



INNOVAX HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2680

Global Offering

Joint Sponsors



**Innovax
Capital**



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



**Innovax
Securities**



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



INNOVAX HOLDINGS LIMITED

創陞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.8 for per Offer Share and expected to be not less than HK\$1.3 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	2680

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified under the section headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Wednesday, 5 September 2018 or such later date as may be agreed between the parties, but in any event no later than Tuesday, 11 September 2018. The Offer Price will not be more than HK\$1.8 per Offer Share and is expected to be not less than HK\$1.3 per Offer Share. If, for whatever reason, the Joint Global Coordinators and us are unable to agree on the Offer Price by Tuesday, 11 September 2018, the Global Offering will not proceed and will lapse. Investors applying for our Hong Kong Offer Shares must pay the maximum Offer Price of HK\$1.8 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price shall be lower than HK\$1.3 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reduce the number of Offer Shares and/or the indicative range of the Offer Price stated above in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction of the number of Offer Shares and/or the indicative range of the Offer Price will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.innovax.hk as soon as practicable following the decision to make such a reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for our Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative range of the Offer Price is so reduced. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for our Hong Kong Offer Shares" of this prospectus.

Prospective investors of our Hong Kong Offer Shares should note that the Hong Kong Underwriters are entitled to terminate its obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), upon occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day dealings in our Shares commence on the Stock Exchange.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulations S of the U.S. Securities Act.

31 August 2018

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.innovax.hk.

- Hong Kong Public Offering commences
and **WHITE** and **YELLOW** Application
Forms available from..... 9:00 a.m. on Friday, 31 August 2018
- Latest time to complete electronic applications
under **HK eIPO White Form** service through
the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Wednesday, 5 September 2018
- Application Lists open⁽³⁾ 11:45 a.m. on Wednesday, 5 September 2018
- Latest time to lodge **WHITE** and **YELLOW** Application Forms
and to give **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on Wednesday,
5 September 2018
- Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s)..... 12:00 noon on Wednesday, 5 September 2018
- Application Lists close⁽³⁾ 12:00 noon on Wednesday, 5 September 2018
- Expected Price Determination Date⁽⁵⁾ on or about Wednesday, 5 September 2018
- Announcement of the final Offer Price, the results of
the applications in the Hong Kong Public Offering,
the indication of level of interest in the International
Offering and the basis of allotment of
the Hong Kong Offer Shares on or before..... Thursday, 13 September 2018
- Results of allocations (with successful applicants' Identification
document numbers or passport numbers or Hong Kong business
registration numbers) of the Hong Kong Public Offering will be
available through a variety of channels as set forth in the section
headed "How to apply for our Hong Kong Offer Shares"
in this prospectus Thursday, 13 September 2018
- A full announcement of the Hong Kong Public Offering
containing (1) and (2) above to be published on the website
of the Stock Exchange at www.hkexnews.hk and
our website at www.innovax.hk⁽⁶⁾ from..... Thursday, 13 September 2018

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a “search by ID function”..... Thursday, 13 September 2018

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly and partially unsuccessful applications under the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Thursday, 13 September 2018

Despatch of Share certificates of our Offer Shares or deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offer on or before⁽⁷⁾⁽⁹⁾ Thursday, 13 September 2018

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on..... Friday, 14 September 2018

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designed website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the Application Lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 September 2018, the Application Lists will not open or close on that day. Further information is set forth in the section headed “How to apply for our Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the Application Lists” in this prospectus. If the Application Lists do not open and close on Wednesday, 5 September 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for our Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Wednesday, 5 September 2018 and, in any event, not later than Tuesday, 11 September 2018. If for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Tuesday, 11 September 2018, the Global Offering will not proceed and will lapse.
- (6) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) Share certificates for our Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 14 September 2018 provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheques.
- (9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund cheques and Share certificates in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 13 September 2018. Applicants being individuals who are eligible for collection in person may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for collection in person must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect their refund cheques, if any, in person but may not collect their Share certificate as such Share certificate will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their Share certificate (if any) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 13 September 2018. For applicants who apply through the **HK eIPO White Form** service and paid the application monies from a single bank account, e-Auto Refund payment instructions (if any) will be despatched to their application payment bank account on or before Thursday, 13 September 2018. For applicants who apply through the **HK eIPO White Form** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in their electronic application instruction to the **HK eIPO White Form** Service Provider on or before Thursday, 13 September 2018.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for our Hong Kong Offer Shares" in this prospectus. Uncollected Share certificate and/or refund cheque will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set forth in the section headed "How to apply for our Hong Kong Offer Shares — 5. Applying through HK eIPO White Form Service" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

The above expected timetable is a summary only. Further details and information on the structure of the Global Offering, including the conditions thereto and the procedures for application for the Hong Kong Offer Shares, is set forth in the sections headed “Structure and conditions of the Global Offering” and “How to apply for our Hong Kong Offer Shares” in this prospectus.

Prospective investors of our Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to us given by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Stock Exchange.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any securities other than our Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any securities in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of our Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of our Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

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SUMMARY

This section aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in our Hong Kong Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Hong Kong Offer Shares are set forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in our Hong Kong Offer Shares. Various expressions used in this section are defined or explained in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.

OVERVIEW

We are a financial and securities service provider in Hong Kong which provides: (i) corporate finance advisory services; (ii) placing and underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services. During the Track Record Period, majority of our revenue was generated from our corporate financial advisory business, which accounted for approximately 71.5%, 90.7% and 64.9% of our total revenue for the three years ended 28 February 2018, respectively, supplemented by our placing and underwriting business, which accounted for approximately 28.5%, 9.3% and 29.6% of our total revenue for the three years ended 28 February 2018, respectively. Details of the financial and securities services provided by us are set out as follows:

- **Corporate finance advisory services**

Our corporate finance advisory services mainly comprise the following services:

IPO sponsorship services: We act as sponsors to companies pursuing listing on the Main Board and GEM in return for a sponsor's fee.

Financial and independent financial advisory services: We act 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 Takeovers Code; or (ii) independent financial advisers giving opinions or recommendations to the independent board committee and independent shareholders of listed companies, in return for advisory fee.

Compliance advisory services: We 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.

- **Placing and underwriting services**

We provide 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.

- **Securities dealing and brokerage services**

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

SUMMARY

- **Securities financing services**

We provide securities financing services to our 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, in return for interest income.

- **Asset management services**

We provide fund management and discretionary account management services to our clients in return for management and/or performance fee. As at 28 February 2018, the AUM of Innovax Balanced Fund SP was approximately US\$2.7 million (equivalent to approximately HK\$21.0 million). As at 28 February 2018, Innovax Balanced Fund SP had four investors, including Mr. Li Lap Sun, our senior management member. The other three investors were professional investors, who are Independent Third Parties. As at the Latest Practicable Date, Innovax Asset Management was subject to the licensing conditions that (i) the licensee shall not hold client assets; and (ii) shall only provide services to professional investors (as defined under the SFO).

The following table sets out the revenue generated from each of our principal businesses during the Track Record Period:

	For the year ended					
	29 February 2016		28 February 2017		28 February 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Corporate finance advisory business	21,271	71.5	32,684	90.7	54,794	64.9
Placing and underwriting business	8,497	28.5	3,326	9.3	24,951	29.6
Securities dealing and brokerage business	—	—	—	—	4,313	5.1
Securities financing business	—	—	—	—	69	0.1
Asset management business	—	—	—	—	247	0.3
	<u>29,768</u>	<u>100</u>	<u>36,010</u>	<u>100</u>	<u>84,374</u>	<u>100</u>

Founded in 2014, we have a business objective to establish an integrated platform for providing financial and securities services to our clients. With the commencement of business of Innovax Capital, which is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015, we started to provide (i) corporate finance advisory services, including IPO sponsorship services, financial and independent financial advisory services and compliance advisory services, and (ii) placing and underwriting services to our clients. For the three years ended 28 February 2018, we had been engaged in 20, 36 and 59 corporate finance advisory projects, respectively and eight, ten and 15 placing and underwriting projects, respectively, which in aggregate generated a revenue of approximately HK\$29.8 million, HK\$36.0 million and HK\$79.7 million, respectively.

The following table sets out the number of engagements of, and revenue generated from, our corporate finance advisory business and placing and underwriting business during the Track Record Period:

	For the year ended								
	29 February 2016		28 February 2017		28 February 2018				
	Number of engagement (active) <i>Notes 1&2</i>	% to our total revenue	Number of engagement (active) <i>Notes 1&3</i>	% to our total revenue	Number of engagement (active) <i>Notes 1&4</i>	% to our total revenue			
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%			
Corporate finance advisory business:									
— IPO sponsorship services	8(8)	18,430	61.9	18(18)	27,841	77.3	29(26)	48,854	57.9
— Financial and independent financial advisory services	5(4)	1,780	6.0	8(8)	1,910	5.3	9(8) ^{Note 5}	1,580	1.9
— Compliance advisory services	7(7)	1,061	3.6	10(10)	2,933	8.1	21(21)	4,360	5.1
Sub-total	20(19)	21,271	71.5	36(36)	32,684	90.7	59(55)	54,794	64.9
Placing and underwriting business	8(8)	8,497	28.5	10(10)	3,326	9.3	15(15)	24,951	29.6
Total	<u>28(27)</u>	<u>29,768</u>	<u>100</u>	<u>46(46)</u>	<u>36,010</u>	<u>100</u>	<u>74(70)</u>	<u>79,745</u>	<u>94.5</u>

SUMMARY

Notes:

- (1) The number represents the number of active engagements among the total number of engagements. Active engagement refers to the engagement under which our Group had recognised revenue and provided services to the relevant client during the relevant financial year.
- (2) During the year ended 29 February 2016, no active engagements were carried forward from the year ended 28 February 2015 as our Group only commenced its corporate finance advisory business and placing and underwriting business after Innovax Capital was granted the SFC licences to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015.
- (3) During the year ended 28 February 2017, numbers of new engagements on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; (iii) compliance advisory services; and (iv) placing and underwriting business were 15, eight, three and ten, respectively.

During the year ended 28 February 2017, numbers of active engagements carried forward from the year ended 29 February 2016 on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; (iii) compliance advisory services; and (iv) placing and underwriting business were three, nil, seven and nil, respectively.

- (4) During the year ended 28 February 2018, numbers of new engagements on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; (iii) compliance advisory services; and (iv) placing and underwriting business were 15, eight, 12 and 15, respectively.

During the year ended 28 February 2018, numbers of active engagements carried forward from the year ended 28 February 2017 (excluding the active engagements carried forward from the year ended 29 February 2016) on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; (iii) compliance advisory services; and (iv) placing and underwriting business were ten, one, three and nil, respectively.

During the year ended 28 February 2018, numbers of active engagements carried forward from the year ended 29 February 2016 and subsequently to the year ended 28 February 2017 on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; (iii) compliance advisory services; and (iv) placing and underwriting services were one, nil, six and nil, respectively.

- (5) During the year ended 28 February 2018, one new engagement on financial and independent financial advisory services was terminated as mutually agreed between the client and us.

Our corporate finance advisory fees are determined on a case-by-case basis after arm's length negotiations with each client. During the Track Record Period, the average advisory fee we charged for acting as (i) sponsors was approximately HK\$4.3 million; (ii) financial advisers and independent financial advisers was approximately HK\$299,000; and (iii) compliance advisers was approximately HK\$39,000 per month. The placing and underwriting commission rates charged by us are determined on a case-by-case basis after arm's length negotiations with each client.

During the Track Record Period, we acted as global coordinator, bookrunner lead manager or underwriter for 15 IPOs of Main Board listing applicants (“**MB IPOs**”) and 14 IPOs of GEM listing applicants (“**GEM IPOs**”). The commission rate for us acting as (i) placing or sub-placing agent for issue of new shares by listed companies ranged from 0.3% to 5.0%; (ii) global coordinator, bookrunner, lead manager or underwriter for MB IPOs ranged from 2.5% to 5.0%; and (iii) global coordinator, bookrunner, lead manager or underwriter for GEM IPOs ranged from 2.0% to 10.0%, which was in line with the market rates and market practice. For MB IPOs and GEM IPOs with commission rates of 2.5% or higher, the commission rate was agreed between the listing applicants and us after arm's length negotiations based on various factors such as the proposed fund raising size and the prevailing market conditions and sentiments. For the breakdown of the number of IPO projects underwritten by our Group during the Track Record period by range of underwriting commission, please refer to the section headed “Business — Our business activities and services — Placing and underwriting business — Our pricing policy” in this prospectus.

SUMMARY

As part of the implementation of our business strategies to establish an integrated platform for providing financial and securities services to our clients, we commenced our securities dealing and brokerage business and securities financing business through Innovax Securities in June 2017 and asset management business through Innovax Asset Management in April 2017. Innovax Securities was granted the licences by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in April 2017 and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC in June 2017. Innovax Asset Management was granted the licence by the SFC to carry out Type 9 (asset management) regulated activity in April 2017. During the period from the commencement of our securities dealing and brokerage business, securities financing business and asset management business and up to 28 February 2018, the revenue generated from these businesses amounted to approximately HK\$4.3 million, HK\$69,000 and HK\$247,000, respectively.

We charge our clients brokerage commission for executing trades in securities on the secondary market on behalf of them based on the transaction value of each completed trading order. Subject to a minimum charge ranging from HK\$50 to HK\$100 (which may be waived by us after taking into account of the transaction history, trading volume and frequency and financial position of our clients), we generally charge our clients brokerage commission at a rate from 0.02% to 0.25%. In respect of the brokerage commission for subscribing for securities on behalf of them under IPO offering and secondary placing transaction, we generally charge our clients at a commission rate of 1%. The commission rates charged to our clients vary and are determined on a case-by-case basis after taking into account factors including the transaction history, trading volume and frequency and financial position of our clients and the then market commission rates.

During the period from the commencement of our securities financing business in June 2017 to 28 February 2018, the interest rates charged by our Group on the outstanding principal amount of loans to our clients for purchasing securities on the secondary market ranged from 8.0% to 10.0% per annum with reference to the Hong Kong Dollar Best Lending Rate quoted by the Hongkong and Shanghai Banking Corporation and the loans to our clients for subscribing shares offered under public tranche of IPOs ranged from 1.8% to 2.8% per annum. These interest rates are determined with reference to the credit standing of the relevant clients and the quality of the securities pledged and/or other collaterals given.

As at 28 February 2018, the outstanding balance of our margin loans amounted to approximately HK\$3.9 million and the market value and marginable value of securities pledged by our clients as collaterals amounted to approximately HK\$20.8 million and HK\$2.5 million, respectively, representing a loan-to-value ratio and a loan-to-margin ratio of approximately 18.7% and 156.3%, respectively. The outstanding balance was reduced to approximately HK\$1.7 million on 2 March 2018, as compared to the marginable amount of approximately HK\$2.1 million as at 2 March 2018. As at the Latest Practicable Date, the outstanding balance of our margin loans amounted to approximately HK\$1.5 million and the market value and marginable value of securities pledged by our clients as collaterals amounted to approximately HK\$6.1 million and HK\$1.4 million, respectively, representing a loan-to-value ratio and a loan-to-margin ratio of approximately 24.6% and 107.6%, respectively.

In respect of our fund management, Innovax Asset Management entered into an investment management agreement with Innovax Alpha SPC, for the account and on behalf of Innovax Balanced Fund SP on 21 June 2017, pursuant to which Innovax Asset Management was appointed as the investment manager of Innovax Balanced Fund SP and Innovax Alpha SPC shall pay Innovax Asset Management (a) the management fee of 1.75% per annum, calculated on the basis of the net asset value of Innovax Balanced Fund SP as at the last valuation day of each calendar month and payable monthly in arrears; and (b) the performance fee of 20% of the positive increment in the net asset value of each share of Innovax Alpha SPC over the High Water Mark as at the last valuation day in each period of 12 months ending on 31 December and payable in arrears within 30 days of the end of such period. Our

SUMMARY

discretionary account management is provided to clients which appoint us as the manager for managing their portfolios on their behalves at our discretion. During the Track Record Period, we charged annual management fee of 1.0% of the sum of the market value of the securities and the outstanding balance of the client's account at the end of each fiscal year. As at 28 February 2018, the AUM of our fund management and discretionary account management amounted to approximately US\$2.7 million (equivalent to approximately HK\$21.0 million) and HK\$3.5 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- we have a fast growing and strongly sustainable corporate finance advisory business;
- we have an integrated platform to provide a range of financial and securities services to our clients;
- our financial and securities services can create synergies with each other and generate diversified and stable sources of revenue;
- we have experienced and competent management and professional staff; and
- our proven track record in establishing business relationship with our clients engaged in different business operations which spread across a diverse spectrum of industry sectors.

