Board have sufficient capacity to oversee the design and implementation of the risk management and internal control system and to assess its effectiveness, and accordingly there is no immediate need to set up an internal audit function within the Group.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and

- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control at Board and Audit Committee meetings regularly.

In relation to the handling and dissemination of inside information, the Group has implemented in information disclosure policy to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy is summarised as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

During the Year, the Group engaged an independent consulting firm to review the effectiveness of its risk management and internal control system. The scope of review was determined by the Board. The independent consulting firm submitted a report of findings and areas for improvement to the management. The management presented these findings and areas for improvements to the Board and Audit Committee. Having considered (i) the existence of the risk management and internal control system; (ii) the findings of the independent consulting firm; (iii) the management will take into account the areas for improvement suggested by the independent consulting firm and further enhance the risk management and internal control system, the Board and Audit Committee were of the view that the Group had no material internal control deficiencies and its risk management and internal control systems were effective and adequate.

COMPANY SECRETARY

The company secretary of the Company, Ms. Chau Lok Yi (the "Company Secretary"), is a full time employee of the Company. During the year ended 28 February 2019, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 18 of this annual report in the section of "Biographies of Directors and Senior Management".

AUDITORS AND REMUNERATION

Deloitte Touche Tohmatsu was engaged as the auditor of the Company for the year ended 28 February 2019, provided the following services to the Group.

	2019 HK$'000	2018 HK$'000
Audit services	**1,420**	520
Listing services	**2,280**	—
Internal control review services	**164**	164
Total	**3,864**	684

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 28 February 2019, the Directors have:

— based on a going concern basis;

— selected suitable accounting policies and applied them consistently; and

— made judgements and estimates that were prudent, fair and reasonable.

The report of the auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report from pages 53 to 56 of this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman of the Board as well as chairpersons of the Remuneration Committee, Audit Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

SHAREHOLDERS' RIGHTS

Right to Convene Extraordinary General Meeting

Pursuant to Article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Right to Put Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary at the principal place of business in Hong Kong of the Company at Unit A to C, 20/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Right to Put Forward Enquiries to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Unit A to C, 20/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.

Dividend Policy

The Company has adopted a policy on payment of dividends on 28 May 2019. Whether dividends will be paid and the amount of dividends to be paid will depend on, among other things, our profitability, financial condition, business development, future prospects, future cash flow and such other factors as our Directors may consider relevant at the time of declaration of any dividends subject to the discretion of our Directors.

Changes in constitutional documents

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Articles. During the Year, the then sole shareholder has passed a resolution on 24 August 2018 approving the adoption of the second amended and restated articles of association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company during the year ended 28 February 2019.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance report (the "report") published by Innovax Holdings Limited (the "Company"), which explains the environmental, social and governance performance of the Company and its subsidiaries (collectively the "Group").

Available in both Chinese and English, the report has been uploaded to the websites of The Stock Exchange of Hong Kong Limited ("SEHK") and the Company www.innovax.hk.

Reporting Scope and Boundary

This report focuses on the operation of corporate finance advisory services of the Group for the financial year from 1 March 2018 to 28 February 2019 (the "reporting year"). The reporting boundary includes the office in Chinachem Century Tower, Wanchai, Hong Kong (the "Hong Kong office"). While this report does not cover some operations of the Group[1], the Group will continuously upgrade the internal data collection procedure and gradually expand the scope of disclosure.

Reporting Standard

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this report.

A complete index is inserted in the last chapter of the report for reference.

Confirmation and Approval

The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible. The Board of Directors (the "Board") of the Company has overall responsibility for the establishment and disclosure of relevant measures and KPIs. To ensure that the report covers environmental and social issues material to the Group, this report has been reviewed and approved by the Board in April 2019.

Opinion and Feedback

The Group values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the report, please contact the Group through compliance@innovax.hk.

1 This report does not cover all operations of the Group's, including an office in Neich Tower as well as operations of placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management services.

ESG GOVERNANCE

The Board has the overall responsibility for the oversight of the Group's policies, initiatives and performance on sustainability matters, principally in respect of environmental protection, employment, operational responsibility and community investment. As part of its corporate responsibility, the Group continues to explore ways to engage its stakeholders and further strengthen its sustainability governance.

Risk Management

The Group considers risk management as an integral part of daily management processes and good corporate governance. During the reporting year, as required by the Corporate Governance Code, the Group has established the audit committee to assist the Board in evaluating the effectiveness of risk management and internal control systems.

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, evaluate respond and monitor risks associated with the Group's activities.

The Group noticed that the current risk assessment and internal control system does not cover environmental and social issues comprehensively. It is on its agenda to establish an ESG working group to review and monitor the Group's ESG policies and practices, respond to emerging ESG issues and make recommendations to the Board where appropriate to improve the Group's ESG performance. The Group will also consider conducting annual review of industry-relevant ESG risks which will enable itself to formulate action plan in a timely manner.

Stakeholder Engagement

Understanding and responding to the needs of its stakeholders are important for the Group in advancing on the journey of sustainability. Every feedback from stakeholders guides us to identify material environmental, social and governance issues, as well as to manage relevant risks and opportunities.

The Group's stakeholders are those who have a considerable influence on its business, and whom its business has a significant impact on. The Group engaged its key stakeholders via multiple channels to gather their feedback and strive for continuous improvement. Meetings, workshops and other communicative events are held across daily operations for internal and external stakeholder groups.

To gain a broader understanding of the opinions of different internal and external stakeholders about its performance on environmental protection and social responsibility, the Group will continuously explore ways to promote interactive exchange with stakeholders via means such as focus group discussions and online questionnaire.

EMPLOYMENT AND LABOUR PRACTICES

Employees are the foundation of the Group. As a caring and responsible company, the Group is devoted to providing a decent working environment and reasonable remuneration to its employees. The Employment and Labour Practices Policy Statement of the Group outlines its commitments in providing a workplace that is free from discrimination and harassment in any form and emphasises diversity, health and safety.

Employment

The Group has in place a set of employment policies that ensure fair remuneration for all employees. Policies relating to employment system, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare are set out in the Staff Handbook and the Employment and Labour Practices Policy Statement.

Policies	Measures
Recruitment	• Adopt consistent selection criteria and neutral wording in job advertisement
Working hours and rest periods	• Working hours are stipulated in the Staff Handbook • Employees are entitled to apply for marriage leave and compassionate leave in excess of statutory leave
Compensation and promotion	• Employee remuneration consists of monthly salary and discretionary bonus • Conduct annual review of salary based on the employee's performance and the Group's financial performance as well as changes to cost of living and general economic • Discretionary bonus to reward the contributions and efforts made by employees • Conduct annual performance review in support of the employee's career growth and the Group's business goals
Equal opportunities, diversity, and anti-discrimination	• Provide equal opportunities in employment, training and career development regardless of gender, age, nationality, race, skin colour, religion, body size, illness, mental or physical disability, family roles, family composition, sexual orientation, political beliefs or social status • Provide equal opportunities for employees from different backgrounds to create a diverse talent pool • Provide employees with training and information related to equal opportunity, discrimination and harassment
Benefit	• Provide medical scheme that includes outpatient benefits and hospitalization coverage for employees

Employee who believe that he/she is subjected to harassment of any type could report to the Group. The Group also provides different channels to facilitate open communication among all employees. In case of any important corporate announcements and updated Group policies, employees will be informed of these changes through email.

During the reporting period, the Group complied with the relevant laws and regulations, such as the Employment Ordinance (Cap. 57, Laws of Hong Kong). No cases of non-compliance with laws and regulations in relation to employment was found in the Hong Kong office.

Health and Safety

To build a healthy and safe working environment, the Group provides employees with guidance on workplace health and safety in the Staff Handbook. The Employment and Labour Practices Policy Statement also states the Group's commitments in maintaining a healthy and safe work environment.

Measures related to health and safety

Properly maintain all work related equipment and systems	Make sure the use, handling, storage and transport of office supplies and equipment are not only neat and tidy, but also safe and free from hazard	Regularly review and update the Health and Safety Policy Any updates will be notified to all employees

During the reporting year, the Group complied with the relevant laws and regulations, such as the Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong). No cases of non-compliance with laws and regulations in relation to health and safety was found in the Hong Kong office.

Development and Training

The Group believes by providing training programmes to its employees, we can improve their performance and nurture their career growth.

As a licensed corporation and a financial and securities services provider, the Group has a duty to carry out customer due diligence to identify risk for money laundering or terrorist financing. In the reporting year, the Group provided training on anti-money laundering and anti-terrorist financing for new employees during orientation. Regular refresher training was also designed for existing employees. It aims to ensure that all employees, no matter their work position, are aware of their obligations to develop a risk profile for every customer and report suspicious transactions as stipulated under relevant regulations and guidelines.