Please refer to the section headed "Business — Competitive strengths" in this prospectus for further details.

OUR BUSINESS STRATEGIES

We have a business objective to establish an integrated platform for providing financial and securities services to our clients. In order to achieve our objective and future plans, we have the following specific business strategies:

- continue to strengthen our corporate finance advisory business and placing and underwriting business;
- develop our securities dealing and brokerage business and securities financing business;
- develop our asset management business; and
- further enhance our risk management, internal control and information technology capabilities.

Please refer to the section headed "Business — Business strategies" in this prospectus for further details.

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KEY FINANCIAL DATA

Selected information from consolidated statements of profit or loss and other comprehensive income

The table below sets out the selected information from the consolidated statements of profit or loss and other comprehensive income of our Group for the periods indicated:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	29,768	36,010	84,374
Other income	413	399	44
Other losses	(35)	(1)	(366)
Staff costs	(9,504)	(13,200)	(44,605)
Administrative and other operating expenses	(1,786)	(2,937)	(8,571)
Finance costs	(31)	—	(81)
Profit before tax	18,825	20,271	30,795
Income tax expense	(3,098)	(3,424)	(5,364)
Profit and total comprehensive income for the year attributable to owners of our Company	<u>15,727</u>	<u>16,847</u>	<u>25,431</u>

For further details, please refer to the section headed “Financial information — Results of operations of our Group” in this prospectus.

Selected information from consolidated statements of financial position

The table below sets out the selected information from consolidated statements of financial position of our Group as at the dates indicated:

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018	As at 31 July 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets	19,221	43,898	129,470	102,914
Current liabilities	6,875	24,381	85,097	62,181
Net current assets	12,346	19,517	44,373	40,733

For further details, please refer to the section headed “Financial information — Net current assets” in this prospectus.

Selected information from consolidated statements of cash flows

The table below sets out the selected information from consolidated statements of cash flows of our Group for the periods indicated:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at the beginning of year	<u>9,374</u>	<u>15,110</u>	<u>28,838</u>
Net cash generated from operating activities	12,576	14,375	30,814
Net cash used in investing activities	(585)	(570)	(227)
Net cash used in financing activities	(6,255)	(77)	(3,320)
Net increase in cash and cash equivalents	<u>5,736</u>	<u>13,728</u>	<u>27,267</u>
Cash and cash equivalents at the end of year	<u>15,110</u>	<u>28,838</u>	<u>56,105</u>

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For further details, please refer to the section headed “Financial Information — Liquidity and capital resources” in this prospectus.

Key financial ratios

The table below sets out a summary of certain financial ratios of our Group as at the dates or for the periods indicated:

	<u>As at/year end</u> <u>29 February 2016</u>	<u>As at/year end</u> <u>28 February 2017</u>	<u>As at/year end</u> <u>28 February 2018</u>
Net profit margin	52.8%	46.8%	30.1%
Current ratio	2.8	1.8	1.5
Gearing ratio	0.2	0.7	0.2
Return on assets	68.5%	36.9%	19.3%
Return on equity	98.1%	79.2%	54.5%

For further details of the key financial ratios, please refer to the section headed “Financial information — Key financial ratios” in this prospectus.

OUR CLIENTS AND SUPPLIERS

The clients of our corporate finance advisory business and placing and underwriting business are mainly corporate clients including listed companies or listing applicants on the Stock Exchange or private companies. The clients of our securities dealing and brokerage business and securities financing business include corporate, professional and retail investors. The clients of our asset management business are professional investors. For the three years ended 28 February 2018, the total revenue generated from our top five clients accounted for approximately 70.2%, 47.7% and 36.5% of our total revenue, respectively and the revenue generated from our largest client accounted for approximately 21.4%, 18.0% and 9.8% of our total revenue, respectively.

Due to the nature of our principal business activities, we have no major suppliers.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.55 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting professional fees, underwriting commissions and other fees and expenses payable by us in connection with the Listing and the Global Offering) will be approximately HK\$134.0 million. We intend to apply such net proceeds in the following manner:

- (i) approximately HK\$67.0 million, representing approximately 50.0% of the net proceeds from the Global Offering will be used for increasing our capital for the expansion of our placing and underwriting business;
- (ii) approximately HK\$26.8 million, representing approximately 20.0% of the net proceeds from the Global Offering will be used for increasing our capital for the expansion of our securities financing business;
- (iii) approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering will be used for enhancing and developing our corporate finance advisory business by attracting more talents and expanding our corporate finance team;
- (iv) approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering will be used for expanding our asset management business by attracting more talents and expanding our asset management team and increasing seed money to establish new funds; and

SUMMARY

- (v) approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering will be used for our working capital requirement and general corporate purposes.

Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details relating to the use of proceeds and the reasons and benefits for the Listing.

OFFER STATISTICS

The following offer statistics are prepared on the basis of the indicative Offer Prices without taking into account the 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, assuming that the Over-allotment Option is not exercised.

	<u>Based on the Offer Price of HK\$1.3 per Offer Share</u>	<u>Based on the Offer Price of HK\$1.8 per Offer Share</u>
Number of Offer Shares	100,000,000	100,000,000
Market capitalisation (<i>Note 1</i>)	HK\$520,000,000	HK\$720,000,000
Unaudited pro forma adjusted consolidated net tangible assets per Share (<i>Note 2</i>)	HK\$0.40	HK\$0.52

Notes:

1. The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after completion of the Global Offering.
2. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated based on 400,000,000 Shares in issue immediately following completion of the Global Offering.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees and expenses incurred in connection with the Listing and the Global Offering. Assuming the Offer Price of HK\$1.55 per Offer Share, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised, the listing expenses to be borne by the Company are estimated to be approximately HK\$21.0 million (including a sponsor fee of HK\$2.0 million payable to Innovax Capital, which will be eliminated in our consolidated financial statements), of which approximately HK\$9.6 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing, and the remaining sum of approximately HK\$11.4 million, which cannot be so deducted, will be charged to our profit or loss. For the listing expenses of approximately HK\$11.4 million that will be charged to our profit or loss, approximately HK\$123,000 of which has been charged during the year ended 28 February 2018 and the remaining of which is expected to be charged to our profit or loss for the year ending 28 February 2019. The estimated listing expenses are subject to adjustments based on the actual amount of expenses incurred or to be incurred by our Group upon completion of the Listing. The listing expenses are non-recurring in nature.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account any Shares that may be allotted and issued pursuant to exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, BSI will hold 75% of our issued share capital. BSI is a company incorporated in the BVI with limited liability and wholly-owned by Mr. Chung. Accordingly, Mr. Chung and BSI are regarded as our Controlling Shareholders under the Listing Rules.

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Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon Listing. To better safeguard our Group from any potential competition, our Controlling Shareholders have entered into the Deed of Non-Competition in our favour pursuant to which our Controlling Shareholders have undertaken not to carry on a business which competes directly and indirectly with the business currently and from time to time engaged by our Group subject to certain exceptions. Further details of the Deed of Non-Competition are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus.

DIVIDENDS

For the years ended 29 February 2016 and 28 February 2017, we declared and paid dividend of nil and approximately HK\$11.6 million, respectively.

On 17 May 2018, we declared dividend of approximately HK\$5.0 million, which will be fully repaid by our internal resources before the Listing.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. 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. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. As at the Latest Practicable Date, our Company had not adopted any dividend policy. We do not have any pre-determined payout ratio. For further details, please refer to the section headed “Financial information — Dividend” in this prospectus and note 13 of the Accountants’ Report set out in Appendix I to this prospectus.

PRINCIPAL RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; and (iii) risks relating to our Global Offering. Some of the particular risk factors include:

- our relatively short operating history in the financial and securities services industry in Hong Kong may make it difficult to evaluate our financial performance and ability to succeed in the future;
- the revenue from our corporate finance advisory business and placing and underwriting business is non-recurring in nature and our profitability is highly unpredictable;
- where one or more of the regulated activities of our Group has less than two responsible officers, our Group will be in breach of the relevant licensing requirements which could adversely affect our licence status, thus jeopardising our business and financial performance;
- we rely on our key management and professional staff, the loss of which may affect our operations;
- we may not be able to successfully implement our business strategies;
- market and financial risk exposure arising from our placing and underwriting business may materially and adversely affect our financial condition and results of operations;
- the securities dealing and brokerage business in Hong Kong is highly competitive and our commission rates may decrease in the future;

SUMMARY

- our placing and underwriting services are related to our IPO sponsorship services and any deterioration of our IPO sponsorship services may adversely affect our placing and underwriting services;
- our securities financing business exposes to risks arising from market volatility and credit risks of our clients;
- our asset management business may be adversely affected by the risks arising from poor investment performance and market competition which could significantly decrease our AUM; and
- we are required to maintain a sufficient level of funding and liquidity for our business activities.

Potential investors are advised to read the section headed “Risk factors” in this prospectus carefully before making any investment decision in the Global Offering.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Set out below is the summary of our recent development during the period between 1 March 2018 and the Latest Practicable Date:

Corporate finance advisory business

- we completed one transaction, submitted eight listing applications on behalf of our clients and engaged in eight new transactions as sponsor;
- we completed two transactions and engaged in two ongoing new transactions as financial adviser; we completed three transactions and engaged in two ongoing new transactions as independent financial adviser; and
- we engaged in one new transaction as compliance adviser.

Placing and underwriting business

- we completed one transaction as lead manager and one transaction as co-lead manager for two IPOs.

Securities dealing and brokerage business

- our commission income generated from securities dealing and brokerage business was approximately HK\$691,000 during the five months ended 31 July 2018.

Asset management business

- as at the 31 July 2018, the AUM of Innovax Balanced Fund SP was approximately US\$5.6 million (equivalent to approximately HK\$43.6 million) and the AUM of the discretionary account managed by us was approximately HK\$2.9 million.

As disclosed in the paragraph headed “Listing expenses” in this section, our net profit for the year ending 28 February 2019 is expected to be materially and adversely affected by the estimated expenses in relation to the Listing. Therefore, prospective investors are specifically warned that given the aforesaid listing expenses, our financial performance for the year ending 28 February 2019 may not be comparable to that of the previous financial years.

Our Directors have confirmed that save as disclosed above, since 28 February 2018, the end of the period reported in the Accountants’ Report as set out in Appendix I to this prospectus and up to the date of this prospectus, there had been no material adverse change in our financial or trading position, and there had been no event which would materially affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

“Accountants’ Report”	the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Anti-Money Laundering Guideline”	the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles” or “Articles of Association”	the second amended and restated articles of association of our Company, conditionally adopted on 24 August 2018 which will become effective upon Listing and as amended, supplemented or modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authorised Institution(s)”	means a bank, a restricted licence bank or a deposit-taking company authorised under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“BSI”	BILLION SHINE INTERNATIONAL INVESTMENT LIMITED (百陽國際投資有限公司), a limited liability company incorporated in the BVI on 28 April 2017 and is wholly-owned by Mr. Chung, being one of our Controlling Shareholders

DEFINITIONS

“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and general information — A. Further information about our Company — 3. Resolutions in writing of our sole Shareholder passed on 24 August 2018” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Cayman Islands Principal Registrar”	Conyers Trust Company (Cayman) Limited, the principal share registrar of our company in the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCFI”	China Capital Finance International Holdings Limited (中國資本金融國際控股有限公司), a company incorporated in Hong Kong with limited liability on 29 November 2013 and is licensed to carry on business as a money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). It was a wholly-owned subsidiary of Crystal Prospect prior to the disposal of it by Crystal Prospect to Mr. Chung on 15 March 2017. Further details of CCFI are set out in the sections headed “History, reorganisation and corporate structure” and “Relationship with our Controlling Shareholders” in this prospectus
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Co-lead manager”	BMI Securities Limited
“Co-managers”	Marketsense Securities Limited and Telecom Digital Securities Limited
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Innovax Holdings Limited (創陸控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purposes of this prospectus and the Listing, means Mr. Chung and BSI
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Crystal Prospect”	CRYSTAL PROSPECT LIMITED, a limited liability company incorporated in the BVI on 15 October 2013 and a direct wholly-owned subsidiary of our Company
“Deed of Indemnity”	the deed of indemnity dated 24 August 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries as at the date of the Deed), further information on which is set forth in the section headed “Statutory and general information — D. Other information — 2. Estate duty, tax and other indemnity” in Appendix IV to this prospectus

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“Deed of Non-Competition”	the deed of non-competition dated 24 August 2018 entered into by our Controlling Shareholders in favour of our Company, further information on which is set forth in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“ electronic application instruction(s) ”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for our Hong Kong Offer Shares
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of the present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting an application online through the designated website www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by us, as specified on the designated website at www.hkeipo.hk
“HKEx”	Hong Kong Exchange and Clearing Limited

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“HKFRS”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKMA”	Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Government”	the local government of Hong Kong
“Hong Kong Offer Shares”	the 10,000,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to reallocation as set forth in the section headed “Structure and conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the conditional offering of our Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to reallocation set forth in the section headed “Structure and conditions of the Global Offering” in this prospectus) and upon the terms and conditions stated herein and in the Application Forms
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar of our Company in Hong Kong
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

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“Hong Kong Underwriting Agreement”	the underwriting agreement dated 30 August 2018 relating to the Hong Kong Public Offering entered into between our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in the section headed “Underwriting — Underwriting arrangements and expenses” in this prospectus
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Innovax Alpha SPC”	Innovax Alpha SPC, an exempted company incorporated and registered as a segregated portfolio company under the laws of the Cayman Islands
“Innovax Asset Management”	Innovax Asset Management Limited (創陞資產管理有限公司), a company incorporated in Hong Kong with limited liability on 22 August 2016 and an indirect wholly-owned subsidiary of our Company. It is a licensed corporation under the SFO permitted to carry out Type 9 (asset management) regulated activity
“Innovax Balanced Fund SP”	Innovax Balanced Fund SP, a segregated portfolio under Innovax Alpha SPC
“Innovax Capital”	Innovax Capital Limited (創陞融資有限公司), a company incorporated in Hong Kong with limited liability on 9 June 2014 and an indirect wholly-owned subsidiary of our Company. It is a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being one of the Joint Sponsors

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“Innovax Securities”	Innovax Securities Limited (創陞證券有限公司), a company incorporated in Hong Kong with limited liability on 12 July 2016 and an indirect wholly-owned subsidiary of our Company. It is a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, being one of the Joint Global Coordinators, Joint Bookrunners and the Joint Lead Managers
“International Offering”	the conditional offering of our International Offer Shares for and on behalf of our Company outside the United States, including to institutional, professional and other investors in Hong Kong, as set forth in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Offer Shares”	the 90,000,000 Shares being initially offered for subscription at the Offer Price under the International Offering together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as set forth in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into between our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — International Offering — International Underwriting Agreement” in this prospectus

DEFINITIONS

“Issuing Mandate”	a general and unconditional mandate granted to our Directors by the passing of resolutions by our sole Shareholder referred to in the section headed “Statutory and general information — A. Further information about our Company — 3. Resolutions in writing of our sole Shareholder passed on 24 August 2018” in Appendix IV to this prospectus, pursuant to which our Directors may exercise the power of the Company to issue, allot or otherwise deal in new Shares of up to a maximum of 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue
“Joint Global Coordinators” or “Joint Bookrunners” or “Joint Lead Managers”	Innovax Securities and Sinolink Securities
“Joint Sponsors”	Innovax Capital and Sinolink Securities
“Latest Practicable Date”	24 August 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	Friday, 14 September 2018, being the expected date on which dealings in our Shares on the Main Board of the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum” or “Memorandum of Association”	the second amended and restated memorandum of association of our Company, as amended, supplemented or modified from time to time, a summary of which is set out in Appendix III to this prospectus

DEFINITIONS

“Mr. Chung”	Mr. CHUNG Chi Man (鍾志文), one of our Controlling Shareholders, chairman of the Board and one of our executive Directors
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which our Hong Kong Offer Shares are to be subscribed and our International Offer Shares are to be offered, to be determined in the manner set forth in the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus
“Offer Shares”	our Hong Kong Offer Shares and our International Offer Shares
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters and exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, under which the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require our Company to issue and allot up to an aggregate of 15,000,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, for the sole purpose of covering any over-allocations in the International Offering, if any, as further described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“PRC” or “China”	the People’s Republic of China and, except where the context requires and only for the purpose of this prospectus, references in this prospectus to the PRC or China do not apply to Taiwan, Hong Kong and Macau
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (WUMP) Ordinance
“Price Determination Date”	the date on which the Offer Price is to be fixed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, which is expected to be on or around Wednesday, 5 September 2018 and in any event not later than Tuesday, 11 September 2018

DEFINITIONS

“Reorganisation”	the corporate reorganisations undergone by our Group in preparation for the Listing described in the section headed “History, reorganisation and corporate structure — Reorganisation” in this prospectus
“Repurchase Mandate”	a general and unconditional mandate granted to our Directors by the passing of resolutions by our sole Shareholder referred to in the section headed “Statutory and general information — A. Further information about our Company — 3. Resolutions in writing of our sole Shareholder passed on 24 August 2018” in Appendix IV to this prospectus, pursuant to which our Directors may exercise the power of the Company to repurchase Shares the aggregate number of which shall not exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 24 August 2018, the principal terms of which are summarised in the section headed “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Sinolink Securities”	Sinolink Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate Finance) and Type 9 (asset management) regulated activities, being one of the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DEFINITIONS

“Sponsor Guidelines”	Additional Fit and Proper Guidelines for Corporations and Authorised Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers
“Stabilising Manager”	Sinolink Securities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and BSI on or about the Price Determination Date, pursuant to which the Stabilising Manager may borrow up to 15,000,000 Shares to cover any over-allotment in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC and as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising three years ended 28 February 2018
“US” or “United States”	United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“ WHITE Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Hong Kong Offer Shares to be issued in the applicants’ own names
“ YELLOW Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

DEFINITIONS

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“AE(s)”	account executive(s)
“AE Referred Account(s)”	securities trading accounts opened with our Group whose holders are referred by our Self-employed AEs
“AUM”	the amount of assets under management
“BSS”	the Broker Supplied System, being a front office solution either developed in-house by the Stock Exchange Participant or a third-party software package acquired from commercial vendors, enabling the Stock Exchange Participant to connect its trading facilities to the Open Gateway to conduct trading
“CAGR”	compound annual growth rate
“Chinese Wall”	theoretical barrier to ensure that non-public material information regarding listed companies which is obtained in one department is not released to another department. The Chinese wall aims to isolate those persons who make investment decisions from those who are privy to non-public material information which may influence those decisions
“compliance adviser”	any corporation or authorised financial institution licensed or registered under the SFO for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor appointed under the Listing Rules or the GEM Listing Rules as a compliance adviser
“CSR”	Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ECM”	equity capital markets
“FATCA”	the Foreign Account Tax Compliance Act

GLOSSARY OF TECHNICAL TERMS

“High Water Mark”	the highest of (a) the net asset value per share at the time of issue of that share; or (b) the net asset value per share (after deduction of any accrued performance fee) as at the last valuation day in the last period of 12 months ending on 31 December in respect of which a performance fee shall have been paid
“House Account(s)”	securities trading accounts opened with our Group whose holders are sourced by our Staff AEs
“HSI”	Hang Seng Index
“IGA”	an intergovernmental agreement signed between Hong Kong and the US for implementation of FATCA
“IPO(s)”	initial public offering(s), the listing of a company’s shares on a stock exchange
“JFIU”	Joint Financial Intelligence Unit
“KYC”	know your client
“licensed representative(s)”	an individual who is granted a licence under section 120(1) or 121(1) of the SFC to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited
“loan-to-margin ratio”	the ratio of the total amount of margin loan balance to the marginable value of the underlying securities pledged as collateral in the margin financing business
“loan-to-value ratio”	the ratio of the total amount of margin loan balance to the market value of the underlying securities pledged as collateral in the margin financing business
“M&A”	mergers and acquisitions
“margin financing”	the provision of collateral by investors to securities firms (which are qualified for margin financing business) to borrow funds for securities purchases
“professional investors”	professional investor(s) which is/are prescribed under the Professional Investor Rules under section 134 of the SFO

GLOSSARY OF TECHNICAL TERMS

“regulated activity(ies)”	any of the regulated activities specified in Part 1 of Schedule 5 to the SFO, and a reference to a type of regulated activity by number shall be construed as a reference to the type of regulated activity of that number as specified in that Part
“REIT(s)”	Real Estate Investment Trust
“responsible officer(s)”	a licensed representative who is also approved as a responsible officer under section 126 of the SFO to supervise one or more than one regulated activity of the licensed corporation to which he/she is accredited
“Self-employed AE(s)”	a self-employed account executive(s)
“sponsor principal(s)”	a responsible officer or an executive director appointed by the sponsor to be in charge of the supervision of the team appointed to carry out a listing assignment
“Staff AE(s)”	an in-house account executive(s)
“Stock Exchange Participant(s)”	corporation(s) licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as person(s) who may trade on or through the Stock Exchange
“Stock Exchange Trading Right”	a right to be eligible to trade on or through the Stock Exchange and entered as such a right in the register of trading rights kept by the Stock Exchange
“T+2”	two trading days from the relevant transaction day

Certain abbreviations used and defined in the English prospectus are not used in the Chinese version. In the Chinese prospectus, the full expression for these abbreviations is included in both the defined terms and their definitions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which is part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus and the related Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed “Structure and conditions of the Global Offering” in this prospectus.

The Hong Kong Offer Shares are solely on the basis of the information contained and representations made in this prospectus and the related Applications Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein should not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, advisers, representatives or any other person or party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to apply for our Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

UNDERWRITING

The Listing is jointly sponsored by Innovax Capital and Sinolink Securities. The Global Offering is managed by the Joint Global Coordinators. The Global Offering comprises the Hong Kong Public Offering of initially 10,000,000 Offer Shares and the International Offering of initially

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

90,000,000 Offer Shares (subject, in each case, to reallocation on the basis described in the section headed “Structure and conditions of the Global Offering” in this prospectus). The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement, subject to the Offer Price being agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date or such other date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

Further details of the Underwriters and the underwriting arrangement are set out in the section headed “Underwriting — Underwriting arrangements and expenses” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any public offering of our Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares are not under public offering or sale, directly or indirectly, in China or the United States.

Each person subscribing for the Offer Shares will be required to, or be deemed by its/his/her subscription for the Offer Shares, to confirm that it/he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and on the relevant Application Forms and that it/he/she is not subscribing for, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STABILISATION AND OVER-ALLOTMENT OPTION

Details of the arrangement in relation to stabilisation and the Over-allotment Option are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and upon the exercise of any options which may be granted under the Share Option Scheme.

No part of the shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Application Lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, agents, employees, advisers, representatives or any other person or party involved in this Global Offering accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company’s principal register of members will be maintained by our Cayman Islands Principal Registrar and our Company’s branch register of members will be maintained by our Hong Kong Branch Share Registrar. Unless otherwise approved by our Directors, all documents evidencing transfer of title to any Shares must be lodged for registration with our Hong Kong Branch Share Registrar and cannot be lodged in the Cayman Islands.

All Offer Shares issued by our Company pursuant to the Global Offering will be registered on our Company’s branch register of members to be maintained in Hong Kong. Only securities registered on our branch register of members in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. Unless our Company determines otherwise, dividends

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

payable in HK\$ in respect of the Shares will be paid by cheque sent by ordinary post, at the Shareholder's risk, to each Shareholder's registered address, or in the case of joint holders, the first-named holder in accordance with the Articles.

Dealings in our Shares registered in our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of our Shares being sold or transferred.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposits, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Stock Exchange Participants is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangement and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Assuming the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 14 September 2018, it is expected that dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Friday, 14 September 2018. Our Shares will be traded in board lots of 2,000 Shares each. The stock code of our Shares is 2680.

Our Company will not issue any temporary documents of title.

Dealings in our Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be made available on the Stock Exchange's teletext page information system. Delivery and payment for the Offer Shares dealt on the Stock Exchange will be effected in T+2. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Only certificates for our Shares registered on the branch register of members of our Company in Hong Kong will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rate: US\$1.00: HK\$7.78. No representation is made that any amounts in US\$ were or could have been or could be converted into Hong Kong dollars at such rate or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

RISK FACTORS

An investment in our Shares involves risks. You should carefully consider the following information, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to subscribe for our Shares. If any of the circumstances or events described below actually arises or occurs, our business, and financial conditions, operating results and prospects may suffer. In any such case, the market price of our Shares may decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our relatively short operating history in the financial and securities services industry in Hong Kong may make it difficult to evaluate our financial performance and ability to succeed in the future

We have a relatively short operating history in the financial and securities services industry in Hong Kong. We commenced our corporate finance advisory business and placing and underwriting business after Innovax Capital was granted the SFC licences to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015. During the Track Record Period, majority of our revenue was generated from our corporate finance advisory business and placing and underwriting business.

We only commenced our securities dealing and brokerage business and securities financing business after Innovax Securities was granted the SFC licences to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in April 2017, and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC in June 2017. Similarly, we only commenced our asset management business after Innovax Asset Management was granted the SFC licence to carry out Type 9 (asset management) regulated activity in April 2017.

In order to expand our businesses, we incurred additional staff costs, mainly for salaries of new staff, increment of our staff salaries and increase of bonuses, of approximately HK\$31.4 million and additional administrative and other operating expenses including but not limited to, rental expenses for more office spaces and information and communications expenses, of approximately HK\$5.6 million for the year ended 28 February 2018, as compared to the year ended 28 February 2017.

Our relatively short operating and financial history make it difficult to evaluate our financial performance and ability to succeed in the future and we may experience significant fluctuations in our revenues and cash flows in the future. If we are unable to achieve sufficient revenues and earnings from operations, our financial results will be materially and adversely affected.

RISK FACTORS

The revenue from our corporate finance advisory business and placing and underwriting business is non-recurring in nature and our profitability is highly unpredictable

During the Track Record Period, majority of our revenue was derived from our corporate finance advisory business and placing and underwriting business. For the three years ended 28 February 2018, the revenue generated from our corporate finance advisory business amounted to approximately HK\$21.3 million, HK\$32.7 million and HK\$54.8 million, respectively, representing approximately 71.5%, 90.7% and 64.9% of our total revenue, respectively, and the revenue generated from our placing and underwriting business amounted to approximately HK\$8.5 million, HK\$3.3 million and HK\$25.0 million, respectively, representing approximately 28.5%, 9.3% and 29.6% of our total revenue, respectively.

Our corporate finance advisory business and placing and underwriting business are on project-by-project basis and the sustainability of the financial performance including number of projects undertaken by us, the total revenue contributed from these businesses and revenue from each client is uncertain and is subject to different factors including market conditions, nature and particulars of each engagement and timing to complete each project. In addition, the demand for our corporate finance advisory services and placing and underwriting services is highly influenced by the market conditions. Adverse and uncertain market condition and investor sentiment will affect clients' decision on the scale, timing, choices of the stock markets in respect of their fund raising plans, which may result in delay to, termination of and lesser demand for fund raising activities and our services and in turn affect the financial performance of our corporate finance advisory business and placing and underwriting business.

For each project of our corporate finance advisory business and placing and underwriting business, the terms of our engagement are determined between each of our clients and us on a case-by-case basis after arm's negotiations based on the type of services we provide, nature of the transactions, scope of our duties, length of time we expect to spend, complexity of the transactions and our expected workload. As such, the revenue generated from each client is different project-by-project and we cannot assure you that we can secure future engagement with fee rates comparable with the engagements during the Track Record Period. Service fees for our corporate finance advisory services are generally payable by instalments at different stages of the projects pursuant to the terms of the agreements and our revenue is recognised according to progress of the projects and amount of services provided to the clients. For the three years ended 28 February 2018, project completion rate of our corporate finance advisory business were approximately 63.8%, 43.4% and 46.0%, respectively. If a project is not completed as scheduled or is delayed from the planned timetable, we may not receive payment for our services in a timely manner or as scheduled when we are engaged by the client or if for any reason, the project eventually fails to complete after we have expended substantial effort and time, we may not be able to receive payment for the full amount of the service fees as stipulated in the engagement letter.

Given the above, our financial performance may fluctuate from year to year and is highly unpredictable.

RISK FACTORS

Where one or more of the regulated activities of our Group has less than two responsible officers, our Group will be in breach of the relevant licensing requirements which could adversely affect our licence status, thus jeopardising our business and financial performance

Under the licensing requirement of the SFO, our licensed corporations, namely Innovax Capital, Innovax Securities and Innovax Asset Management, have to maintain at least two responsible officers for each type of regulated activities. In addition, to act as sponsor and compliance adviser, our Group must ensure that there are sufficient sponsor principals engaged in a full time capacity to discharge its role in overseeing and supervising the transaction team with at least two sponsor principals engaged at all times. Without adequate number of sponsor principals, we cannot accept new engagement.

We had only one sponsor principal on 25 May 2016, and the situation was rectified on 1 September 2016 upon the approval of additional sponsor principal.

As at the Latest Practicable Date, we had (i) six responsible officers for Type 1 regulated activity (dealing in securities); (ii) two responsible officers for Type 4 regulated activity (advising on securities); (iii) 11 responsible officers for Type 6 regulated activity (advising on corporate finance), six of them are sponsor principals; and (iv) two responsible officers for Type 9 regulated activity (asset management). Please refer to the details of our responsible officers in the section headed “Business — Licences and regulatory requirements” in this prospectus.

We cannot guarantee that our licensed corporations, namely Innovax Capital, Innovax Securities and Innovax Asset Management, can at all time maintain sufficient number of responsible officers and/or sponsor principals. In the event some or all of our responsible officers and/or sponsor principals resign, become disqualified or otherwise ineligible to continue their role as responsible officers and/or sponsor principals, and an immediate and suitable replacement could not be found, our Group will be in breach of the relevant licensing requirements which could adversely affect our licence status, thus jeopardising our Group’s business and financial performance.

We rely on our key management and professional staff, the loss of which may affect our operations

Our Group has a team of experienced and competent management who is responsible for directing and managing daily operations, monitoring and supervising compliance and risk management, overseeing financial condition and performance, allocating and budgeting human resources and formulating business strategies. Leveraging on their experience and network in the industry, we have been successfully expanding our client base and source of deals and transactions. However, we cannot assure you that we can retain the services of our key management and find suitable replacement if any of them terminate their engagement with us given the competition for experienced and competent personnel in the industry is intense.

RISK FACTORS

Other than our senior management, we also rely on our professional staff in different business operations to implement our business strategies, provide quality services to clients, manage our compliance and risks, identify and capture business opportunities, maintain relationship with clients and procure new clients. Loss of our professional staff and failure to recruit replacement will materially and adversely affect our business operations.

We may not be able to successfully implement our business strategies

We aim to establish an integrated platform for providing financial and securities services to our clients. We have been focusing on corporate finance advisory business and placing and underwriting business since February 2015. As part of the implementation of our business strategies, we commenced our securities dealing and brokerage business and securities financing business through Innovax Securities in June 2017 and our asset management business through Innovax Asset Management in April 2017.

Under our business strategies as set out in the section headed “Business — Business strategies” in this prospectus, in order to further expand our businesses and pursue our business objective, in addition to continuing to strengthen our corporate finance advisory business and placing and underwriting business and further enhancing our risk management, internal control and information technology capabilities, we also plan to further develop our businesses in provision of securities dealing and brokerage services, securities financing services and asset management services.

The successful implementation of our business strategies is subject to various factors including but not limited to:

- our ability to retain and recruit qualified and experienced professional staff;
- our ability to cope with increased exposure to financial risk, operational risk, market risk and credit risk arising from the expanded scope of business;
- our ability to comply with all regulatory requirement on the range of financial and securities services we provide to our clients;
- our ability to secure sufficient financial resources; and
- clients’ acceptance and demand for our products and services.

If we fail to implement our business strategies successfully, our business performance, financial condition and future prospects and growth could be materially and adversely affected.

RISK FACTORS

Market and financial risk exposure arising from our placing and underwriting business may materially and adversely affect our financial condition and results of operations

During the Track Record Period, we had participated in 29 underwriting exercises where we acted as global coordinator or bookrunner or lead manager or underwriter for IPOs of listing applicants, and we were obliged to take up the unsubscribed offer shares up to our maximum underwriting commitment in the event of under-subscription of the offer shares. For the three years ended 28 February 2018, our aggregate underwriting commitments for IPOs amounted to approximately HK\$125.8 million, HK\$52.4 million and HK\$637.5 million, respectively.

If the securities underwritten by us are undersubscribed and we fail to procure subscribers to take up all of the undersubscribed securities, we are required to purchase all of the undersubscribed portion for our own account and our liquidity and financial position would also be adversely affected if the securities purchased by us becomes illiquid and/or their market value drops. Under the FRR, the value of the open position of any underwriting commitment or the market of the securities purchased by us to fulfil our obligations under the underwriting commitment would have an impact on our liquid capital. If our liquid capital falls below the minimum requirement under the FRR, we will be in breach of the FRR resulting in SFC suspending our licence or imposing conditions in relation to our regulated activities.