Believing in the values of career planning and development of employees, the Group has established the procedure of annual performance appraisal. Employee performance is reviewed against objective standards with a focus on their development needs.

Labour Standards

Child and forced labour not only put the Group's reputation at risks, but more importantly, they are associated with possible infringement of basic human rights. Adhering to its commitments in the Employment and Labour Practices Policy Statement, the Group has implemented measures to prohibit the use of child labour and forced labour.

To avoid hiring child labour, the Group sets requirements for minimum working age as defined under the Employment Ordinance and conduct age checks by going through various documents related to the applicants' age before hiring. Regarding forced labour, the Group avoids any practices that prevent employees from terminating employment. If there is any need for regular overtime work, the Group will make forward planning and discuss with staff beforehand.

During the reporting year, the Group complied with the relevant laws and regulations, such as the Employment of Children Regulations in Hong Kong. No cases of non-compliance with laws and regulations in relation to child labour and forced labour was found in Hong Kong office.

OPERATING PRACTICES

The Group is committed to upholding the highest standard of corporate governance and business integrity in its business activities. We have formulated the Supply Chain Management, Product Responsibility and Anti-corruption Policy Statement (the "Operating Practices Policy Statement") in order to manage environmental and social risks in its daily operation.

Supply Chain Management

Being able to fully understand and effectively manage ESG risks in supply chain does not only help companies gain trust from stakeholders but also enhance competitiveness against challenges brought from sustainability. While the Group has no major suppliers due to the nature of its office operations, the Group is devoted to minimizing the environmental and social impact of its partners along the value chain. This commitment is clearly stated in the Operating Practices Policy Statement. To further integrate its vision into the procurement practices, it is on the Group's agenda to provide further guidance to employees on selection of environmental-friendly products.

Product Responsibility

The Group values each client and strives to continuously improve its services to satisfy their needs. The Operating Practices Policy Statement of the Group outlines its commitment to providing customers services information in an accurate and open manner, and safeguarding data security.

Measures related to product responsibility

Sales and marketing	• Provide objective, accurate, honest and fair information in all marketing communication channels (including printing materials and advertisement)
Information protection and privacy	• Maintain firewall to prevent leakage of confidential information
Complaint handling	• All written and verbal complaints are reported to the compliance officer • The compliance officer conducts investigation and responds to the complainant within a reasonable period • Conduct regular independent compliance review on complaint handling procedures

As a financial services provider, the Group's operation does not involve health and safety issues relating to products and services provided.

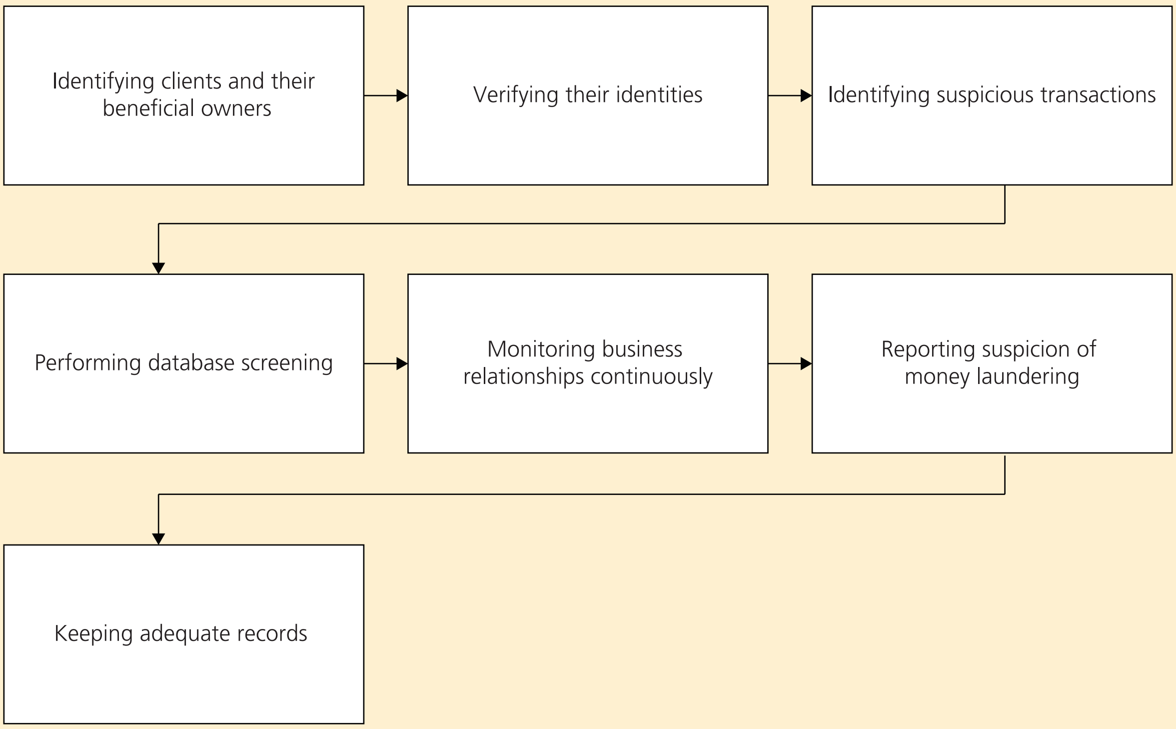
During the reporting year, the Group complied with laws and regulations in relation to product responsibility, including but not limited to the Personal Data (Privacy) Ordinance in Hong Kong. There were no cases of non-compliance in relation to health and safety, advertising, labelling and privacy matters.

Anti-corruption

As a financial service provider, the Group recognises its responsibility to maintain a fair and ethical working environment. The Group ensures that all services offered follow internal and external requirements of ethical standards and compliance.

The Group sets forth the responsibilities of its employees in for preventing money laundering and terrorist financing in the Policy on Prevention of Money Laundering and Terrorist Financing (the "AML Policy"), which provides clear procedures intended to prevent and suppress relevant activities.

AML Procedure



While all employees have acknowledged their understanding of the AML Policy, the Group regularly communicates with its employees on the importance of integrity and arranges training on anti-money laundering and anti-terrorist financing for new and existing employees.

Training on anti-money laundering and counter-terrorist financing

To keeps employees up to date with the most recent regulations and standards, our employees attended the seminars held by the Securities and Futures Commission. Through the seminars, employees can learn about the newest regulatory requirements and identify procedures for improving compliance monitoring.

Employees' average training hours **6 hours**	**100%** employees received training

The Group abides by the relevant laws and regulations in relation to corruption, including but not limited to the Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong. During the reporting year, there were no cases of non-compliance or legal cases in relation to corruption.

PROTECTING THE ENVIRONMENT

Climate change and scarce resources are inevitable challenges in today's global context. The health of our planet and its natural resources has a fundamental impact on all of us. The Group strives to protect the environment by managing the environmental impact of its business operation along its value chain. The Group has formulated the Environmental Protection Policy Statement to demonstrate its determination to minimise the impact of its operation on the environment regarding emissions, use of resources, as well as the natural resources and environment.

Emissions

In line with its commitments stated in the Environmental Protection Policy Statement, the Group has implemented a number of measures at Hong Kong office to handle and reduce emissions and wastes.

Types	Measures
Air and greenhouse gas emissions	• Implement electricity-saving measures • Simplify workflow to reduce business trips
Non-hazardous waste	• Implement paper-saving measures • Avoid using disposables • Set up recycling bins and waste recyclers to collect waste regularly • Commission qualified organisations to handle the non-hazardous waste
Hazardous waste	• Use environmentally-friendly cleaning products to reduce harmful substances in wastewater • Control the use of and properly dispose of harmful chemicals • Commission qualified organisations to handle the hazardous waste
Wastewater	• Encourage employees to conserve water • Domestic wastewater was discharged directly through local pipe network to a local sewage treatment plant

As a key step to establishing a carbon management strategy, the Group has commissioned a consultant to conduct a carbon assessment to quantify the greenhouse gas emissions (or 'carbon emissions') of its operation during the year. The process of quantification is conducted in accordance with the Guidelines[2] compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

2 Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

According to assessment, the total carbon emissions of the site was 16 tonnes CO2-equivalent, solely from the energy indirect emissions (scope 2) of purchased electricity. To understand more about its carbon emissions and provide stakeholders with a more comprehensive overview of its environmental performance, the Group will continue to improve its data collection system and expand annual carbon assessments to cover its emissions among the value chain.