During the Track Record Period, we participated as placing agent or sub-placing agent on best effort basis in four transactions of issue of new shares by listed issuers. Our placing service on best effort basis is subject to the market conditions and volatility. Should there be any adverse change in the market conditions and investor sentiment, we may not be able to procure investors to subscribe for all or part of the securities offered and the placing may not be completed in full or may not proceed. Our commission from such placing engagements may reduce or in the worst case we may not receive any commission at all. For the three years ended 28 February 2018, the aggregate value of securities placed by us (being the product of the number of securities placed by us and their respective placing price) amounted to approximately HK\$60.0 million, HK\$79.2 million and HK\$7.0 million.

Taking into consideration of the above, in case we are unable to manage our market and financial risk exposure arising from our placing and underwriting business, our financial condition and results of operation could be materially and adversely affected.

The securities dealing and brokerage business in Hong Kong is highly competitive and our commission rates may decrease in the future

We commenced our securities dealing and brokerage business through Innovax Securities since June 2017. As at 28 February 2018, we had 461 securities trading accounts, 335 of which were active accounts (from which we had received brokerage commission). These active accounts include 323 cash accounts and 12 margin accounts.

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We receive brokerage commission from our clients for (i) executing trades in securities on behalf of them and (ii) for subscribing for securities on behalf of them under IPO offering and secondary placing transaction, under which we are underwriter or sub-underwriter or placing agent or sub-placing agent or broker.

The securities dealing and brokerage business in Hong Kong is dominated as to around 51.9% of the market share in terms of transaction size by the top 14 firms (Stock Exchange Participants under Category A), and as to around 85.4% of the market share in terms of transaction size by the top 65 firms (Stock Exchange Participants under Category A and Category B) during the year ended 31 December 2017. As such, the remaining brokerage firms in the stock market (Stock Exchange Participants under Category C) competing for around 14.6% market share in terms of transaction size during the year ended 31 December 2017, and we are one of the Stock Exchange Participants under Category C.

Since 1 April 2003, minimum commission rates in respect of securities and commodities trading in Hong Kong have been deregulated. As a result, the competition within the industry further intensified and market players compete by offering lower commission rates and more value-added services to clients. We generally charge our clients brokerage commission at a rate from 0.02% to 0.25% subject to a minimum charge ranging from HK\$50 to HK\$100 (which may be waived by us after taking into account transaction history, trading volume and frequency and financial position of our clients) for executing trades in securities on behalf of them based on the transaction value of each completed trading order.

The increasing competition in the securities industry as well as the introduction and popularity of online trading systems may lead to decrease in our commission from provision of securities dealing and brokerage services and will in turn adversely affect our results of operation and profitability.

We may be unable to successfully compete with other brokerage firms that offer zero or lower rate of brokerage commission

Although our clients may initially open securities trading accounts with us since we are engaged in IPO projects, we may not have a competitive edge against our competitors in the secondary market for trading of securities. Our competitors may charge zero or lower rate of brokerage commission than us to attract our clients to execute trades in securities on behalf of them. If we are not able to charge a competitive rate of brokerage commission for our securities trading business, we may be unable to successively compete with other securities brokers that compete with us for the same clients.

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Our placing and underwriting services are related to our IPO sponsorship services and any deterioration of our IPO sponsorship services may adversely affect our placing and underwriting services

For placing and underwriting exercise, we may act as global coordinator, bookrunner, lead manager or underwriter for IPOs of listing applicants. For the three years ended 28 February 2018, we had been engaged in eight, 10 and 15 placing and underwriting projects, respectively, which in aggregate generated revenue of approximately HK\$8.5 million, HK\$3.3 million and HK\$25.0 million, respectively, representing approximately 28.5%, 9.3% and 29.6% of our total revenue, respectively. Among these placing and underwriting projects, seven, eight and 14 of them, respectively, are IPO projects of which we had also provided IPO sponsorship services for three, one and 10 of these IPO projects, for the three years ended 28 February 2018, respectively. As such, our ability to secure placing and underwriting services are related to our IPO sponsorship services. Any deterioration in our IPO sponsorship services may not only adversely affect our revenue and profit in that segment, but may also adversely affect the revenue and profit of our placing and underwriting services.

Our securities financing business exposes to risks arising from market volatility and credit risks of our clients

To enhance our securities dealing and brokerage business and to broaden the source of our revenue, we commenced to offer securities financing services to our clients in June 2017 to facilitate them to purchase securities on a margin basis.

Our securities financing business involves risks including (i) default risk that a client fails to perform its financial obligations to repay a loan or a guarantor of the client fails to meet its guarantee obligations; (ii) market risk that we may suffer loss arising from changes in the value of the pledged securities due to fluctuations in currency exchange rate, share prices and interest rates; and (iii) liquidity risk that the pledged securities may not be liquidated in the short term when the market of the securities is illiquid.

Our securities financing business is highly vulnerable to market conditions and price volatility and liquidity of the securities pledged to us. There is no assurance that in the event of default of client to perform his/her/its obligation to fulfil our margin call requirements or to repay us the loans, the proceeds from selling the pledged securities will be sufficient to cover the outstanding loan balance. If we are unable to recover the shortfall, our financial condition and results of operation could be materially and adversely affected.

Our asset management business may be adversely affected by the risks arising from poor investment performance and market competition which could significantly decrease our AUM

As at 28 February 2018, the AUM of our fund management and discretionary account management amounted to approximately US\$2.7 million (equivalent to approximately HK\$21.0 million) and HK\$3.5 million, respectively. Our management fee is calculated as a percentage of the

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amount of our AUM. Since the commencement of our asset management business in April 2017 and up to 28 February 2018, the revenue generated from our asset management business amounted to approximately HK\$247,000.

Our investment performance is subject to market condition and volatility, availability of hedging instrument, our investment strategies and decision and our risk management policy. In addition, changes in exchange rate, interest rate and other economic factors will affect our investment performance. Poor investment performance may lead to loss of our clients and failure to attract new clients for our asset management business, resulting in decrease of our AUM. We cannot assure you that our AUM can be increased under the highly competitive environment with numerous competitors from other securities firms, fund managers, commercial banks and insurance companies which may have longer operating history, better brand names and reputation and proven track record of investment performance.

In the event that our AUM cannot be increased or maintained, our financial condition and results of operation could be adversely affected.

Default or delay in settlement by our client in respect of the service fees from our corporate finance advisory business and placing and underwriting business may adversely affect our financial condition and results of operation

In respect of our corporate finance advisory business and placing and underwriting business, the engagement letters specify the terms of our service fees including the payment schedule. We issue debit notes to our clients after a milestone specified under the engagement letter is achieved or upon completion of the transaction. We do not grant credit terms to our clients. During the Track Record Period, we did not encounter any significant delay in settlement of the service fees payable by our clients. However, we cannot assure you that our clients will settle our service fees in a timely manner and if there is any significant delay or failure or default in making the payment, our financial condition and results of operation could be materially and adversely affected.

We are required to maintain a sufficient level of funding and liquidity for our business activities

In order to implement our business strategies as disclosed in the section headed “Business — Business strategies” in this prospectus, we require sufficient level of funding and liquidity, especially for capital intensive businesses including our placing and underwriting business and securities financing business.

Maintaining sufficient liquid capital is important to our business activities and compliance with the minimum requirement under the FRR. If our liquid capital falls below the minimum requirement under the FRR, we will be in breach of the FRR resulting in SFC suspending our licences or imposing conditions in relation to our regulated activities. Our liquid capital may be tightened when there is a significant increase in securities financing activities, increase in underwriting exercises and settlement of securities trading transactions on behalf of our securities dealing and brokerage clients.

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During the Track Record Period, we mainly financed our business activities by using the cash generated from our business operations. As at the Latest Practicable Date, the outstanding bank loans were fully repaid. Our Directors consider that it is desirable to seek further external financing in order to cope with future development of our business. However, there is no assurance that such additional financing will be available to us when needed on commercially reasonable terms favourable to us and lack of fund raising alternatives will materially and adversely affect our prospects and financial condition.

Our corporate finance advisory business may be subject to professional liabilities

We normally provide professional advices when providing corporate finance advisory services to our clients. Our clients relying on our professional advice may suffer loss as a result of our negligence in providing such advice and may claim compensation against us. We are therefore exposed to the risks arising from, among others, possible claims or lawsuits in respect of professional negligence and employee infidelity. Although we have adopted relevant internal control measures, there is no assurance that the measures can completely eliminate all future possible professional negligence and/or employee infidelity. Should we experience any event of professional liabilities, such as claims or lawsuits, our prospects, financial condition and reputation could be materially and adversely affected.

We may suffer loss resulting from trading errors during the course of our securities dealing and brokerage business

In respect of our provision of securities dealing and brokerage services, our AEs may make trading errors during the order receipt and order execution process. Whenever the error occurs and is noted, immediate remedial action must be taken to correct the error by cancelling the order or if the order has been executed and a position is taken as a result of the error, the position should be liquidated in the market. Any loss resulting from remedial action for the trading errors will be borne by us and we may be subject to material loss and our results of operation could be materially and adversely affected.

During the Track Record Period and up to the Latest Practicable Date, we had identified seven incidents of error trades. After taking remedial actions to correct the trading errors, we recognised a net loss of approximately HK\$33,000. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any regulatory fines or penalties as a result of trading errors.

We are subject to extensive regulatory requirements which change from time to time and non-compliance with these regulatory requirements may materially and adversely affect our operation

The financial and securities services industry in Hong Kong is highly regulated and we are subject to different laws, rules, regulations, codes and guidelines including but not limited to the SFO, the Code of Conduct, the Companies Ordinance, the Listing Rules, the GEM Listing Rules and the Takeovers Code. As Innovax Capital, Innovax Securities and Innovax Asset Management

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are licensed corporations under the SFO, we are under the supervision of the SFC and the Stock Exchange and are required to ensure continuous compliance with all applicable laws, rules, regulations, codes and guidelines and satisfy the SFC and the Stock Exchange that we remain fit and proper to be licensed. The SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries. We may be subject to such regulatory inspections and investigations from time to time. If the results of the inspections or investigations reveal serious misconduct, the SFC may take disciplinary actions which would lead to revocation or suspension of licences, public or private reprimand or imposition of pecuniary penalties against us, our responsible officers, licensed representatives or any of our staff. Any disciplinary actions taken against or penalties imposed on us, our responsible officers, licensed representatives or relevant staff could have a material adverse impact on our business operations and financial results.

Compliance is dynamic in nature. Changes and updates of laws, rules, regulations, codes and guidelines are introduced from time to time for purposes including regulating new market developments. We are required to regularly review our internal control system and ensure our staff is aware of such changes.

Failure to comply with all applicable laws, rules, regulations, codes and guidelines from time to time may result in disciplinary actions taken by or penalties imposed by the regulators on us, our responsible officers, licensed representatives or relevant staff and our business operations, financial condition and reputation could be materially and adversely affected.

We may not be able to fully identify money laundering activities and/or other illegal or improper activities in our business activities

We are firmly committed to complying fully with all applicable laws and regulations in relation to prevention of money laundering and terrorist financing. The Anti-Money Laundering Guideline provides practical guidance to assist us and our senior management in designing and implementing our own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Accordingly, we have internal operational guidelines to establish appropriate procedures for (i) identifying clients and their beneficial owners; (ii) verifying their identities; (iii) performing database screening; (iv) monitoring business relationships continuously; (v) reporting knowledge or suspicion of money laundering; (vi) keeping adequate records; and (vii) providing appropriate AML training. However, in the event that we are not be able to detect money laundering activities fully or in a timely manner and we fail to fully comply with the applicable laws and regulations, the relevant government authorities may impose fines and/or penalties on us, which may adversely affect our business operations, financial condition and reputation.

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We may be adversely affected by any impairment of our reputation

As a service provider in the financial and securities industry, our reputation that we and all our employees, licensed persons and Directors in conducting our business activities act honestly, fairly, and in the best interests of our clients and act in conformity with our responsibilities under the legal and regulatory system is one of the key factors in gaining our clients' trust and confidence. During the Track Record Period, we did not encounter any issues or involve in any incidents which had impaired our reputation. However, there is no assurance that no litigation and disputes, employee misconduct, changes in senior personnel, customer complaints, disciplinary actions or penalties on us which may damage our reputation will happen in the future. Any impairment of our reputation could have a material adverse effect on our business operations, prospects and results of operations.

We are vulnerable to any deficiency or inherent limitations of our internal control system

We are committed to conducting our business in accordance with the laws, rules and policies issued or endorsed by regulators, best market practice and the highest standards of integrity and fair dealing. In accordance with the Code of Conduct, we have established our internal control systems, operational guidelines and compliance procedures for each of our business operations. We rely on the effectiveness of our internal control systems and procedures to record, process, summarise and report financial and other data in an accurate and timely manner to identify any reporting errors and non-compliance with relevant rules and regulations. Any deficiency in our internal control systems may lead to our financial loss and disciplinary actions taken by or penalties imposed by the regulators and our business operations, financial condition and reputation could be materially and adversely affected.

As we rely on our staff and management in operating and supervising our business activities, there may be possibilities that our staff commits offences such as theft and fraud or willful default such as insider dealing, market manipulation, false trading and price rigging. There is no assurance that our internal control systems are adequate or effective in protecting us from our employees' misconduct. Accordingly, commission of offences by our employees could have material adverse effect on our business operations, financial condition and reputation.

Failure of our computer system will disrupt our business operation

Our business operations rely heavily on computer system. Accordingly, the safety and stability of our computer system including our email system, storage system and trading system are of utmost importance to us. Our computer system and information processing facilities are protected by firewalls and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software. Encryption is required when data is stored on portable devices. Our business contingency policy including but not limited to daily backup procedures, remote premise and home office arrangement and alternative means of communication are in place to ensure the continuity of the business operation.

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However, we cannot assure you that our computer system is fully protected from any external threats such as computer viruses, worms, hackers or other disruptive actions by visitors or other internet users which may cause disruption including data corruption, interruption in our storage system, delay or cessation in the services provided through our securities dealing and brokerage system and our online trading platform, and that our business contingency plan can fully eliminate our loss arising from such disruption. Any failure in the protection of our computer system from external threat also may damage our Group's reputation for any breach of confidentiality to our clients, which in turn may adversely affect our financial condition and results of operation. In the event that clients' confidential information is stolen and misused, our Group may become exposed to potential risks of losses from litigation and possible liability.

Past dividends should not be used as a reference for our future dividend policy

For the years ended 29 February 2016 and 28 February 2017, we declared and paid dividend of nil and approximately HK\$11.6 million, respectively.

For the year ended 28 February 2018, we declared dividend of approximately HK\$5.0 million, which will be fully repaid by our internal resources before the Listing.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. 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.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We may not be able to compete effectively in the highly competitive financial and securities services industry in Hong Kong

The financial and securities services industry in Hong Kong is highly competitive due to the vast number of market players in providing corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management services. For details of the competition landscape, please refer to the section headed "Business — Competition" in this prospectus.

Our competitors may have longer operating history, better brand recognition and reputation, proven track record, operations in more geographic locations, stronger human and financial resources, wider range of services and stronger shareholders' background than that of our Group. Our Directors expect that there will be more market players entering into the market and competition will be intensified. We cannot assure you that we can sustain our competitive strengths and future prospects under this changing market environment and our results of operation will not be adversely affected.

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The results of operation of our business activities are subject to the performance of the financial and securities market in Hong Kong

During the Track Record Period, we derived our revenue from provision of financial and securities services in Hong Kong. Our performance is directly affected by the market conditions including market volatility, fluctuations in trading volume, funding availability and investor sentiment in Hong Kong. The financial and securities market of Hong Kong is directly influenced by the global economic environment including macroeconomic and monetary policies, currency fluctuations and other socio-political factors.

Any adverse change to the economic and market conditions and the performance of the financial and securities market in Hong Kong may adversely affect and slowdown the securities trading, corporate finance activities, fund raising activities and investment in funds in Hong Kong. Consequently, demand for our services may decline and our financial condition and results of operation could be materially and adversely affected.