Use of Resources

The Group is well aware that reasonable use of resources is essential to sustainable development. The Environmental Protection Policy Statement of the Group sets out its commitment to optimise the use of energy, water and raw materials.

The Group has adopted a series of measures to effectively manage the use of resources.

Types	Measures
Paper	• Use paper from sustainable sources and made with recycled materials • Adopt electronic communications and filing to reduce the use of paper documents • Recommend double-size paper use • Adopt online facsimile (internet fax) system
Energy	• Switch off lights in public areas during lunch and non-working hours • Adopt lighting zoning system • Maintain electrical appliances and replace malfunctioning equipment • Set the air-conditioning temperature at optimal temperature
Water	• Promote water conservation through internal communications

To identify the improvement opportunities, the Group will improve the data collection system in order to review the effectiveness of the emissions and waste reduction measures, as well as the energy and water efficiency initiatives.

The Environment and Natural Resources

The Group understands the need to protect the planet for present and future generations and it is making ongoing efforts to use fewer natural resources and to promote environmental responsibility. The Group's business is operated in an environmentally conscious manner and good environmental practices are encouraged.

The Group is working to reduce its consumption of energy and natural resources, to reduce waste, and to use environmentally friendly products and services wherever possible. It ensures that its operations comply fully with local environmental laws and regulations. The Group uses internal channels and engage in volunteer service to raise environmental awareness and communicate green values to its staff. It further encourages its suppliers, business partners and customers to improve their environmental performance.

The Group complies with laws and regulations in relation to emissions, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong.

In the reporting year, there were no cases of non-compliance in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The Group is also unaware of other significant impacts on the environment or natural resources.

COMMUNITY INVESTMENT

As a caring enterprise, the Group is keen on fulfilling the expectations of various stakeholders and the communities where we operate. The enactment of the Community Investment Policy Statement reveals the Group's commitment to foster positive relationships in the communities.

The Group allocates funding for supporting activities that positively impact society each year. In the year, the Group donated HK$1,000,000 in support of the Community Chest of Hong Kong. The Group also selected and approved volunteer and charity activities organised by external organisations and encouraged employee participation.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Data of the year	Page Index
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and Greenhouse Gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	—	47-48
A1.1	The types of emissions and respective emissions data Nitrogen oxides (NOx) (kilogram) Sulphur oxides (SOx) (kilogram) Particulate matter (PM) (kilogram)	Operation within the office did not incur any air emissions.	
A1.2	Greenhouse Gas emissions in total (tonnes CO_2-e)	16.02	48
	Intensity of Greenhouse Gas emissions (tonnes CO_2-e/square feet)	0.008	—
	Intensity of Greenhouse Gas emissions (tonnes CO_2-e/no. of employees)	0.84	—
A1.3	Total hazardous waste produced (tonnes) Intensity of total hazardous waste produced (tonnes/square feet)	There is no record of generation of hazardous waste within the office.	

Material Aspect	Content	Data of the year	Page Index
A1.4	Total non-hazardous waste produced (tonnes)[3]	2.06	—
	Intensity of non-hazardous waste produced (tonnes/square feet)	0.001	—
	Intensity of non-hazardous waste produced (tonnes/no. of employees)	0.11	—
A1.5	Description of measures to mitigate emissions and results achieved	—	48
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	—	48
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	—	48
A2.1	Direct and/or indirect energy consumption by type in total (MWh)	20	—
	Electricity	20	—
	Energy intensity (MWh/square feet)	0.010	—
	Energy intensity (MWh/no. of employees)	1.05	—
A2.2	Water consumption in total (tonnes) Water intensity (tonnes/square feet)	No applicable; no public water supply within the office.	
A2.3	Description of energy use efficiency initiatives and results achieved	—	48
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	The Group did not have any issue in sourcing water from municipal water supplies.	
A2.5	Total packaging material used for finished products (tonnes) Packaging material intensity (tonnes/unit of product)	No applicable; the Group did not involve use of packaging materials.	
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	—	48
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	—	48

[3] The full year figure is estimated by multiplying the average daily weight of 5 working days of continuous weighing.

Material Aspect	Content	Data of the year	Page Index
B. Social			
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	—	43
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	—	44
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	—	44
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	—	44-45
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	—	45
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	—	45

Material Aspect	Content	Data of the year	Page Index
B7 Anticorruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	—	46-47
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	—	49

Deloitte. 德勤

To the Members of Innovax Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Innovax Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 57 to 119, which comprise the consolidated statement of financial position as at 28 February 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the audit of the Group, we identified the following key audit matters:

Key audit matter | **How our audit addressed the key audit matter**

Revenue recognition on sponsor fee income and recognition of contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services

We identified the recognition on sponsor fee income, contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services as a key audit matter due to its significance to the consolidated financial statements.

As set out in notes 3 and 5 to the consolidated financial statements, since the contracts provide the Group an enforceable right to payment for performance completed up to date and the performance does not create an asset with an alternative use, the sponsor fee is recognised over time based on input method, in which the Group recognised sponsor fee income on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation ("percentage of completion").

Payments are received by installments in accordance to the completion of milestones as specified in the sponsor mandates as set out in note 5 to the consolidated financial statements. As set out in notes 21 and 29 to the consolidated financial statements, contract assets represent the sponsor fee income arising from business of sponsor fee income recognised after work is performed but not yet billed to customers and the portion of fee received from the clients but not yet earned is recorded as contract liabilities.

As set out in note 5 to the consolidated financial statements, the revenue from sponsor fee income amounted to HK$53,564,000 for the year ended 28 February 2019. As set out in notes 21 and note 29 to the consolidated financial statements, the contract assets (net of impairment allowance of HK$484,000) and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services amounted to HK$4,107,000 and HK$675,000 respectively as at 28 February 2019.

Our procedures in relation to the revenue recognition on sponsor fee income, and recognition of contract assets and contract liabilities in relation to sponsor fee income arising from corporate finance advisory services included:

— Obtaining an understanding on the key controls over the revenue recognition on sponsor fee income and the input method used by the management in recognising revenue;

— Checking the percentage of completion of all sponsor mandates by comparing the actual staff costs incurred up to date to the total expected staff costs, assessing the reasonableness of the total expected staff costs and examining relevant supporting documentation;

— Recomputing the sponsor fee income arising from corporate finance advisory services for all mandates based on the percentage of completion and the contract value for each sponsor mandate and agreeing the contract value to the underlying sponsor mandate; and

— Determining whether the contract assets and liabilities are properly recognised by checking to the supporting evidence for work performed and billings and settlement of billings during the year and subsequent to the year end.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ha Hong Yiu, Vico.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 May 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 28 February 2019 HK$'000	28 February 2018 HK$'000
Revenue			
Corporate finance advisory services	*5*	**66,754**	54,794
Placing and underwriting services	*5*	**13,991**	24,951
Securities dealing and brokerage services	*5*	**3,487**	4,313
Asset management services	*5*	**658**	247
Interest income from securities financing services	*5*	**299**	69
Total revenue		**85,189**	84,374
Other income	*7*	**1,494**	44
Other losses	*8*	**—**	(366)
		86,683	84,052
Administrative and operating expenses		**(14,667)**	(8,448)
Impairment allowance on financial instruments, net of reversal	*9*	**(214)**	—
Staff costs	*10*	**(43,903)**	(44,605)
Finance costs	*11*	**(234)**	(81)
Listing expenses		**(9,640)**	(123)
Total expenses		**(68,658)**	(53,257)
Profit before tax	*12*	**18,025**	30,795
Income tax expense	*13*	**(5,766)**	(5,364)
Profit and total comprehensive income for the year		**12,259**	25,431
Earnings per share			
Basic (HK cents)	*15*	**3.54**	8.48
Diluted (HK cents)	*15*	**3.54**	N/A

Consolidated Statement of Financial Position

	Notes	As at 28 February 2019 HK$'000	As at 28 February 2018 HK$'000
Non-current assets			
Property and equipment	18	**1,023**	1,672
Intangible asset	19	**500**	500
Deferred tax assets	31	**65**	—
Other receivables, deposits and prepayments	22	**709**	205
Total non-current assets		**2,297**	2,377
Current assets			
Accounts receivable	20	**11,691**	34,464
Accrued income		**—**	3,428
Contract assets	21	**4,107**	—
Other receivables, deposits and prepayments	22	**3,486**	641
Tax recoverable		**—**	1,135
Cash and cash equivalents	23	**216,999**	56,105
Cash held on behalf of customers	24	**37,109**	33,697
Total current assets		**273,392**	129,470
Total assets		**275,689**	131,847
Current liabilities			
Accounts payable and short term advances from a broker	25	**39,275**	50,633
Amounts due to a director	26	**—**	1,673
Other payables and accruals	27	**1,439**	18,765
Bank loans	28	**—**	8,130
Deferred revenue		**—**	2,890
Contract liabilities	29	**1,370**	—
Tax payable		**6,471**	3,006
Total current liabilities		**48,555**	85,097
Net current assets		**224,837**	44,373
Total assets less current liabilities		**227,134**	46,750
Equity			
Share capital	30	**4,000**	1
Reserves		**223,134**	46,695
Total equity		**227,134**	46,696
Non-current liability			
Deferred tax liabilities	31	**—**	54
Total non-current liability and equity		**227,134**	46,750

The consolidated financial statements on page 57 to 119 were approved and authorised for issue by the board of directors on 28 May 2019 and signed on its behalf by:

Chung Chi Man
Director

Poon Siu Kuen, Calvin
Director

Consolidated Statement of Changes in Equity

	Share capital HK$'000 *(note 30)*	Share premium HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 March 2017	1	—	21,264	21,265
Profit and total comprehensive income for the year	—	—	25,431	25,431
At 28 February 2018	1	—	46,695	46,696
Impact on initial application of HKFRS 9 *(note 2)*	—	—	(483)	(483)
At 1 March 2018	1	—	46,212	46,213
Profit and total comprehensive income for the year	—	—	12,259	12,259
Issue of shares pursuant to global offering	1,000	179,000	—	180,000
Share issue expenses	—	(6,338)	—	(6,338)
Capitalisation issue on 14 September 2018	2,999	(2,999)	—	—
Dividend *(note 14)*	—	—	(5,000)	(5,000)
At 28 February 2019	4,000	169,663	53,471	227,134

Consolidated Statement of Cash Flows

	Year ended 28 February 2019 HK$'000	Year ended 28 February 2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**18,025**	30,795
Adjustments for:		
Interest expense	**234**	81
Interest income	**(1,269)**	(15)
Loss on disposal of a subsidiary	**—**	364
Loss on disposals of property and equipment	**—**	2
Impairment allowance on financial instruments, net of reversal	**214**	—
Depreciation	**866**	562
Operating cash flows before movements in working capital	**18,070**	31,789
Decrease (increase) in accounts receivable	**22,579**	(16,376)
Decrease in accrued income	**—**	2,708
Increase in contract assets	**(1,163)**	—
Increase in other receivables, deposits and prepayments	**(3,368)**	(115)
Increase in cash held on behalf of customers	**(3,412)**	(33,697)
(Decrease) increase in accounts payable and short term advances from a broker	**(11,358)**	38,108
(Decrease) increase in other payables and accruals	**(17,326)**	15,615
Increase in deferred revenue	**—**	2,805
Decrease in contract liabilities	**(1,520)**	—
Cash generated from operations	**2,502**	40,837
Income tax paid	**(1,285)**	(9,957)
Interests paid	**(234)**	(81)
NET CASH FROM OPERATING ACTIVITIES	**983**	30,799
INVESTING ACTIVITIES		
Purchases of property and equipment	**(217)**	(1,651)
Advance to a related company	**—**	(1,000)
Repayment from a related company	**—**	3,000
Net cash outflow for disposal of a subsidiary	**—**	(576)
Interest received	**1,269**	15
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,052**	(212)
FINANCING ACTIVITIES		
Bank loans raised	**—**	9,956
Repayment of bank loans	**(8,130)**	(1,826)
Dividend paid	**(5,000)**	—
Repayment to a director	**(1,673)**	(11,450)
Issue of shares pursuant to global offering	**180,000**	—
Share issue expenses	**(6,338)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**158,859**	(3,320)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**160,894**	27,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**56,105**	28,838
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**216,999**	56,105

For the year ended 28 February 2019

1. GENERAL INFORMATION

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

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

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

The Company and its subsidiaries (collectively referred to as "the Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, loan commitments and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 March 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 March 2018. The difference between carrying amounts as at 28 February 2018 and the carrying amounts as at 1 March 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

All financial assets and liabilities were measured on the same bases that were measured under HKAS 39. The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 March 2018.

	Accounts receivable HK$'000	**Contract assets** HK$'000	**Retained profits** HK$'000
Closing balance at 28 February 2018 — HKAS 39	34,464	3,428	46,695
Effect arising from initial application of HKFRS 9:			
Remeasurement of Impairment under ECL model	(410)	(73)	(483)
Opening balance at 1 March 2018	34,054	3,355	46,212

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and accounts receivable without a significant financing component, including accounts receivable arising from corporate finance advisory services, placing and underwriting services and asset management services.

ECL for other financial assets at amortised cost, including cash and cash equivalents and account receivable arising from securities dealing and brokerage services and securities financing services, and loan commitment, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

Details of impairment assessment for the year ended 28 February 2019 are set out in note 36.

All loss allowances for accounts receivable and contract assets as at 28 February 2018 reconcile to the opening loss allowance as at 1 March 2018 is as follows:

	Accounts receivable HK$'000	**Contract assets** HK$'000	**Total** HK$'000
Closing balance at 28 February 2018 — HKAS 39	—	—	—
Amounts remeasured through opening retained profits	410	73	483
Opening balance at 1 March 2018	410	73	483

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 March 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 March 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Corporate finance advisory fees are recognised over time during the course of the work performed by the Group. The input method used to measure the progress towards complete satisfaction of these performance obligations.

- Placing and underwriting fees are recognised at a point in time upon completion of the placing and underwriting projects.

- Securities dealing and brokerage fees are recognised at a point in time upon completion of the transaction.

- Securities financing fees are recognised using the effective interest method, as disclosed further below.

- Asset management fees are recognised over time when related asset management services performed by the Group.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15

No material impacts of transition to HKFRS 15 on retained profits at 1 March 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 March 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 28 February 2018**	**Reclassification**	**Carrying Amounts under HKFRS 15 at 1 March 2018***
		HK$'000	HK$'000	HK$'000
Current assets				
Accrued income	*b*	3,428	(3,428)	—
Contract assets	*b*	—	3,428	3,428
Current liabilities				
Contract liabilities	*a*	—	2,890	2,890
Deferred revenue	*a*	2,890	(2,890)	—

* The amounts in this column are before the adjustments from the application of HKFRS 9.

(a) At the date of initial application, included in the deferred revenue, HK$2,890,000 related to the consideration received from customers for sponsor and advisory services. These balances were reclassified to contract liabilities upon application of HKFRS 15.

(b) At the date of initial application, unbilled revenue of HK$3,428,000 arising from sponsor and advisory contracts are conditional on the Group's achieving specified milestones as stipulated in the contracts, and hence such balance was reclassified from accrued income to contract assets.

Under HKAS 18, the Group recognises the fee income from sponsor or financial advisory services based on the stage of completion of the relevant services rendered. Upon application of HKFRS 15, the relevant services in a contract are considered as a single performance obligation. Since the terms of the relevant service contracts for sponsor or financial advisory services create an enforceable right to payment for the Group and the performance does not create an asset with an alternative use, revenue from sponsor or financial advisory services should be recognised over time. There were also no changes in revenue recognition policy for other revenue streams. This change in accounting policy does not result in any increment or reduction of revenue for the year ended 28 February 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact on the consolidated statement of financial position

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 28 February 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Current assets			
Accrued income	—	4,107	4,107
Contract assets	4,107	(4,107)	—
Current liabilities			
Contract liabilities	1,370	(1,370)	—
Deferred revenue	—	1,370	1,370

Impact on the consolidated statement of cash flows

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	HK$'000	HK$'000
OPERATING ACTIVITIES			
Increase in contract asset	(763)	763	—
Increase in accrued income	—	(763)	(763)
Decrease in contract liabilities	(1,520)	1,520	—
Decrease in deferred revenue	—	(1,520)	(1,520)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[5]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2021

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively, by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 28 February 2019, the Group has non-cancellable operating lease commitments of HK$2,934,000 as disclosed in note 32. These arrangements meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 March 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of assets less than residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 March 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, other receivables, cash held on behalf of customers and cash and cash equivalents), contract assets and loan commitment. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For accounts receivable and contract assets arising from corporate finance advisory services, placing and underwriting services and asset management services, the Group applies the simplified approach (as defined in HKFRS 9) in measuring ECL.