Susceptibility to regulation changes on companies listed on the Stock Exchange

Companies listed on the Stock Exchange and companies seeking for a listing on the Stock Exchange and/or carrying out corporate finance transactions may be required to appoint sponsors, financial advisers or independent financial advisers from time to time (as applicable) in order to fulfil the relevant requirements of the Listing Rules, the GEM Listing Rules and the Takeovers Code. As the majority of our clients are companies listed on the Stock Exchange carrying out corporate finance transactions (including M&A transactions) or listing applicants on the Stock Exchange, we may be susceptible to any changes in rules and regulations in relation to the compliance requirements of the abovementioned rules and regulations. Any regulation changes on companies listed on the Stock Exchange, such as relaxations of rules and/or regulations requiring the appointment of sponsors, financial advisers or independent financial advisers for corporate finance transactions for companies listed on the Stock Exchange may significantly affect the demand and scope of our corporate finance services and thereby adversely impact our business and prospects in the future. In particular, any tightening of the GEM Listing Rules or Listing Rules in the listing requirements for the Stock Exchange (particularly the GEM Listing Rules since during the Track Record Period, the majority of our IPO sponsorship engagements entered into related to new listing on GEM) may affect our Group's business prospects in relation to our provision of IPO sponsorship services.

Any material adverse change in the political, economic, social, legal conditions and government policies in Hong Kong may adversely affect our business operations, financial condition and results of operation

Our business operations are based in Hong Kong and our Group had derived all our income in Hong Kong during the Track Record Period. Accordingly, our business operations, financial condition, results of operation and prospects are affected by the political, economic, social, legal conditions and government policies in Hong Kong. As an open economy, Hong Kong's domestic economy is also affected by many other unpredictable factors such as economic, social, legal and

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political development in the PRC, fluctuations in global interest rates, and changes in international economic and political situations. Any material adverse change in the existing political, economic, social, legal conditions and government policies in Hong Kong could materially and adversely affect our business operations, financial condition and results of operation.

Changes in the economic environment and government policies or regulations in relation to the financial and securities market in the PRC may affect the demand for our financial and securities services and thus adversely affect our business operations, financial condition and results of operation

Our client base becomes more diversified and we are having more clients from the PRC and the greater China region. However, any changes in the economic environment and government policies or regulations in relation to the financial and securities market in the PRC may adversely affect the willingness and needs of PRC enterprises to participate in the financial and securities market in Hong Kong. Consequently, the demand from PRC clients for our financial and securities services may decline and our business operations, financial condition and results of operation could be materially and adversely affected.

RISKS RELATING TO OUR GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, there was no public market for our Shares. The initial Offer Price range for our Shares was the result of negotiations among us and the Joint Global Coordinators for themselves and on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. In addition, we cannot assure you that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Our Controlling Shareholders have also agreed that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators for themselves and on behalf of the Underwriters, they will not dispose of any of the Shares during the six months following the Listing Date. As such, the number of our Shares available for sale will be significantly limited during the six months following the Listing Date, which may negatively impact the activity level of trading in our Shares and hinder the development of an active and liquid public trading market for our Shares during such period.

Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;

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- changes in our management or professional staff;
- changes in conditions affecting the financial and securities services industry, the general economic conditions or stock market sentiment;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in laws, regulations and policies affecting the financial and securities services industry;
- fluctuations in stock market price and trading volume; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, our Controlling Shareholders or other shareholders.

You should note that the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may materially and adversely affect the market price of our Shares.

The market price and trading volume for our Shares may be volatile

The price and trading volume of our Shares may be highly volatile and may not always accurately reflect the underlying value of our business. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade and investors may realise less than the original sum invested. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the pricing of our Shares and the time trading begins

The Offer Price will be determined on or about the Price Determination Date. However, our Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the five business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Offer Shares during that period. Accordingly, holders of

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our Offer Shares are subject to the risk that the price of our Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Substantial future sales or perceived sales of our Shares in the public market could cause the price of our Shares to decline

Sales of our Shares in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline. Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), we will have 400,000,000 Shares outstanding. Our Controlling Shareholders will be able to sell their Shares upon the expiration of certain lock-up periods. Further information is set forth in the section headed “Underwriting” in this prospectus. We cannot predict what effect, if any, market sales of securities held by our Controlling Shareholders or any other Shareholders or the availability of these securities for future sale will have on the market price of our Shares.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution and you may experience further dilution if we issue additional Shares or equity-linked securities in the future

The Offer Price is higher than the net tangible book value per Share. Therefore, purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value while the existing holders of our Shares will receive an increase in net tangible book value per share of their Shares. In addition, if we issue additional Shares or equity-linked securities in the future, purchasers of our Shares may experience further dilution in the net tangible assets book value per Share when the additional Shares are issued at a price lower than the net tangible assets book value per Share at the time of their issuance.

Our profitability and financial results may be adversely affected by any exercise of the options to be granted under the Share Option Scheme in the future

We have conditionally adopted the Share Option Scheme but no option has been granted thereunder as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue. Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our consolidated statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

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You may have difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

We are a Cayman Islands company and our corporate affairs are governed by the Cayman Companies Law and common law of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interest of minority shareholders differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Therefore, remedies available to the minority shareholders of our Company may be less effective than those they would have under the laws of Hong Kong or other jurisdictions. Further information is set forth in Appendix III to this prospectus.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to the stock market and the financial and securities services industry in Hong Kong contained in this prospectus

Facts, forecasts and other statistics in this prospectus relating to the stock market and the financial and securities services industry in Hong Kong have been derived from the public information. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled or otherwise publicly available. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics contained in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties, assumptions and other factors, some of which are beyond our control. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our actual results, performance or achievements may be adversely affected and may vary materially from those described or implied by the forward-looking statement. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our ability to successfully implement our business plans and strategies;
- the future development and conditions of the industry and markets in which we operate and intend to expand;
- the future competition environment;
- the future development of the Hong Kong, PRC and global financial and securities markets;
- changes in the global and domestic political and economic conditions;
- changes in the laws, rules, policies and regulations relating to all aspects of our business operations and business plans;
- changes in interest rates, foreign exchange rates, equity prices or other rates or prices including those pertaining to the industry and markets in which we operate;
- our capital expenditure plans;

FORWARD-LOOKING STATEMENTS

- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions and performance;
- factors that are described in the section headed “Risk factors” in this prospectus; and
- other factors beyond our control.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any and undertake no obligation to update or otherwise revise any forward-looking statement in this prospectus, whether as a result of new information, future developments or otherwise. In light of the risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Names	Residential address	Nationality
<i>Executive Directors</i>		
Mr. CHUNG Chi Man (鍾志文)	Flat B, 9/F Dragon Villa Tsing Ha Lane Tuen Mun New Territories Hong Kong	Chinese
Mr. POON Siu Kuen, Calvin (潘兆權)	Flat C, 12/F Tower 7, Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. LO Wai Kwan (羅惠均)	Flat B, 7/F, Tower 2A The Wings II 12 Tong Chun Street Tsueng Kwan O New Territories Hong Kong	Chinese
Dr. WU Kwun Hing (胡觀興)	1st Floor 5E Grampian Road Kowloon Hong Kong	Chinese
Mr. CHOI Wai Ping (蔡偉平)	Flat G, 14/F Two Island Place 55 Tanner Road North Point Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Names</u>	<u>Residential address</u>	<u>Nationality</u>
Ms. CHAN Ka Lai, Vanessa (陳嘉麗)	Flat B, 12/F, Tower 2 Chatham Gate 388 Chatham Road North Hungom Hong Kong	Chinese
Mr. CHEUNG Kwok Kwan <i>JP</i> (張國鈞)	Flat E, 11/F One Island Place 51 Tanner Road North Point Hong Kong	Chinese

Further information about our Directors and senior management is set forth in the section headed “Directors and senior management” in this prospectus.

PARTIES INVOLVED

Joint Sponsors

Innovax Capital Limited
Room 2002
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong
Licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505–06, 25/F
Low Block Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong
Licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

Innovax Securities Limited
Unit A–C, 20th floor, Neich Tower
128 Gloucester Road
Wanchai
Hong Kong
*Licensed corporation under the SFO to carry out Type 1
(dealing in securities) and Type 4 (advising on securities)
regulated activities*

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505–06, 25/F.
Low Block Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong
*Licensed corporation under the SFO to carry out Type 1
(dealing in securities), Type 2 (dealing in futures
contracts), Type 4 (advising on securities), Type 6
(advising on corporate finance) and Type 9 (asset
management) regulated activities*

Co-lead manager

BMI Securities Limited
Suites 909–916 Shui On Centre
6–8 Harbour Road
Wan Chai
Hong Kong
*Licensed corporation under the SFO to carry out Type 1
(dealing in securities) regulated activities*

Co-managers

Marketsense Securities Limited
Unit 7801–7803, 78/F
The Center
99 Queen’s Road Central
Hong Kong
*Licensed corporation under the SFO to carry out Type 1
(dealing in securities) regulated activities*

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Telecom Digital Securities Limited
Units 3608–12, Tower 2 Metroplaza
223 Hing Fong Road
Kwai Fong
New Territories
Hong Kong

*Licensed corporation under the SFO to carry out Type 1
(dealing in securities) and Type 2 (dealing in futures
contracts) regulated activities*

Legal advisers to our Company

as to Hong Kong law:
Mayer Brown JSM
Solicitors, Hong Kong
16th–19th Floors
Prince Building
10 Chater Road
Central
Hong Kong

as to Cayman Islands law:
Conyers Dill & Pearman
Attorneys, Cayman Islands
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal advisers to the Joint Sponsors
and the Underwriters**

as to Hong Kong law:
Sidley Austin
Solicitors, Hong Kong
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Auditor and reporting accountants

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance adviser

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

Licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchison Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit A–C, 20th floor, Neich Tower 128 Gloucester Road Wanchai Hong Kong
Authorised representatives	Mr. Chung Chi Man Flat B, 9/F Dragon Villa Tsing Ha Lane Tuen Mun New Territories Hong Kong Ms. Chau Lok Yi <i>(Member of the Hong Kong Institute of Certified Public Accountants)</i> 11/F., Ascot Tower 45–47 Village Road Happy Valley Hong Kong
Company secretary	Ms. Chau Lok Yi <i>(Member of the Hong Kong Institute of Certified Public Accountants)</i> 11/F., Ascot Tower 45–47 Village Road Happy Valley Hong Kong
Company’s website	<u>www.innovax.hk</u> <i>(Information contained on this website does not form part of this prospectus)</i>
Audit committee	Ms. Chan Ka Lai, Vanessa <i>(Chairlady)</i> Mr. Lo Wai Kwan Dr. Wu Kwun Hing Mr. Cheung Kwok Kwan <i>JP</i>

CORPORATE INFORMATION

Remuneration committee	Mr. Lo Wai Kwan (<i>Chairman</i>) Dr. Wu Kwun Hing Mr. Choi Wai Ping Ms. Chan Ka Lai, Vanessa
Nomination committee	Dr. Wu Kwun Hing (<i>Chairman</i>) Mr. Lo Wai Kwan Mr. Choi Wai Ping Ms. Chan Ka Lai, Vanessa
Cayman Islands Principal Registrar	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong Nanyang Commercial Bank Limited 151 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official, publicly available documents, the internet or other sources, which was not commissioned by us nor the Joint Sponsors. Our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting, compiling and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The relevant information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or any of their respective affiliates or advisers, and therefore may not be accurate, complete or updated. We make no representation as to the accuracy, completeness or fairness of such information and accordingly the information contained herein should not be unduly relied upon.

In respect of the information which has been directly or indirectly derived from the Stock Exchange's documents, the Stock Exchange and its subsidiaries do not guarantee the accuracy or reliability of the information and do not accept any liability (whether in tort, contract or otherwise) for any loss or damage arising from any inaccuracy or omission of the information; or any decision, action or non-action based on or in reliance upon any information by any person.

HONG KONG STOCK MARKET

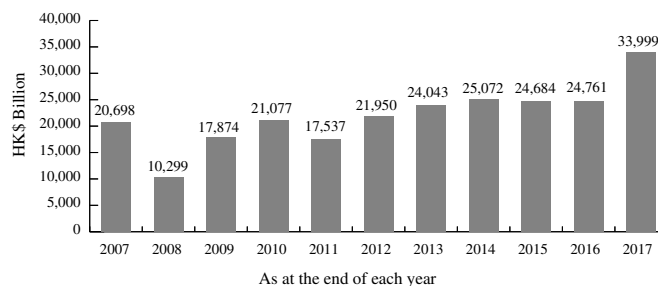
The Stock Exchange is one of the leading stock exchanges in the world. According to the global ranking of stock exchanges by market capitalisation table available on the SFC website, Hong Kong ranked the seventh largest market of the world's leading stock exchanges in terms of domestic equity market capitalisation as at 31 December 2017 with a total market capitalisation of approximately US\$4,351 billion. It was also the third largest stock market in Asia falling behind Japan and Shanghai as at 31 December 2017.

Market capitalisation of listed companies on the Main Board and GEM increased from approximately HK\$10,254 billion as at 31 December 2008 to approximately HK\$33,718 billion as at 31 December 2017, and from approximately HK\$45 billion in 2008 to approximately HK\$281 billion as at 31 December 2017, respectively.

The total market capitalisation of listed companies on the Main Board and GEM in Hong Kong fluctuated during the past 10 years along with the market conditions. Following the global financial tsunami occurred in 2008, a significant decline in total market capitalisation from approximately HK\$20,698 billion in 2007 to approximately HK\$10,299 billion in 2008 was experienced. The stock market recovered gradually thereafter until 2011 where the Hong Kong stock market was impacted by the US sub-prime financial crisis. The total market capitalisation then increased from approximately HK\$17,537 billion as at 31 December 2011 to approximately HK\$25,072 billion as at 31 December 2014. The total market capitalisation decreased slightly to approximately HK\$24,684 billion as at 31 December 2015 and remained stable at approximately HK\$24,761 billion as at 31 December 2016. The total market capitalisation then increased substantially to approximately HK\$33,999 billion as at 31 December 2017.

The following chart illustrates the total market capitalisation of companies listed on the Main Board and GEM as at the respective year end date on 31 December from 2007 to 2017:

Total market capitalisation of companies listed on the Main Board and GEM



* As at 31 December 2017

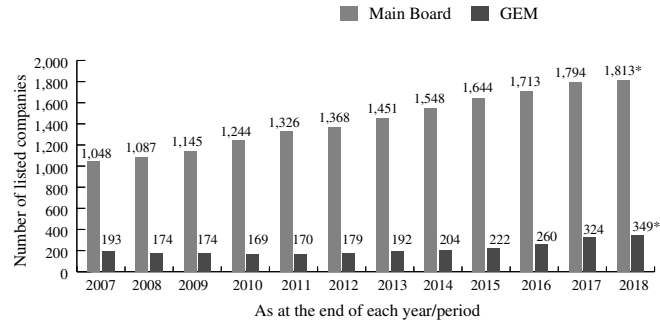
Source: HKEx fact book 2017 and HKEx Monthly Market Highlights — December 2017

INDUSTRY OVERVIEW

Following the launching of the Shanghai-Hong Kong Stock Connect in November 2014, which provides mutual trading access between the Shanghai and Hong Kong stock markets, and the launching of the Shenzhen-Hong Kong Stock Connect in December 2016, which provides mutual trading access between Shenzhen and Hong Kong stock markets, investors can trade eligible shares listed on the other market subject to daily and aggregate quotas.

There were a total of 1,813 companies and 349 companies listed on the Main Board and GEM respectively as at 28 February 2018, increased from 1,048 companies and 193 companies as at 28 February 2007 respectively. The following charts illustrate the number of listed companies and newly listed companies in Hong Kong as at the respective year end date from 31 December 2007 to 28 February 2018:

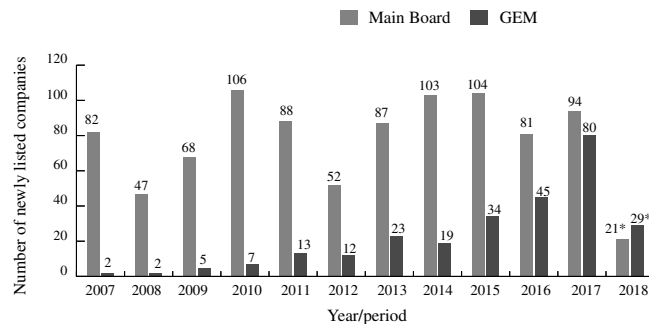
Number of listed companies in Hong Kong



* As at 28 February 2018

Source: SFC website — market & industry statistics — statistics of Hong Kong securities and future markets (Table B4) © Securities and Futures Commission

Number of newly listed companies in Hong Kong



* As at 28 February 2018

Source: SFC website — market & industry statistics — statistics of Hong Kong securities and future markets (table B2) © Securities and Futures Commission

Based upon the above charts, the increase in the number of listed and newly listed companies on the Main Board and GEM has created considerable opportunities for our corporate finance advisory business and placing and underwriting business.