For other financial assets, the Group applies the general approach to measure ECL, that is to recognise a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on the lifetime ECL.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(iv) Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

ECL are probability-weighted estimate of credit losses. Credit losses are measured at the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancement that are integral to the contract terms.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk. The loss allowances are measured on either of the following bases: (1) 12-month ECL: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 March 2018)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, other receivables, cash and cash equivalents and cash held on behalf of customers are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets (before application of HKFRS 9 on 1 March 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it is probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 March 2018) (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including accounts payable, short term advances from a broker, amounts due to a director, other payables and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation ("percentage of completion"), that best depict the Group's performance in transferring control of goods or services.

Revenue recognition (prior to 1 March 2018)

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods or services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow into the Group and when it can be measured reliably, on the following bases:

Corporate finance advisory services

Sponsor fee income is recognised by reference to the stage of completion of the relevant services as at each reporting date, measured based on the proportion of the time cost incurred for work performed to date relative to the estimated total time cost and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

Advisory fee income is recognised as income when the relevant services have been rendered.

Placing and underwriting services

Underwriting fee income is recognised as income when the relevant services have been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 March 2018) (Continued)

Securities dealing and brokerage

Commission income is recognised as income on a trade date basis when the services are rendered.

Securities financing services

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Asset management

Management fee income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business; and performance fee income is recognised when the performance target of the investment funds and managed accounts is met and the recovery is considered probable.

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve/will be transferred to retained profits.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leases. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans, which is the Mandatory Provident Fund Scheme ("MPF Scheme"), are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

ECL for accounts receivable

The ECL for accounts receivable is 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. Term loans with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The estimates would include the amount and timing of future cash flows, guarantee and collateral values when determining impairment allowances. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of expected credit loss, the information about the ECL and the Group's accounts receivable are disclosed in note 36.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$7,412,000 (2018: HK$2,224,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

5. REVENUE

Performance obligations for contracts with customers

Securities dealing and brokerage services

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

Placing and underwriting services

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

Corporate finance advisory services

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

Asset management services

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account. Management fee is normally due on the anniversary date while performance fee is normally due at the end of the relevant performance period.

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

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

	2019 **HK$'000**	2018 HK$'000
Corporate finance advisory services		
Sponsor fee income	**53,564**	48,854
Advisory fee income — financial and independent financial advisory	**5,478**	1,580
Advisory fee income — compliance advisory	**7,712**	4,360
	66,754	54,794
Placing and underwriting services		
Underwriting fee income	**13,991**	24,951
Securities dealing and brokerage services		
Commission income — Hong Kong equities	**1,023**	460
Commission income — Subscription of initial public offering ("IPO") and placing	**2,464**	3,853
	3,487	4,313
Asset management services		
Management fee income	**658**	226
Performance fee income	**—**	21
	658	247
Interest income from securities financing services		
Interest income — Margin clients	**228**	52
Interest income — Cash clients	**71**	17
	299	69
Total	**85,189**	84,374

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	2019 HK$'000
Timing of revenue recognition	
At a point in time	**17,478**
Over time	**67,412**
	84,890
Interest revenue	**299**
Total	**85,189**

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

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

6. SEGMENT INFORMATION

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

For the years ended 28 February 2019 and 2018, the Group has also carried other businesses in addition to corporate financial advisory services, however no discrete financial information is available for identifying operating segments among different services, therefore no further analysis of segment information is presented.

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

Major customer

During the year ended 28 February 2019, the following external customer contributed more than 10% of total revenue of the Group.

	2019 **HK$'000**	2018 HK$'000
Customer A	**12,485**	N/A*

* Customer A did not contribute more than 10% of total revenue of the Group during the year ended 28 February 2018.

There were no customers contributing over 10% of the Group's total revenue for the year ended 28 February 2018.

7. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Interest income from bank deposits	**1,269**	15
Handling fee income	**162**	9
Others	**63**	20
	1,494	44

8. OTHER LOSSES

	2019 HK$'000	2018 HK$'000
Loss on disposal of a subsidiary	—	364
Loss on disposals of property and equipment	—	2
	—	366

9. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000
Reversal gain on accounts receivable	216	—
Impairment losses on contract assets	(411)	—
Impairment losses on other receivables	(19)	—
	(214)	—

Details of impairment assessment for the year ended 28 February 2019 are set out in note 36.

10. STAFF COSTS

	2019 HK$'000	2018 HK$'000
Directors' emoluments *(note 16)*	6,466	6,466
Other staffs		
Salaries and allowance	28,759	18,343
Bonuses	7,913	19,252
Contributions to MPF Scheme	765	544
	43,903	44,605

11. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest expenses — bank loans	**162**	57
Interest expenses — broker	**72**	24
	234	81

12. PROFIT BEFORE TAX

	2019 **HK$'000**	2018 HK$'000
Profit for the year has been arrived at after charging:		
Depreciation	**866**	562
Auditor's remuneration	**1,420**	520
Operating lease rentals in respect of rented premises		
— Minimum lease payments	**1,826**	1,740

13. INCOME TAX EXPENSE

	2019 **HK$'000**	2018 HK$'000
Hong Kong Profits Tax:		
— Current tax	**5,853**	5,333
Underprovision in respect of prior year	**32**	—
Deferred tax (credit)/charge *(note 31)*	**(119)**	31
	5,766	5,364

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

13. INCOME TAX EXPENSE (Continued)

Income tax expense for the year is reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**18,025**	30,795
Tax at Hong Kong Profit tax at 16.5%	**2,974**	5,081
Tax effect of expenses not deductible for tax purpose	**2,113**	154
Tax effect of income not taxable for tax purpose	**(209)**	(93)
Underprovision in respect of prior years	**32**	—
Tax effect of tax loss not recognised	**856**	224
Utilisation of tax losses previously not recognised	**—**	(2)
Income tax expense for the year	**5,766**	5,364

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$7,412,000 (2018: HK$2,224,000) due to unpredictable future profit streams. The unrecognised tax losses may be carried forward indefinitely.

14. DIVIDEND

On 17 May 2018, the Company declared dividends of HK$5,000,000 to its the then immediate holding company, BSI.

The directors of the Company do not recommend the payment of a dividend for the year ended 28 February 2019.

15. EARNINGS PER SHARE

	2019	2018
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company (HK$'000)	**12,259**	25,431
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**346,027,397**	300,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 28 February 2019 and 2018 have been adjusted retrospectively for the capitalisation issue on 14 September 2018 as disclosed in note 30.

The calculation of diluted earnings per share for the current year does not assume the exercise of the over-allotment option granted upon the listing on the Main Board of the Stock Exchange on 14 September 2018 since the exercise price of this option was higher than the average market price during the exercisable period of this option.

No diluted earnings per share is presented for the prior year as there were no potential dilutive shares during the prior year.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

For the year ended 28 February 2019

Name	**Directors' fee** HK$'000	**Salaries and allowances** HK$'000	**Employer's contribution to MPF** HK$'000	**Bonuses** HK$'000	**Total** HK$'000
Executive Directors					
Mr. Chung Chi Man	—	880	18	1,000	1,898
Mr. Poon Siu Kuen, Calvin	—	2,080	18	2,000	4,098
Independent Non-executive Directors					
Dr. Wu Kwan Hing[3]	55	7	—	—	62
Mr. Lo Wai Kwun[3]	55	7	—	—	62
Mr. Choi Wai Ping[3]	55	7	—	—	62
Ms. Chan Ka Lai, Vanessa[1]	55	—	—	—	55
Mr. Cheung Kwok Kwan *JP*[2]	229	—	—	—	229
	449	2,981	36	3,000	6,466

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 28 February 2018

Name	**Directors' fee** HK$'000	**Salaries and allowances** HK$'000	**Employer's contribution to MPF** HK$'000	**Bonuses** HK$'000	**Total** HK$'000
Directors					
Mr. Chung Chi Man	—	600	18	188	806
Mr. Poon Siu Kuen, Calvin	—	1,740	18	3,864	5,622
Dr. Wu Kwan Hing	—	12	1	—	13
Mr. Lo Wai Kwan	—	12	1	—	13
Mr. Choi Wai Ping	—	12	—	—	12
	—	2,376	38	4,052	6,466

1 Ms. Chan Ka Lai, Vanessa was appointed as an Independent Non-Executive Director of the Company on 24 August 2018.

2 Mr. Cheung Kwok Kwan *JP* was appointed as an Independent Non-Executive Director of the Company on 24 August 2018.

3 Dr. Wu Kwun Hing, Mr. Lo Wai Kwan and Mr. Choi Wai Ping were appointed as independent non-executive director of the Company on 24 August 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The discretionary bonus is determined by reference to the duties and responsibilities within the Group and the Group's performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

17. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2018: one director), details of whose remuneration are set out in note 16 above. Details of the remuneration for the year of the remaining three (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**4,585**	3,930
Performance related bonuses	**4,070**	9,355
Retirement benefits	**54**	72
	8,709	13,357

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2019 **No. of** **employees**	2018 No. of employees
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**2**	—
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**—**	1
HK$3,500,001 to HK$4,000,000	**—**	2
HK$4,000,001 to HK$4,500,000	**1**	—
	3	4

18. PROPERTY AND EQUIPMENT

	Computer and software HK$'000	Furniture and fixtures HK$'000	Leasehold improvement HK$'000	Office equipment HK$'000	Total HK$'000
Cost					
At 1 March 2017	165	259	395	—	819
Additions	482	226	866	77	1,651
Disposals/written-off	—	(2)	—	—	(2)
At 28 February 2018	647	483	1,261	77	2,468
Additions	82	4	126	5	217
At 28 February 2019	729	487	1,387	82	2,685
Depreciation					
At 1 March 2017	71	64	99	—	234
Charge for the year	122	96	326	18	562
At 28 February 2018	193	160	425	18	796
Charge for the year	160	121	565	20	866
At 28 February 2019	353	281	990	38	1,662
Carrying amounts					
At 28 February 2019	376	206	397	44	1,023
At 28 February 2018	454	323	836	59	1,672

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%

19. INTANGIBLE ASSET

	Stock Exchange trading rights HK$'000
COST	
At 1 March 2017, 28 February 2018 and 28 February 2019	500

Intangible asset is considered by the directors of the Company as having an indefinite useful life because the Stock Exchange trading rights are expected to contribute to net cash inflows indefinitely.

The intangible asset will not be amortised until their useful lives are determined to be finite. Instead, the intangible asset was tested for impairment annually.

20. ACCOUNTS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Accounts receivable arising from:		
— Corporate finance advisory services	**8,033**	7,869
— Securities dealing and brokerage services	**688**	2,009
— Securities financing services		
— Secured margin loan	**1,799**	3,875
— IPO	**—**	13,495
— Placing and underwriting services	**1,261**	6,969
— Asset management services	**104**	247
Less: allowance for credit loss	**(194)**	—
	11,691	34,464

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.

20. ACCOUNTS RECEIVABLE (Continued)

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

Accounts receivable arising from IPO financing services are generally secured by securities or monies in the securities account from time to time and other monies and securities of the client which are now or shall in the future come into the possession, custody or control of the Group or directly collect from the clearing house. Such amounts are repayable upon the allotment of IPO subscription.

The Group is not permitted to sell or repledge the securities or monies in the securities account in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the accounts receivable arising from margin financing services and IPO financing services. The Group has taken into consideration of these collaterals for loss allowance calculation for the accounts receivable arising from margin financing services and IPO financing services.

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

	2019 **HK$'000**	2018 HK$'000
0–30 days	**8,029**	14,476
31–60 days	**157**	1,597
61–90 days	**1,300**	31
91–181 days	**600**	990
Less : impairment allowance	**(188)**	—
	9,898	17,094

The following table sets forth an ageing analysis of the accounts receivable which were past due but not impaired as at 28 February 2018:

	As at **28 February 2018** **HK$'000**
0–30 days	**12,467**
31–60 days	**1,597**
61–90 days	**31**
91–181 days	**990**
	15,085

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

20. ACCOUNTS RECEIVABLE (Continued)

At 28 February 2018, no impairment loss had been provided for amounts that are past due as the management of the Group considered the clients for corporate financial advisory services and placing and underwriting are with good financial health as most of them are newly listed entities/prospective IPO candidates with sound financial background.

At 28 February 2018, all accounts receivable arising from securities dealing and brokerage services and securities financing services were past due but not impaired.

Included in accounts receivable from asset management services is amount due from Innovax Alpha SPC—Innovax Balanced Fund SP, being a related party as disclosed in note 33, of HK$102,000 (2018: HK$232,000).

21. CONTRACT ASSETS

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

	28 February 2019 HK$'000	1 March 2018 HK$'000
Contract assets	**4,591**	3,428
Less: impairment allowance	**(484)**	(73)
	4,107	3,355

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– sponsor mandates

The Group's sponsor mandates include payment schedules which require stage payments over the IPO listing application period once certain specified milestones are reached. The performance obligation is considered satisfied when all the relevant duties of a sponsor as stated in the mandate are completed.

The Group requires certain customers to provide upfront deposits range from 12% to 31% of total contract sum upon signing of the mandates as part of its credit risk management policies. Afterwards, the Group would require stage payments upon the submission of the listing application by customers to The Stock Exchange of Hong Kong ("Stock Exchange"), upon the hearing of the listing application and upon the listing of the applicant's shares on the Exchange.

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

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

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	HK$'000
Deposits with the Stock Exchange and a clearing house	**205**	205
Other receivables, deposits and prepayments	**4,009**	641
Less: impairment allowance	**(19)**	—
	4,195	846
Analysed as		
Non-current	**709**	205
Current	**3,486**	641
	4,195	846

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly represent demand deposits at banks which are interest bearing in the range of 0.01% to 0.125% per annum and fixed deposits of HK$45,000,000 (2018: Nil) with banks with an original maturity within 3 months.

24. CASH 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 held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 25) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. The Group is not allowed to use the client's monies to settle its own obligations.

25. ACCOUNTS PAYABLE AND SHORT TERM ADVANCES FROM A BROKER

	2019	2018
	HK$'000	HK$'000
Accounts payable arising from:		
— Securities dealing and brokerage services	**37,796**	37,791
— Placing and underwriting services	**1,479**	317
Short term advances from a broker	**—**	12,525
	39,275	50,633

The settlement terms of payable to brokers, clearing house and securities trading clients from the ordinary course of business of securities dealing and brokerage services range from one to three days after the trade date of those transactions. Accounts payable from placing and underwriting services are repayable on demand. Short term advances from a broker are repayable upon the allotment of IPO subscription. Included in accounts payable arising from securities dealing and brokerage services are amounts due to directors and key management personnel of the Company of HK$208,000 (2018: HK$441,000).

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

Short term advances from a broker are secured by monies or securities of the Group which are now or which shall at any time hereafter be deposited with, transferred or caused to be transferred to or held by the broker for the Group's obligations under the relevant agreement.

At 28 February 2019, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK$37,109,000 (2018: HK$33,697,000).

26. AMOUNTS DUE TO A DIRECTOR

	2019	2018
	HK$'000	HK$'000
Mr. Chung	**—**	1,673

The amounts due to a director are non-trade nature, unsecured, interest-free and repayable on demand, the amounts have been repaid during the year ended 28 February 2019.

27. OTHER PAYABLES AND ACCRUALS

	2019 **HK$'000**	2018 HK$'000
Accrued expenses	**1,061**	533
Accrued bonus	**—**	17,210
Other payables	**378**	1,022
	1,439	18,765

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

28. BANK LOANS

	2019 **HK$'000**	2018 HK$'000
Unsecured and guaranteed	**—**	8,130

29. CONTRACT LIABILITIES

	28 February **2019** **HK$'000**	1 March 2018 HK$'000
Sponsor fee	**675**	2,378
Advisory fee	**695**	512
	1,370	2,890

Sponsor 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 but not yet earned 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 reporting date.

During the year ended 28 February 2019, sponsor fee and advisory fee of HK$2,890,000 that was included in the contract liabilities balance at the beginning of the year was recognised as revenue.

30. SHARE CAPITAL

	Par value	Number of shares	Nominal amount	
			US$'000	HK$'000
Ordinary shares				
Authorised:				
At 1 March 2017	US$1	50,000	50	—
— Cancellation on 30 June 2017 *(note i)*	US$1	(50,000)	(50)	—
— Increase on 30 June 2017 *(note i)*	HK$0.01	38,000,000	—	380
At 28 February 2018	HK$0.01	38,000,000	—	380
— Increase on 24 August 2018 *(note iii)*	HK$0.01	962,000,000	—	9,620
At 28 February 2019	HK$0.01	1,000,000,000	—	10,000
Issued and fully paid:				
At 1 March 2017	US$1	1	—*	—
— Share repurchased and cancelled on 30 June 2017 *(note i)*	US$1	(1)	—*	—
— Issuance of ordinary share on 30 June 2017 *(note i)*	HK$0.01	1	—*	—*
— Issuance of ordinary shares on 11 January 2018 *(note ii)*	HK$0.01	79,999	—	1
At 28 February 2018	HK$0.01	80,000	—	1
— Issuance of ordinary shares on 14 September 2018 *(note iv)*	HK$0.01	100,000,000	—	1,000
— Capitalisation issue on 14 September 2018 *(note v)*	HK$0.01	299,920,000	—	2,999
At 28 February 2019	HK$0.01	400,000,000	—	4,000

Notes:

(i) On 30 June 2017, the Company repurchased and cancelled 1 share of nominal value of US$1 registered in the name of Mr. Chung. Following the repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US$1 each in the capital of the Company. On the same day, the authorised share capital of the Company was changed to HK$380,000 divided into 38,000,000 ordinary shares of a nominal value of HK$0.01 each, following which the Company issued fully paid 1 share of nominal value of HK$0.01 to Mr. Chung.