FUND RAISING ACTIVITIES IN HONG KONG STOCK MARKET

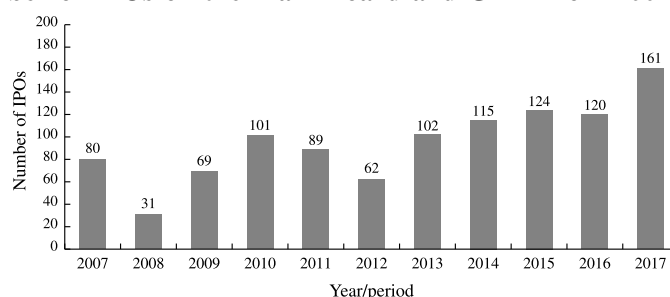
(A) IPO

From 2009 to 2011, Hong Kong was one of the leading IPO markets in the world. A total of 69, 101 and 89 IPOs were launched during the period, raising a total of approximately HK\$248 billion, HK\$449 billion, and HK\$260 billion, respectively. In 2012, 62 IPOs were launched in Hong Kong raising approximately HK\$90 billion, and Hong Kong's world ranking slipped to fourth place in terms of amount raised. Hong Kong emerged as the world's second largest IPO market in 2013, raising a total of approximately HK\$169 billion. Funds raised by IPOs for the year ended 31 December 2014 amounted to approximately HK\$233 billion, an increase of approximately 37.9% compared with approximately HK\$169 billion for the same period in 2013. For the year ended 31 December 2015, a total of 124 IPOs were launched, raising approximately HK\$263 billion. According to the Bi-Monthly Newsletter November — December 2015 issued by the Stock Exchange, the Stock Exchange continued to perform well in IPO fundraising, ranking the first worldwide in 2015 and in the top five position worldwide for the past 13 consecutive years. For the year ended 31 December 2016 and 31 December 2017, a total of 120 and 161 IPOs were launched

INDUSTRY OVERVIEW

respectively, representing an increase of approximately 34.2% and raising approximately HK\$195 billion and HK\$129 billion respectively, representing an decrease of approximately 33.8%. The number of IPOs in 2017 reached an historical high record.

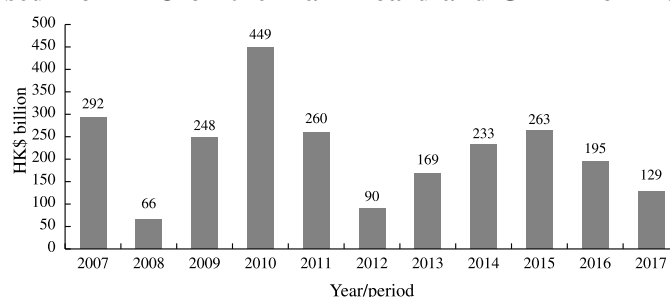
Number of IPOs on the Main Board and GEM from 2007–2017



Note: Exclude the number of transfer of listing from GEM to the Main Board

Source: HKEx fact book 2017 and GEM website

Funds raised from IPO on the Main Board and GEM from 2007 to 2017



Note: Exclude the number of transfer of listing from GEM to Main Board

Source: HKEx fact book 2017 and GEM website

The newly listed companies on the Main Board and GEM can also be classified by small-cap, medium-cap and large-cap according to their equity funds raised. Based on the average equity funds raised and the number of newly listed companies for each of the relevant year as shown in the table above, it is assumed that the newly listed companies raised equity funds equal or below the average amount are classified as small and medium-cap companies, of which the newly listed companies with the lowest 15% approximate amount of the aggregate equity funds raised in the entire market of the Main Board and GEM are classified as small-cap companies. The newly listed companies with raised equity funds above the average amount are classified as large-cap companies.

Set out below is a table showing amount of equity funds raised by way of IPO on the Main Board and GEM classified by small-cap, medium-cap and large-cap for the years ended 31 December 2012 to 2017.

	For the year ended 31 December											
	2012		2013		2014		2015		2016		2017	
	(HK\$ million)	No. of case	(HK\$ million)	No. of case	(HK\$ million)	No. of case	(HK\$ million)	No. of case	(HK\$ million)	No. of case	(HK\$ million)	No. of case
Main Board												
Small cap	500.9	7	964.4	11	1,616.8	14	1,476.9	13	1,011.6	11	1,194.6	12
Medium cap	15,666.0	30	44,768.5	49	55,195.2	61	40,718.2	56	30,164.8	48	20,220.1	51
Large cap	72,749.4	11	120,043.2	14	173,355.6	15	218,153.4	18	159,444.2	13	101,182.9	17
Total	88,916.3	48	165,776.1	74	230,167.6	90	260,348.5	87	190,620.6	72	122,597.6	80
GEM												
Small cap	82.0	2	133.5	4	121.2	3	189.8	5	278.2	7	575.4	12
Medium cap	318.9	5	807.6	14	840.2	13	1,403.7	21	2,304.5	33	2,901.8	45
Large cap	725.5	5	2,242.4	5	1,199.1	3	1,147.3	8	2,008.0	5	2,461.1	23
Total	1,126.4	12	3,183.5	23	2,160.5	19	2,740.8	34	4,590.7	45	5,938.3	80

Source: HKExnews — New Listing Report and HKGEM market statistics

As shown in above table, for the year ended 31 December 2017, despite the fact that the equity funds raised by the small and medium-cap companies on the Main Board and GEM were only approximately HK\$21,414.7 million and HK\$3,477.2 million respectively, which represented for only approximately 17.5% and 58.6% of the total equity funds raised for the same period

INDUSTRY OVERVIEW

respectively, there were 63 and 57 new small and medium-cap companies listed on the Main Board and GEM respectively, which represented for approximately 78.8% and 71.3% of the total new listed companies for the same period. Therefore, the overall equity fundraising market in Hong Kong mainly consists of small and mid-cap companies. Our Directors consider that there have been market opportunities of newly listed companies with small and mid-cap and going forward. During the Track Record Period, our Group mainly focused on small and mid-cap companies for our corporate finance advisory business and placing and underwriting business.

According to the 2018 Mid-Year Review: IPOs and other market trends published by an international accounting firm, the introduction of a new listing regime has generated significant interest from “new economy” companies globally and has already lead to several applications in Hong Kong. The Hong Kong IPO market continued to be active, with small and medium-sized deals dominating the landscape. During the six months ended 30 June 2018, Main Board recorded 48 IPOs totalling HK\$46.8 billion, which was a 11% decrease compared to the HK\$52.3 billion raised in the first half of 2017. The average deal size also decreased during the six months ended 30 June 2018, but is expected to recover by the end of the year. Meanwhile, GEM recorded 50 new listings in the first half of 2018, the highest half-year figure since its establishment. The HK\$3.4 billion raised represented a 31% increase over the same period in 2017. According to the international accounting firm, it is expected that Hong Kong will continue to be among the top listing destinations and is likely to end the year within the top three of the global IPO rankings. The total IPO proceeds for 2018 is forecast to exceed HK\$250 billion, and is expected to be dominated by small and medium-sized IPOs during the second half of 2018. Based on the above, our Directors consider the continuous growth of IPO market, in particular for small and medium-sized IPOs deals, will benefit our Group’s continuous business development.

(B) Secondary fund raising activities in Hong Kong

With the increase in the number of listed companies in Hong Kong, the activities to raise equity funds directly and indirectly through the Stock Exchange have become more active. Set out below is a table showing the breakdown of the total amount of equity funds raised on the Main Board and GEM for the years ended 31 December 2012 to 2017:

Total equity funds raised

	For the year ended 31 December						
	2012	2013	2014	2015	2016	2017	2012–2017
	HK\$ billion	HK\$ billion	HK\$ billion	HK\$ billion	HK\$ billion	HK\$ billion	CAGR
Main Board							
IPO	88.9	165.8	230.4	258.6	190.7	122.3	6.6%
Rights Issue	29.6	30.8	78.6	116.5	53.8	56.5	13.8%
Placing	134.6	98.0	295.5	424.1	147.1	334.9	20.0%
Others, including warrants exercised, consideration issue and share option	47.1	75.2	325.0	287.8	79.6	52.3	2.1%
Total	300.2	369.8	929.5	1,087.0	471.2	566.0	13.5%
	For the year ended 31 December						
	2012	2013	2014	2015	2016	2017	2012–2017
	HK\$ billion	HK\$ billion	HK\$ billion	HK\$ billion	HK\$ billion	HK\$ billion	CAGR
GEM							
IPO	1.1	3.2	2.2	2.7	4.6	5.9	39.9%
Rights Issue	1.1	0.6	3.5	5.1	3.5	2.5	17.8%
Placing	1.8	3.5	4.9	12.2	7.0	4.0	17.3%
Others, including warrants exercised, consideration issue and share option	1.1	1.8	2.8	1.9	3.8	1.6	7.8%
Total	5.1	9.1	13.4	21.9	18.9	14.0	22.4%

Source: SFC website — Statistics of Hong Kong securities and future markets © Securities and Futures Commission

As shown in the above tables, the overall equity fund raising market followed the trend of the stock market of Hong Kong and fluctuates from year to year. There was no particular trend of growth in terms of the quantitative amount of equity funds raised for the years ended 31 December 2012 to 2017.

INDUSTRY OVERVIEW

SECURITIES TRADING IN HONG KONG

The Main Board and GEM are the two markets operated by the Stock Exchange for securities trading. The Main Board provides a platform for the trading of securities of larger and more established companies while the GEM provides a platform for the trading of securities of growth companies.

Over the past 10 years since 2008, the Hong Kong stock market has experienced a number of ups and downs and the trading turnover fluctuated during this period. Trading turnover showed a decreasing trend due to the global financial tsunami which took place in the second half of 2008. Trading turnover in 2009 was approximately HK\$15,515 billion, representing a decrease of approximately 12.1% compared to 2008.

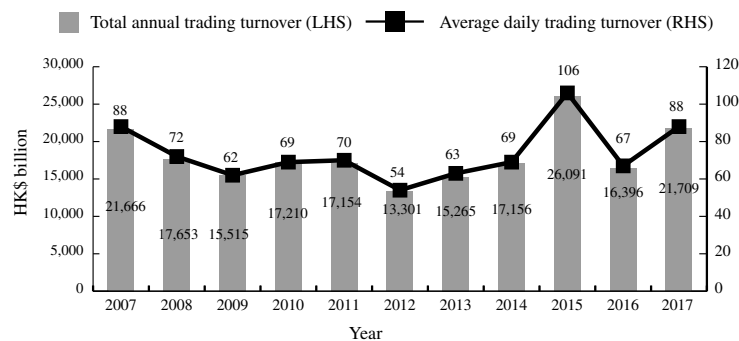
With the stock market experienced turnaround from 2009 to 2011, the annual trading turnover in 2011 increased to approximately HK\$17,154 billion, representing an increase of approximately 10.6% compared to 2009.

Notwithstanding the trading activity being weakened with the average daily trading turnover decreased by approximately 22.9% from 2011 levels to approximately HK\$54 billion, since 2013, trading activity had been improving and both the total and average daily trading turnover reached a ten-year high in 2015, which was approximately HK\$26,091 billion and HK\$106 billion respectively.

In 2016, trading activity reduced again and the average daily trading turnover decreased to approximately HK\$67 billion, a decrease of approximately 36.8% compared with approximately HK\$106 billion in 2015.

In 2017, trading activity rebounded and the average daily trading turnover increased to approximately HK\$88 billion, an increase of approximately 31.3% compared with approximately HK\$67 billion in 2015.

Trading turnover from 2007 to 2017



Source: HKEx fact book 2017 As at 31 December 2017

(A) Securities dealing and brokerage industry

Securities dealing and brokerage business refers to a business in which the brokers accept the delegation of the investors and on behalf of the investors buy or sell various types of securities, mainly stocks, bonds, futures, options, and other derivatives. Securities dealing and brokerage business in Hong Kong is commission based, and the commission rate varies, depending on various factors such as the scale of the deal.

Hong Kong securities market follows “Broker Trade Mode”, in which securities companies expand their client bases and provide brokerage services mainly through brokers. In Hong Kong, securities companies will concentrate all their clients’ stocks and deposit them to the clearing house. Usually brokerage firms have full control over investors’ stocks.

In order to trade in securities through the trading facilities of the Stock Exchange, a participant, among other things, shall hold a Stock Exchange Trading Right and be a Stock Exchange Participant. It must also be a licensed corporation under the SFO for Type 1 (dealing in securities) regulated activity and comply with the financial resources requirements as specified by the FRR and the Stock Exchange.

INDUSTRY OVERVIEW

Stock Exchange Participants are divided into three categories by the Stock Exchange based on their market share:

- (a) Category A (the top 14 firms in terms of their share of the total trading volume);
- (b) Category B (firms ranked from 15 to 65 in terms of their share of the total trading volume); and
- (c) Category C (the remaining firms in the stock market).

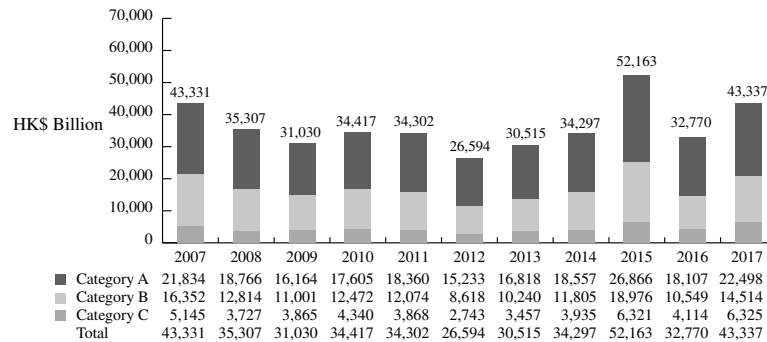
We are a Stock Exchange Participant under Category C and is currently holding one Stock Exchange Trading Right.

Proportion of Stock Exchange Participants in terms of transaction value, 2013–2017

Participants	2013	2014	2015	2016	2017
Category A	55.1%	54.1%	51.5%	55.3%	51.9%
Category B	33.6%	34.4%	36.4%	32.2%	33.5%
Category C	11.3%	11.5%	12.1%	12.6%	14.6%

Source: SFC

Transaction value by category of Stock Exchange Participants from 2007 to 2017



CAGR	Category A	Category B	Category C	Total
2007–2017	0.3%	-1.2%	2.1%	0.0%

Note: The total turnover of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas. Both buy and sell transactions have been counted in the calculation

Source: SFC Website — Market & Industry Statistics — statistics of Hong Kong Securities and future market (Table B14) © Securities and Futures Commission

As illustrated above, Stock Exchange Participants under Category A have a remarkable leading advantage in terms of number of transactions as well as transaction value in the securities dealing and brokerage market in Hong Kong; however, they have experienced a decline in total market share in terms of transaction value from 55.1% in 2013 to 51.9% in 2017. On the other hand, during the same period, the transaction value of Stock Exchange Participants under Category C increased from HK\$3,457 billion to HK\$6,325 billion, representing a market share increased from 11.3% to 14.6% respectively. The increase was mainly contributed by the expansion of companies with PRC background into Hong Kong stock market. Benefited from the increasing liberalisation of PRC capital in international market, the increasing investment demand of PRC investors in Hong Kong stock market became another important growth driver of market share of Stock Exchange Participants under Category C. The trend also signaled the further growth of business scale and market share of PRC-funded securities companies in the Hong Kong securities market.

(B) Market trends of securities dealing brokerage business in Hong Kong

Emerging online brokerage business:

Rapid development of internet and mobile internet technologies in the PRC has stimulated the increasing penetration of online brokerage business. Online brokerage business did not have high popularity among investors in Hong Kong in early years. In recent years, increasing attention has been drawn to the growth of online trading which witnessed rapid penetration into local retail brokerage market in Hong Kong. Along with the flourishing of

INDUSTRY OVERVIEW

internet and digital network, online brokerage is becoming increasingly popular amongst local investors in the securities market. The average commission rate of brokers who take telephone orders from clients is expected to experience a downward pressure, as the result of competition with the online brokerage services which charge lower commission rate.