(ii) On 11 January 2018, Mr. Chung transferred the entirety of his shares in Crystal Prospect Limited at par value to the Company in consideration of additional 79,999 shares in the Company being allotted and issued at par to BSI on the same day. The new shares rank pari passu with the existing shares in all respects.

30. SHARE CAPITAL (Continued)

Notes: (Continued)

(iii) On 24 August 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of 962,000,000 new shares of the Company.

(iv) On 14 September 2018, 100,000,000 shares of HK$0.01 each were issued at a price of HK$1.8 per share in connection with the Company's initial public offering. The proceeds of HK$1,000,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$179,000,000 (before share issue expense) were credited to the share premium account. Dealings in the shares on the Stock Exchange commenced on 14 September 2018. The respective shares allotted and issued shall rank pari passu in all respects with the existing issued shares.

(v) A total of 299,920,000 shares of HK$0.01 each were allotted and issued at par value to BSI by way of capitalisation of HK$2,999,200 from the Company's share premium account on 14 September 2018. The respective shares allotted and issued shall rank pari passu in all respects with the existing issued shares.

*: Less than US$1,000 or HK$1,000

31. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax assets/liabilities recognised by the Group and movement therein during the year.

	Temporary difference on accelerated tax depreciation HK$'000
At 1 March 2017	23
Charged to profit or loss for the year	31
At 28 February 2018	54
Credit to profit or loss for the year	(119)
At 28 February 2019	(65)

32. COMMITMENTS

(a) Operating lease commitment

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-controlling operating leases as lessee which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**1,920**	1,427
In the second to fifth year inclusive	**1,014**	—
	2,934	1,427

Operating leases payments represent rentals payable by the Group for certain of its office properties. The lease terms and rentals of properties are fixed at two to three years.

(b) Underwriting commitment

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

	2019 **HK$'000**	2018 HK$'000
Underwriting commitment for IPO	**—**	355

(c) Loan commitment

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

	2019 **HK$'000**	2018 HK$'000
Loan commitment	**8,802**	2,524

33. RELATED PARTY TRANSACTIONS

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

	2019 **HK$'000**	2018 HK$'000
Commission income		
— Mr. Chung Chi Man	**4**	3
— Mr. So Hin Pong	**—**	1
— Ms. Chau Lok Yi	**—**	3
— Mr. Lam King Fung	**—**	—
Loan interest income		
— Mr. Poon Siu Kuen, Calvin	**—**	3
Management fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP *(note 1)*	**631**	211
Performance fee income		
Innovax Alpha SPC — Innovax Balanced Fund SP *(note 1)*	**—**	21

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

34. DISPOSAL OF A SUBSIDIARY

On 15 March 2017, Crystal Prospect Limited, a subsidiary of the Group, disposed of the entire equity interests in China Capital Finance International Holdings Limited "CCFI", which is principally engaged in money lending business in Hong Kong, to Mr. Chung at nominal consideration of HK$100.

The net assets of CCFI at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Loans and other receivables	3,300
Tax recoverable	16
Bank balances	576
Accruals	(18)
Amount due to Mr. Chung	(1,510)
Amount due to Crystal Prospect Limited	(2,000)
Net assets disposed of	364
Loss on disposal of a subsidiary:	
Consideration received	—
Net assets disposed of	(364)
Loss on disposal	(364)
Net cash outflow arising on disposal:	
Cash consideration	—
Less: bank balances and cash disposed of	(576)
	(576)

35. CAPITAL RISK MANAGEMENT

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

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

The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of short-term bank loans, payment of dividends and issuance of new shares.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with the Hong Kong Securities and Futures Commission (the "SFC") for the businesses they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by the SF(FR)R) in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Accounts receivable	**11,691**	34,464
Other receivables	**1,827**	564
Cash and cash equivalents	**216,999**	56,105
Cash held on behalf of customers	**37,109**	33,697
	267,626	124,830
Financial liabilities		
Accounts payable and short term advances from a broker	**39,275**	50,633
Amounts due to a director	**—**	1,673
Other payables	**378**	1,022
Bank loans	**—**	8,130
	39,653	61,458

36. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Financial risk management

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's risk management strategy is to identify and analyse the various risks the Group's exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level. The principal financial risks inherent in the Group's business are market risk (includes interest rate risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate cash and cash equivalents, accounts receivable and accounts payable arising from securities dealing and brokerage services, short term advances from a broker and cash flow interest rate risk in relation to variable-rate short-term bank loans.

As at 28 February 2019 and 28 February 2018, the interest rate risk is considered to be limited because the Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Accordingly, no sensitivity analysis on interest rate risk was presented.

Credit risk and impairment assessment

Credit risk arises when a counterparty is unable or unwilling to meet a commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its accounts receivable from customers and cash and cash equivalents. As at 28 February 2019, the carrying amounts of financial assets at amortised cost, as disclosed in note 36 represent the maximum credit exposure without taking account of collaterals held. In addition, the Group is also exposed to credit risk arising from loan commitments. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and loan commitments, except that the credit risks associated with accounts receivable arising from securities financing services, is mitigated because they are secured over listed securities.

The Group recognised a loss allowance of HK$6,000 on the amounts receivable arising from securities financing services which are secured by collaterals as at 28 February 2019.

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

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

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

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

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

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

As at 28 February 2019 and 28 February 2018, the Group has concentration of credit risk on accounts receivable as 42% and 55% of the total accounts receivable was due from three customers.

For accounts receivable and contract assets arising from corporate finance advisory services and placing and underwriting services, the Group applied expected loss rate based on that of counterparties with similar credit ratings, with adjustment to reflect current conditions and forecasts of future economic conditions through the use of financial market analysis and individual stock analysis, as appropriate. Except for accounts receivable and contract assets arising from corporate finance advisory services and placing and underwriting services, the impairment allowance determined for other financial assets carried at amortised cost is insignificant.

The Group takes into consideration forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not changed in the estimation techniques or significant assumptions during the reporting period.

The tables below detail the credit risk exposures of the Group's financial assets (including accounts receivable, other receivables, cash and cash equivalents and cash held on behalf of customers), contract assets and loan commitments, which are subject to ECL assessment:

2019	*Note*	**12-month or lifetime ECL**	**Gross carrying amount** HK$'000
Financial assets at amortised costs			
Accounts receivable arising from:	*20*		
— Corporate finance advisory services		Lifetime ECL (not credit-impaired-simplified approach)	8,033
— Securities dealing and brokerage services		12-month ECL	688
— Securities financing services		12-month ECL	1,799
— Placing and underwriting services		Lifetime ECL (not credit-impaired-simplified approach)	1,261
— Asset management services		Lifetime ECL (not credit-impaired-simplified approach)	104
Other receivables		12-month ECL	1,846
Cash and cash equivalents *(Note 2)*		12-month ECL	216,999
Cash held on behalf of customer *(Note 2)*		12-month ECL	37,109
Other items			
Contract assets		Lifetime ECL (not credit-impaired-simplified approach)	4,191
		Lifetime ECL (credit-impaired)	400
Loan commitments *(Note 1)*		12-month ECL	8,802

Note 1: Loan commitments represent undrawn loan commitments to margin clients granted by the Group under revolving loan facility arrangement. They are subject to 12-month ECL and the amount of ECL is insignificant.

Note 2: The credit risk on cash and cash equivalents and cash held on behalf of customers is limited because the counterparties are major institutional banks sound credit ratings assigned by international credit-rating agencies. These institutional banks have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL and the amount of ECL is insignificant.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for non credit-impaired accounts receivable other than securities financing and IPO loan clients based on expected loss rate as at 28 February 2019.