Diversified service mode:

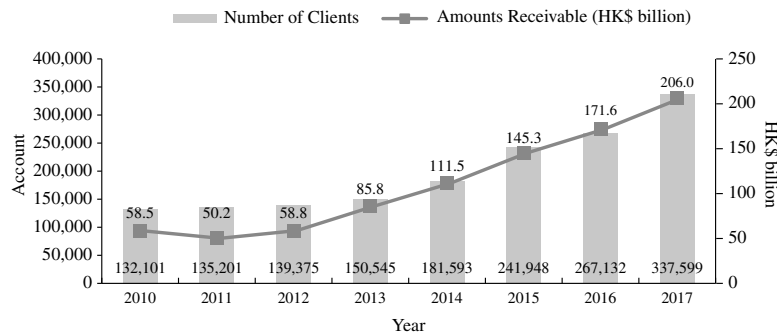
There are over 500 securities brokers from the PRC, Hong Kong and overseas competing in Hong Kong securities market. To better serve various clients' demands and compete for market share, besides traditional brokerage services, brokers are expected to provide more value-added services, including securities information consultation services and asset portfolio analysis to attract new clients, maintain existing ones and strengthen their competitiveness. At the same time, favourable brokerage charges are offered by brokers to clients. The Hong Kong Government does not interfere with this situation, in order to maintain a free competition market environment, therefore, the commission rate is expected to maintain a decreasing trend.

SECURITIES FINANCING

To supplement the securities dealing and brokerage business and to broaden the revenue source, licensed corporations for dealing in securities offer securities financing to their clients for facilitating their purchase of securities on the Secondary Market and subscription for shares offered under public tranche of IPOs.

According to the annual reports of 2011–12, 2012–13, 2013–14, 2014–15, 2015–16, 2016–17 and 2017–18 published by SFC, the following data were extracted from the monthly financial returns submitted to the SFC in accordance with the FRR by corporations licensed for dealing in securities or securities margin financing:

Number of active margin clients and amounts receivable, 2010–2017



Source: SFC Annual Report 2011–12, 2012–13, 2013–14, 2014–15, 2015–16, 2016–17 and 2017–18

Total number of active margin clients and amounts receivable from margin clients have generally exhibit an increasing trend since 2011. From 2012 to 2017, total number of active margin clients increased from 139,375 to 337,599 at a CAGR of 19%, and amounts receivable has grown from HK\$58.8 billion to HK\$206.0 billion at a CAGR of 28%. The rapid growth was mainly attributable to the increasing financing demand in Hong Kong. Also, the continuous progress of developing margin financing service/products has driven the application of margin financing among money borrowers.

According to the 2018 Mid-Year Review: IPOs and other market trends published by an international accounting firm, it is expected that Hong Kong will continue to be among the top listing destinations and is likely to end the year within the top three of the global IPO rankings. The total IPO proceeds for 2018 is forecast to exceed HK\$250 billion, and is expected to be dominated by small and medium-sized IPOs during the second half of 2018. In addition, according to the market statistics published by the Stock Exchange, the average daily turnover of Hong Kong securities market was approximately HK\$126.6 billion during the first half of 2018, increased by 67% from approximately HK\$76.0 billion during the same period in 2017. Based on the above, our Directors consider that the robust growth of IPO market and average daily turnover of Hong Kong securities market will stimulate the demand for securities financing services continuously.

INDUSTRY OVERVIEW

ASSET MANAGEMENT

According to the Fund Management Activities Survey (FMAS) 2016 published by SFC in July 2017, the combined fund management business in 2016 in Hong Kong amounted to approximately HK\$18,293 billion as at the end of 2016.

Breakdown of combined fund management business in 2016

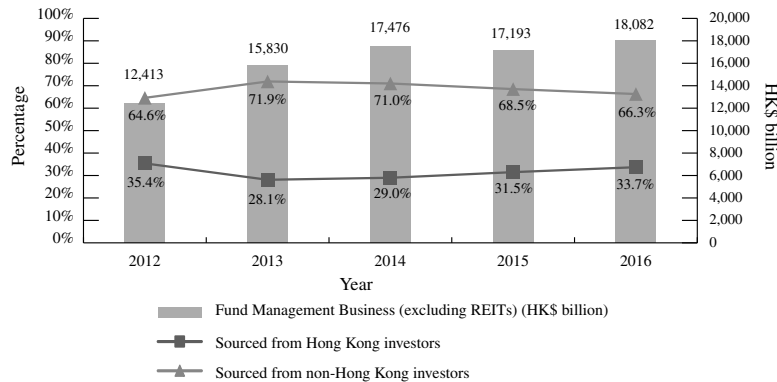
	<u>Licensed Corporations</u>	<u>Registered Institutions</u>	<u>Insurance Companies</u>	<u>Total</u>
(HK\$billion)				
Asset management business	11,354	956	514	12,824
Fund advisory business	1,199	—	—	1,199
Private banking business	—	4,059	—	4,059
Fund management business (excluding REITs)	12,553	5,015	514	18,082
SFC-authorized REITs	211	—	—	211
Combined fund management business	12,764	5,015	514	18,293

Source: Fund Management Activities Survey (FMAS) 2016 published by SFC

Fund management business by source of funds

According to the Fund Management Activities Survey (FMAS) 2016 published by SFC in July 2017, funds sourced from Hong Kong investors increased slightly to approximately 33.7% of the fund management business in 2016 from approximately 31.5% in 2015.

Fund management business (excluding REITs) by source of funds, 2012–2016

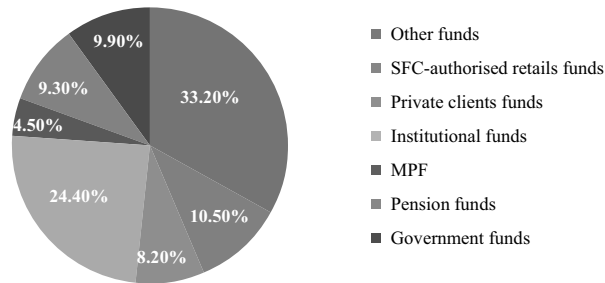


Source: Fund Management Activities Survey (FMAS) 2016 published by SFC © Securities and Futures Commission

Asset management and fund advisory business by type of funds

Institutional funds, SFC-authorized retail funds and other funds (including overseas retail funds, hedge funds, private equity funds and insurance portfolios) continued to account for more than 68% of the aggregate asset management and fund advisory business.

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Source: Fund Management Activities Survey (FMAS) 2016 published by SFC © Securities and Futures Commission

MARKET DRIVERS

The Hong Kong capital market has experienced a long history of development. The main drivers include the following:

Internationalised capital market

The internationalisation of the Hong Kong capital market is featured by its high level of openness to and freedom of capital flow, and the active participation of global financial institutions. Many well-known international investment banks have set up branches in Hong Kong. There is no limit on foreign investments imposed in the Hong Kong stock market. Meanwhile, local investors can freely participate in investment in overseas markets such as Singapore, London and New York. Such free flow of capital and barrier-free investment attract overseas institutions and make significant contribution to the development of the Hong Kong capital market.

Diversified funding sources

The Hong Kong capital market has a mature system of market operation rules after decades of development, allowing the use of diversified financial instruments and mergers and acquisitions and financing activities to be conducted conveniently. Accordingly, financing activities are greatly functional in Hong Kong and IPOs and secondary offerings are expected to continue to attract foreign investments compared to the stock market in other jurisdictions which is not as open and transparent as that in Hong Kong.

Mature trading and clearing system

In March 2014, HKEx launched its first mainland infrastructure basis — Mainland Market Data Hub (MMDH), aiming at strengthening the connection of the Stock Exchange and mainland stock exchanges and provide mainland investors with reliable, extendable and cost-efficient infrastructures. In the same month, Orion Market Data Platform (OMD) was launched. In December 2014, OMD in derivatives market (OMD-D) was launched as well. HKEx OMD is an integrated low-latency platform to deliver market data for all asset classes traded on the Stock Exchange in a common message format. OMD provides a suite of market data product feeds with content, market depth and bandwidth requirements tailored to suit the needs of different types of clients. Employing industry leading low latency technology, OMD delivers vital pricing data to subscribers rapidly and efficiently. The platform also enables the Stock Exchange to establish points of presence for market data distribution outside of Hong Kong, such as China. These initiatives are expected to benefit market participants by lowering the costs and increasing efficiency.

Evolving and comprehensive regulatory regime

Implemented in 2003, the SFO provides the legal regime for comprehensive supervision of the securities industry, while the functioning of the Hong Kong capital market is regulated by the rules and regulations of the Stock Exchange. The supervision of the SFC and the Stock Exchange on Hong Kong capital market ensures regular and normative operation of the market, and strengthens and protects the integrity and soundness of Hong Kong's securities and futures markets for the benefit of investors and the industry. In 2014, the Shanghai-Hong Kong Stock Connect Programme was launched to establish mutual stock market access between Hong Kong and the PRC. In December 2014, Hong Kong Monetary Authority

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(HKMA) introduced two measures, namely (i) streamlining of tenors of bonds issued under the Exchange Fund Bills and Notes (EFBN) Programme and the Hong Kong Government Bonds (GB) Programme; and (ii) discount facility for Hong Kong Government Bonds, to further promote local Hong Kong dollar bond market development.

Diversified financial products

New products and financial instruments keep spring up in the capital market of Hong Kong. The securities market of Hong Kong is composed by equity securities, debt securities, and multiple types of trusts, funds, as well as structured products. Beyond that, the Stock Exchange provides derivative products since 1986, which by now has expanded into five categories products, including equity index products, equity products, Renminbi currency futures, interest rate products, and warrants. HKEx also provides clearing services in over-the-counter derivatives market. Hong Kong capital market diversifies the types of its products by the time to achieve development all the time.

Investment globalisation of PRC investors

Along with the introduction of Shanghai-Hong Kong Stock Connect Programme, the efforts in investment and currency globalisation have been stepped up. As an international financial hub and offshore Renminbi centre backed by the mature financial and transparent legal systems, Hong Kong capital market will continue to be benefited by the influx of larger amount of capitals from China. The proliferation and increasing internationalisation of the PRC stock market have also been attracting increasing attention of and investment from overseas investors into China. Meanwhile, due to the continuous adjustment of deposit interest rate, PRC investors will tend to seek for investment opportunities with higher returns, and therefore the demand for investment in Hong Kong capital market from PRC investors is expected to increase in the future, which will also drive the growth of Hong Kong capital market serving as a bridge between the PRC and overseas markets.

Continuous development of the PRC macro-economy

According to HKEx, the number of PRC companies accounted for nearly 50% of total number of listed companies on the Stock Exchange, and the turnover generated from PRC companies represented nearly 76% of the total turnover of the Hong Kong stock market in 2017. The stable growth of the PRC macro-economy and continuous development of various industries together with the investment globalisation of the PRC investors as mentioned above are expected to continue to drive the performance of Hong Kong capital market and foster the sustainable development of Hong Kong as an attractive investment platform for capital from the PRC.

ENTRY BARRIERS TO THE FINANCIAL AND SECURITIES SERVICES INDUSTRY IN HONG KONG

The main entry barriers into the financial and securities services industry in Hong Kong include the following:

Regulatory requirements

The SFC is responsible for regulating the securities and futures markets in Hong Kong. The SFO, along with its subsidiary legislations, are the principal legislations to regulate the securities and futures industry in Hong Kong. The SFC operates a system of authorising corporations and individuals to act as financial intermediaries through licensing. The SFC regulates licensed corporations and individuals that are carrying out regulated activities, including mainly dealing in and advising on securities and futures, leveraging foreign exchange trading, advising on corporate finance asset management, and so on. As a highly regulated industry, the cost for new entrants to comply with and fulfil licensing conditions and ongoing regulatory requirements is very high.

Fierce competition

Along with the continuous development of the Hong Kong capital market and connections with the PRC market, various types of companies, including international large-scale investment banks, securities firms with PRC background and local securities companies, are competing intensively for larger market share. Leading players in the industry usually have years of experience, pool of talents, sound reputation, large client base and network

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accumulation in the market, with mature business models and operational processes. Compared with large-scale leading players, new entrants may face the risk and challenge of limited and inadequate resources in terms of pricing, project scale and turnover, client base, talent and capital.

Requirement to comply with the FRR

The FRR applies to all corporations licensed to conduct one or more types of regulated activities. They are designed to address risks arising from various aspects of the regulated activities carried out by licensed corporations and aim to ensure that licensed corporations have sufficient liquid assets to meet ongoing liabilities as they fall due. Licensed corporations are required to comply with the capital requirements of the FRR in order to become and remain licensed by the SFC. As a safeguard against non-compliance, licensed corporations are required to periodically report their financial positions to the SFC. New entrants and existing licensed corporations will face challenges from meeting the requirements regulated by the FRR.

REGULATORY OVERVIEW

This section sets forth a summary of the laws and regulations applicable to our business and operations in Hong Kong. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

INTRODUCTION

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matter.

The SFO is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

THE SFC

With effect from 1 April 2003, the SFO consolidated and modernised the 10 previous ordinances regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures, leveraged foreign exchange trading and derivative markets as well as credit ratings, intermediaries and their conduct of regulated activities and the offering of investments to the public in Hong Kong.

The SFC is an independent statutory body which administers the SFO and is responsible for regulating the securities and the futures industry in Hong Kong. The SFC works to strengthen and protect the integrity and soundness of Hong Kong's securities and futures markets for the benefit of investors and the industry.

As set out in the SFO, SFC's regulatory objectives are:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to promote understanding by the public of financial services including the operation and functioning of the securities and futures industry;
- to provide protection for members of the public investing in or holding financial products;
- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary of Hong Kong in maintaining the financial stability of Hong Kong by taking appropriate actions in relation to the securities and futures industry.

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The SFC is the only Hong Kong financial regulator given the mandate to educate the investing public. Following the enactment of the Securities and Futures (Amendment) Ordinance 2012, the Investor Education Centre was formed as a SFC subsidiary to educate the public on a broad range of retail financial products and services.

The SFC has five operational divisions which are Corporate Finance, Enforcement, Intermediaries (including Licensing and Intermediaries Supervision), Investment Products and Supervision of Markets. The SFC is also supported by the Corporate Affairs and Legal services divisions.

Below are participants, including investors, in the securities and futures market that SFC regulates in achieving the regulatory objectives under the SFO:

- Brokers, investment advisers, fund managers and intermediaries carrying out the regulated activities as listed in the sub-paragraph “Type of regulated activities” below
- Investment products
- Listed companies
- HKEx
- Automated trading service providers
- Approved share registrars
- Investor Compensation Company Limited
- Market participants (including investors)

LICENSING REGIME UNDER THE SFO

The functions of the SFC, as a gatekeeper of standards for individuals and corporations seeking approval to enter into the securities and futures markets of Hong Kong, include the following:

- grant licences to those who are appropriately qualified and can demonstrate their fitness and properness to be licensed under the SFO;
- maintain online a public register of licensed persons and registered institutions;
- monitor the ongoing compliance of licensing requirements by licensees, substantial shareholders of licensed corporations and directors of licensed corporations and substantial shareholders; and
- initiate policies on licensing issues.

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The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorised financial institution (as defined in section 2(1) of the Banking Ordinance, (Chapter 155 of the Laws of Hong Kong)) and is:

- carrying on a business in a regulated activity (or holding out as carrying on a regulated activity); or
- actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public such services it provides, would constitute a regulatory activity if provided in Hong Kong,

must be licensed by the SFC to carry out that regulatory activity, unless one of the exemptions under the SFO applies.

Types of regulated activities

The SFO provides a single licensing regime under which a person needs only one licence to carry on different types of regulated activities as specified in Schedule 5 of the SFO. There are ten types of regulated activities, namely:

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;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management; and

Type 10: providing credit rating services.

Type of intermediaries

Below are the four types of intermediaries that are regulated by the SFC:

1. Licensed corporation

It is a corporation (not being an authorised financial institution) which is granted a licence to carry on one or more than one regulated activity under section 116 of the SFO; and

Temporary licensed corporation

It is a corporation (not being an authorised financial institution) which is granted a temporary licence to carry on, for a period of not exceeding three months, one or more than one regulated activity under section 117 of the SFO (except for Types 3, 7 and 9 regulated activities).

2. Responsible officer

He/she is a licensed representative who is also approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he/she is accredited.

3. Licensed representative

He/she is an individual who is granted a licence under section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited; and

Provisional licensed representative

He/she is an individual who is granted a provisional licence under section 120(2) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited (prior to the grant of his/her licence under section 120(1) of the SFO; and

Temporary licensed representative

He/she is an individual who is granted a temporary licence under section 121 of the SFO to carry on, for a period not exceeding 3 months, one or more than one regulated activity for a corporation licensed under section 116 or 117 to which he/she is accredited.

4. Registered institution

It is an authorised financial institution which is registered to carry on one or more than one regulated activity under section 119 of the SFO, where an authorised financial institution means an authorised institution as defined in section 2(1) of the Banking Ordinance (i.e. a bank, a restricted licence bank or a deposit-taking company).