	Expected loss rate	Gross carrying amount HK$'000	Lifetime ECL HK$'000
Corporate finance advisory services	2%	8,033	162
Placing and underwriting services	2%	1,261	25
Asset management services	0.4%	104	1
Contract assets (relating to corporate finance advisory services)	2%	4,191	84
			272

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable other than securities financing and IPO loan clients under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
At 28 February 2018 under HKAS 39	—
Adjustment upon application of HKFRS 9	323
At 1 March 2018	323
Changes due to financial instruments recognised as at 1 March 2018:	
— Impairment losses reversed	(322)
New financial assets originated or purchased	187
At 28 February 2019	188

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Impairment allowances on contract assets

The movements in the allowance of impairment for the contract assets during the year are as follows:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
At 28 February 2018	—	—	—
Adjustment upon adoption of HKFRS 9	73	—	73
At 1 March 2018	73	—	73
Changes due to contract assets recognised as at 1 March 2018:			
— Impairment loss recognised	—	400	400
— Impairment loss reversed	(73)	—	(73)
New financial assets originated or purchased	84	—	84
At 28 February 2019	84	400	484

Impairment allowances on securities financing services

The movements in the impairment allowance of accounts receivable from securities financing and IPO loan clients were as follows:

	12-months ECL HK$'000
At 28 February 2018	—
Adjustment upon application of HKFRS 9	87
At 1 March 2018	87
Changes due to financial instruments recognised as at 1 March 2018:	
— Impairment losses reversed	(81)
At 28 February 2019	6

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of each reporting period.

	On demand or less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 28 February 2019			
Non-derivative financial liabilities			
Accounts payable	39,275	39,275	39,275
Other payables	378	378	378
	39,653	39,653	39,653

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management (Continued)

Liquidity risk (Continued)

	On demand or less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 28 February 2018			
Non-derivative financial liabilities			
Accounts payable and short term advances from a broker	50,633	50,633	50,633
Amounts due to a director	1,673	1,673	1,673
Other payables	1,022	1,022	1,022
Bank loans at weighted average interest rate of 1.9%	8,130	8,130	8,130
	61,458	61,458	61,458

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and HKSCC and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to set off on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

36. FINANCIAL INSTRUMENTS (Continued)

Offsetting financial assets and financial liabilities (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

Type of financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial assets offset in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 28 February 2019						
Accounts receivable arising from the business of dealing in securities	7,033	(4,552)	2,481	(688)	(1,793)	—
At 28 February 2018						
Accounts receivable arising from the business of dealing in securities	21,705	(2,326)	19,379	(2,009)	(9,830)	7,540

Type of financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial liabilities offset in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 28 February 2019						
Accounts payable arising from the business of dealing in securities	42,347	(4,551)	37,796	(688)	—	37,108
At 28 February 2018						
Accounts payable arising from the business of dealing in securities	52,642	(2,326)	50,316	(2,009)	—	48,307

37. SHARE OPTION SCHEME

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

i. The purpose of the 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 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 directors and independent non-executive directors) of the Company or any of its subsidiaries; any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

iii. The maximum number of shares in respect of which options may be granted under the 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 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 Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the 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 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 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.

37. SHARE OPTION SCHEME (Continued)

There was no share option granted to eligible participants during the year ended 28 February 2019. There was no outstanding share options at 28 February 2019.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Payables and accruals related to share issue expenses HK$'000	**Dividend payable** HK$'000	**Bank loans** HK$'000	**Amount due to a director** HK$'000	**Total** HK$'000
At 1 March 2017	—	—	—	14,633	14,633
Financing cash flows:					
Bank loans raised	—	—	9,956	—	9,956
Repayment of bank loans	—	—	(1,826)	—	(1,826)
Repayment of a director	—	—	—	(11,450)	(11,450)
Disposal of subsidiary	—	—	—	(1,510)	(1,510)
At 28 February 2018	—	—	8,130	1,673	9,803
Payables and accruals related to share issue expenses	6,338	—	—	—	6,338
Dividend declared	—	5,000	—	—	5,000
Financing cash flows:					
Dividend paid	—	(5,000)	—	—	(5,000)
Repayment of bank loans	—	—	(8,130)	—	(8,130)
Repayment to a director	—	—	—	(1,673)	(1,673)
Share issue expenses paid	(6,338)	—	—	—	(6,338)
At 28 February 2019	—	—	—	—	—

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Principal activities and place of operation	Class of shares held/paid up issued share capital	Effective interest held as at 28 February 2019	Effective interest held as at 28 February 2018
Directly held by the Company					
Crystal Prospect Limited	BVI	Investment holding in Hong Kong	Ordinary shares/ US$100	100%	100%
Indirectly held by the Company					
Innovax Securities Limited ("ISL")	Hong Kong	Provision of brokerage and securities margin financing services in Hong Kong	Ordinary shares/ HK$20,000,000	100%	100%
Innovax Capital Limited ("ICL")	Hong Kong	Provision of corporate finance and advisory services in Hong Kong	Ordinary shares/ HK$10,000,000	100%	100%
Innovax Asset Management Limited ("IAML")	Hong Kong	Provision of asset management services to clients in Hong Kong	Ordinary shares/ HK$2,800,000	100%	100%
Innovax Management Limited	BVI	Provision of management services in Hong Kong	Ordinary shares/ US$100	100%	—
Innovax Futures Limited	Hong Kong	Inactive	Ordinary shares/ HK$5,000,000	100%	—
Innovax Consultancy Limited	Hong Kong	Inactive	Ordinary shares/HK$1	100%	—

None of the subsidiaries had issued any debt securities at the end of the year.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 **HK$'000**	2018 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**1**	1
Total non-current asset	**1**	1
Current assets		
Amounts due from subsidiaries	**37,027**	—
Other receivables and prepayments	**375**	41
Cash and cash equivalents	**119,274**	—
Total current assets	**156,676**	41
Total assets	**156,677**	42
Current liabilities		
Amounts due to subsidiaries	**—**	194
Accruals	**326**	—
Total current liabilities	**326**	194
Net current assets (liabilities)	**156,350**	(153)
Total assets less current liabilities	**156,351**	(152)
Equity		
Share capital *(see note 30)*	**4,000**	1
Reserves	**152,351**	(153)
Total equity	**156,351**	(152)

40 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 March 2017	—	—	—
Loss and total comprehensive expense for the year	—	(153)	(153)
At 28 February 2018	—	(153)	(153)
Loss and total comprehensive expense for the year	—	(12,159)	(12,159)
Issue of shares pursuant to global offering	179,000	—	179,000
Share issue expenses	(6,338)	—	(6,338)
Capitalisation issue on 14 September 2018	(2,999)	—	(2,999)
Dividend	—	(5,000)	(5,000)
At 28 February 2019	169,663	(17,312)	152,351

41. EVENT AFTER THE REPORTING PERIOD

On 28 March 2019, the Group had utilized USD1 million (equivalent to approximately HK$7.8 million) of the net proceeds from IPO to invest in the fund managed by the subsidiary of the Group, Innovax Alpha SPC — Innovax Balanced Fund SP for return in accordance to the intended use of proceeds as disclosed in the Prospectus. The investment will be treated as financial assets at fair value through profit or loss.

Financial Summary

	For the year ended			
	29 February 2016 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	**28 February 2019 HK$'000** *(Note)*
Revenue				
Corporate finance advisory services	21,271	32,684	54,794	**66,754**
Placing and underwriting services	8,497	3,326	24,951	**13,991**
Securities dealing and brokerage services	—	—	4,313	**3,487**
Asset management services	—	—	247	**658**
Interest income from securities financing services	—	—	69	**299**
Total revenue	29,768	36,010	84,374	**85,189**
Other income	413	399	44	**1,494**
Other losses	(35)	(1)	(366)	**—**
	30,146	36,408	84,052	**86,683**
Administrative and operating expenses	(1,786)	(2,937)	(8,448)	**(14,667)**
Net impairment allowance on financial instruments, net of reversal	—	—	—	**(214)**
Staff costs	(9,504)	(13,200)	(44,605)	**(43,903)**
Finance costs	(31)	—	(81)	**(234)**
Listing expenses	—	—	(123)	**(9,640)**
Total expenses	(11,321)	(16,137)	(53,257)	**(68,658)**
Profit before tax	18,825	20,271	30,795	**18,025**
Income tax expense	(3,098)	(3,424)	(5,364)	**(5,766)**
Profit and total comprehensive income for the year	15,727	16,847	25,431	**12,259**
Earnings per share				
Basic (HK cents)	5.24	5.62	8.48	**3.54**
Diluted (HK cents)	N/A	N/A	N/A	**3.54**

Asset and liabilities

	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000** *(Note)*
Total assets	22,949	45,669	131,847	**275,689**
Total liabilities	(6,915)	(24,404)	(85,151)	**(48,555)**
Net assets	16,034	21,265	46,696	**227,134**

Note: The amounts for the year ended 28 February 2019 were presented upon the application of HKFRS 9 and HKFRS 15, which the comparative financial information was not restated.