OVERVIEW OF LICENSING REQUIREMENTS

Under the SFO, any person who: (a) carries on a business in a regulated activity; or (b) holds itself out as carrying on a business in a regulated activity, must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is a serious offence for a person to conduct any regulated activity without appropriate licence.

Further, if a person (whether by itself or another person on its behalf, and whether in Hong Kong or from a place outside Hong Kong) actively markets to the public in Hong Kong any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

In addition to the licensing requirements on corporations, any individual who: (a) performs any regulated function in relation to a regulated activity carried on as a business; or (b) holds himself out as performing such regulated activity, must be licensed separately under the SFO as a Licensed Representative accredited to his principal.

For each regulated activity conducted by a licensed corporation, it must appoint no less than two responsible officers, at least one of them must be an executive director, to supervise the business of such regulated activity. In addition, every director of the licensed corporation who actively participates in or is responsible for directly supervising the licensed corporation's regulated activity or activities must apply to the SFC to become a responsible officer.

Fit and proper requirement

Persons applying for licences under the SFO must satisfy and continue to satisfy after the grant of such licences by the SFC that they are fit and proper persons to be so licensed. In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable.

In considering whether a person, an individual, corporation or institution, is fit and proper for the purpose of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant. Section 129(1) of the SFO has regard to the following:

- financial status or solvency;
- education or the qualifications or experience having regard to the nature of the functions to be performed;
- ability to carry on the regulated activity concerned competently, honestly and fairly; and
- reputation, character, reliability and financial integrity of the applicant and other relevant persons as appropriate.

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The above fit and proper criteria serve as the fundamental basis when the SFC considers each licence or registration application. Detailed guidelines are contained in the Fit and Proper Guidelines, the Licensing Information Booklet and the Guidelines on Competence published by the SFC.

The Fit and Proper Guidelines apply to a number of persons including the following:

- an individual who applies for licence or is licensed under Part V of the SFO;
- a licensed representative who applies for approval or is approved as a responsible officer under Part V of the SFO;
- a corporation which applies for licence or is licensed under Part V of the SFO;
- an authorised financial institution which applies for registration or is registered under Part V of the SFO;
- an individual whose name is to be or is entered in the register maintained by the HKMA under section 20 of the Banking Ordinance; and
- an individual who applies to be or has been given consent to act as an executive director of a registered institution under section 71C of the Banking Ordinance.

Section 129(2) of the SFO empowers the SFC to take into consideration any of the following in considering whether a person is fit and proper:

- decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;
- in the case of a corporation, any information relating to:
 - any other corporation within our group of companies; or
 - any substantial shareholder or officer of the corporation or of any of its group companies;
- in the case of a corporation licensed under section 116 or 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:
 - any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;

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- in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse an application to be licensed if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to prove to the SFC that the applicant is fit and proper to be licensed for the regulated activity.

Licensed corporation

For application as a licensed corporation, the applicant has to be incorporated and the licensed corporation has to satisfy the SFC that it has proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed regulated business as detailed in the business plan submitted to the SFC. Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- Guidelines on Competence;
- the Code of Conduct;
- the management, supervision and internal control guidelines for persons licensed by or registered with the SFC;
- the corporate finance adviser Code of Conduct (the “**CFA Code**”)

Qualification and experience required for being a responsible officer

A person who intends to apply to be a responsible officer must demonstrate that he fulfils the requirements on both competence and sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation’s regulated activity or activities. Accordingly, the applicant has to fulfil certain requirements on academic and industry qualifications, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

If a responsible officer intends to conduct regulated activities in relation to matters falling within the ambit of a particular code issued by the SFC, for instance, the Takeovers Code, additional competence requirements specific to the Takeover Code would apply to responsible officers who carry on Type 6 (advising on corporate finance) regulated activity.

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Qualification and experience required for being a licensed representative

A person who intends to apply to be a licensed representative must demonstrate his/her competence requirement under the SFO. An applicant has to establish that he has the requisite basic understanding of the securities market in which he is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence to be licensed as a licensed representative, the SFC will have regards to the applicant's academic and industry qualification and regulatory knowledge.

Sponsors and compliance advisers regime

Under the sponsor regime established in January 2007, only Type 6 (advising on corporate finance) intermediaries that can meet the eligibility criteria set out in the Sponsor Guidelines published by the SFC and remain fit and proper as licensees or registered persons will be eligible to act as sponsors for IPOs and/or compliance advisers to listed companies. Since the new sponsor regime, there are enhanced regulations on IPO sponsors and the key obligations of IPO sponsors have been consolidated and centralised in paragraph 17 of the Code of Conduct effective from 1 October 2013 for sponsor works.

The Listing Rules, the GEM Listing Rules, the Sponsor Guidelines and the CFA Code regulate sponsor's obligations and responsibilities. The intermediary and its management, which include a sponsor's board of directors, managing director, chief executive officer, responsible officers, executive officers and other senior management personnel, shall be responsible for ensuring that the firm satisfies all specific and on-going eligibility criteria of the Sponsor Guidelines and paragraph 17 of the Code of Conduct. In case of any conflicts amongst the Listing Rules, the Sponsor Guidelines and the CFA Code, the provisions of paragraph 17 of the Code of Conduct shall prevail. Hence, again, the onus is on the licensed corporation and its management to demonstrate that the firm satisfies all necessary requirements of the Sponsor Guidelines and paragraph 17 of the Code of Conduct for sponsor work.

A sponsor is a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a sponsor in respect of an application for the listing of any securities on a recognised stock market under the GEM Listing Rules or the Listing Rules (as the case may be).

A compliance adviser is a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity, and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a compliance adviser under the GEM Listing Rules or the Listing Rules (as the case may be). The main role of a compliance adviser is to ensure that the listed company is properly guided and advised as to compliance with the GEM Listing Rules or the Listing Rules (as the case may be) and all other applicable rules, laws, codes and guidelines. Only firms eligible to act as sponsors are eligible to act as compliance advisers. In this regard, this applies to Innovax Capital.

REGULATORY OVERVIEW

In order to act as a sponsor, apart from holding a Type 6 (advising on corporate finance) licence, an application for sponsor licence should be submitted to the SFC to demonstrate that it can meet the eligibility criteria pursuant to the Sponsor Guidelines. In considering the sponsor licence application, the SFC will take into account the competency of the firm to act as a sponsor, based on the criteria set out in the Sponsor Guidelines and will also consider more generally the firm's fitness and properness as a corporate finance advisory firm under the Fit and Proper Guidelines.

A sponsor should ensure that there are sufficient principals engaged in a full time capacity to discharge its role in supervising the transaction team. A sponsor should have at least two principals at all times. The GEM Listing Rules or the Listing Rules (as the case may be) require an issuer to appoint a compliance adviser during an initial period after being admitted to listing and the compliance adviser's core role is to assist the issuer to comply with certain of its GEM Listing Rules or Listing Rules (as the case may be) obligations during such a period.

ON-GOING OBLIGATIONS OF LICENSED CORPORATIONS

Licensed corporations, licensed representatives and responsible officers must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Minimum capital requirements

Pursuant to section 145 of the SFO, depending on the types of regulated activity a licensed corporation conducts, a licensed corporation is required to maintain at all times paid-up share capital and liquid capital not less than the specified amounts specified in the FRR.

The following table summaries the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

<u>Regulated activity</u>	<u>Minimum paid-up share capital</u>	<u>Minimum liquid capital</u>
Type 1 (dealing in securities)		
(a) in the case where the corporation is an approved introducing agent or a trader	Not applicable	HK\$500,000
(b) in the case where the corporation provides securities margin financing	HK\$10,000,000	HK\$3,000,000
(c) in any other case	HK\$5,000,000	HK\$3,000,000

REGULATORY OVERVIEW

Regulated activity	Minimum paid-up share capital	Minimum liquid capital
Type 4 (advising on securities)		
(a) in the case where in relation to Type 4 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(b) in any other case	HK\$5,000,000	HK\$3,000,000
Type 6 (advising on corporate finance)		
(a) in the case where the corporation acts as a sponsor:		
— hold client assets	HK\$10,000,000	HK\$3,000,000
— not hold client assets	HK\$10,000,000	HK\$100,000
(b) in the case where the corporation does not act as a sponsor:		
— hold client assets	HK\$5,000,000	HK\$3,000,000
— not hold client assets	Not applicable	HK\$100,000
Type 9 (asset management)		
(a) in the case where in relation to Type 9 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(b) in any other case	HK\$5,000,000	HK\$3,000,000

Source: Schedule 1 to the FRR and the Licensing Handbook published by the SFC

If the licensed corporation is licensed for more than one type of regulated activity, the minimum paid-up share capital and liquid capital that the corporation should maintain shall be the highest amount required among those regulated activities.

Obligation for substantial shareholders

Under section 132 of the SFO, a person (including a corporation) has to apply for SFC's approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under section 116 of the SFO. A person who has become aware that he has become a substantial shareholder of a licensed corporation without SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

REGULATORY OVERVIEW

Variation of regulated activity specified in licence or certificate of registration

Under section 127(1) of the SFO, a licensed corporation may apply in the prescribed manner and payment of the prescribed fee to the SFC to vary the regulated activity specified in its licence or certificate of registration. Prior approval would also need to be obtained from the SFC in cases such as addition or reduction of regulated activity, modification or waiver of licensing conditions and change of financial year end.

Modification or waiver of licensing requirements

Under the licensing requirements, a licensed corporation may apply in the prescribed manner and payment of the prescribed fee to the SFC for modification or waiver of the conditions imposed or certain other requirements specified in section 134 of the SFO.

Other key on-going obligations

Outlined below are other key on-going obligations of a licensed corporation:

- submission of financial returns to the SFC in accordance with the requirements under the FRR;
- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the CSR;
- maintenance of segregate account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong);
- keep records accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong);
- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong);
- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong);
- notification to the SFC of certain changes and events in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong);
- compliance with business conduct requirements under the Code of Conduct, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, and other applicable codes and guidelines issued by the SFC;

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- payment of annual fees within one month after each anniversary date of grant of their licences or certificates of registration (as the case may be) pursuant to section 138(2) of the SFO (*Note*);
- implementation of continuous education programme for licensed representation or relevant individuals engaged, and perform due diligence to ensure continuous education programme compliance by the individuals concerned. A licensed corporation should at least annually evaluate the training needs of the individuals they engage. A licensed individual must undertake a minimum of five continuous professional training hours per calendar year for each regulated activity he/she engages in.

Note: On 24 March 2016, the SFC issued a circular waiving the annual licensing fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2016 to 31 March 2018.

CSR

The repledging limit stipulated under section 8A of the CSR applies to an intermediary which is licensed for dealing in securities or securities margin financing and where the intermediary or an associated entity of such intermediary repledges securities collateral. The intermediary shall ascertain the aggregate market value of the repledged securities collateral, which shall be calculated by reference to the respective closing prices of the collateral on that Business Day.

Pursuant to section 8A of the CSR, if the aggregate market value of the repledged securities collateral as calculated above exceeds 140% of the intermediary's aggregate margin loans on the relevant day, the intermediary shall by the close of business on the next business day following the relevant day withdraw, or cause to be withdrawn, from deposit an amount of repledged securities collateral such that the aggregate market value of the repledged securities collateral at the close of business on the next business day following the relevant day, which is calculated by reference to the respective closing prices on the relevant day, does not exceed 140% of the intermediary's aggregate margin loans as at the close of business on the relevant Day.

OFFENCE TO ISSUE ADVERTISEMENTS, INVITATIONS OR DOCUMENTS RELATING TO INVESTMENTS

Under section 103(1) of the SFO, the issue of advertisement, invitation or document which contains an invitation to the public to the followings has to be authorised by the SFC under section 105(1) of the SFO, unless specific exemptions apply:

- to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities; or a regulated investment agreement or an agreement to acquire, dispose of, subscribe for or underwrite any other structured product; or
- to acquire an interest in or participate in, or offer to acquire an interest in or participate in, a collective investment scheme.

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The specific exemptions include, among others, that under section 103(3)(k) of the SFO, if the issue of the advertisement, invitation or document made in respect of securities or structured products, or interests in any collective investment scheme, that are or are intended to be disposed of only to professional investors (as defined in Part 1 of Schedule 1 to the SFO), authorisation of the issue by the SFC is not required.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the Anti-Money Laundering Guideline.

The Anti-Money Laundering Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Anti-Money Laundering Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client's information is up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client's database or, alternatively, make arrangements to access to such a database maintained by third party service providers; and
- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the JFIU, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs and Excise Department to monitor and investigate suspected money laundering.

We set out below a brief summary of the principal legislations in Hong Kong that are concerned with money laundering and terrorist financing.

REGULATORY OVERVIEW

(1) Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong)

The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

(2) Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong)

It is an offence under the Drug Trafficking (Recovery of Proceeds) Ordinance if a person deals with any property knowing or having reasonable grounds to believe it to represent the proceeds of drug trafficking. The Drug Trafficking (Recovery of Proceeds) Ordinance requires a person to report to an authorised officer if he/she knows or suspects that any property (directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking. Failure to make such disclosure constitutes an offence under the Drug Trafficking (Recovery of Proceeds) Ordinance.

(3) Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong)

The Organised and Serious Crimes Ordinance empowers officers of the Hong Kong Police Force and the Hong Kong Customs and Excise Department to investigate organised crime and triad activities, and it gives the courts jurisdiction to confiscate the proceeds of organised and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences. The Organised and Serious Crimes Ordinance extends the money laundering offence to cover the proceeds of all indictable offences in addition to drug trafficking.

(4) United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong)

The United Nations (Anti-Terrorism Measures) Ordinance provides that it would be a criminal offence to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The United Nations (Anti-Terrorism Measures) Ordinance also requires a person to report his knowledge or suspicion of terrorist property to an authorised officer, and failure to make such disclosure constitutes an offence under the United Nations (Anti-Terrorism Measures) Ordinance.

REGULATORY OVERVIEW

EMPLOYEE DEALINGS

As mentioned in the Code of Conduct, a licensed or registered person should have a policy which has been communicated to employees (including directors other than non-executive directors) in writing on whether employees are permitted to deal for their own accounts in securities. In the event that employees of a registered person are permitted to deal for their own accounts in securities:

- the written policy should specify the conditions on which employees may deal for their own accounts;
- employees should be required to identify all related accounts (including accounts of their minor children and accounts in which the employees hold beneficial interests) and report them to senior management;
- employees should generally be required to deal through the licensed or registered person or its affiliates;
- if the licensed or registered person provides services in securities or futures contracts listed or traded on one of the Hong Kong exchanges or in derivatives, including over-the-counter derivatives written over such securities, and its employees are permitted to deal through another dealer, in those securities, the licensed or registered person and employee should arrange for duplicate trade confirmations and statements of account to be provided to senior management of the licensed or registered person;
- any transactions for employees' accounts and related accounts should be separately recorded and clearly identified in the records of the licensed or registered person; and
- transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the licensed or registered person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the licensed or registered person of these transactions or orders is not prejudiced to the interests of the licensed or registered person's other customers.

A licensed or registered person should not knowingly deal in securities or futures contracts for another licensed or registered person's employee unless it has received written consent from that licensed or registered person.

SUPERVISION BY THE SFC

SFC supervises licensed corporations and intermediaries operating in the market. SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries.

REGULATORY OVERVIEW

Disciplinary power of the SFC

Under Part IX of the SFO, the SFC may exercise any of the following disciplinary actions against a regulated person (including a licensed person or a registered institution) if that person is found to be guilty of misconduct or not fit and proper to be or remain the same type of regulated person (sections 194 and 196 of the SFO).

- a licensed person;
- a responsible officer of a licensed corporation; or
- a person involved in the management of the business of a licensed corporation.

Subject to the due process for exercising disciplinary powers laid down in section 198 of the SFO, the SFC may exercise any of the below disciplinary actions against a regulated person:

- revocation or suspension of a licence or a registration;
- revocation or suspension of part of a licence or registration in relation to any of the regulated activities for which a regulated person is licensed or registered;
- revocation or suspension of the approval granted to a responsible officer;
- public or private reprimand on a regulated person;
- prohibition of a regulated person from applying to be licensed or registered or to be approved as a responsible officer;
- prohibition of a regulated person from re-entry for life to be licensed or registered, etc.; and
- pecuniary penalty of not exceeding the amount of HK\$10 million or 3 times the profit gained or loss avoided as a result of the conduct in question.

TAKEOVERS AND MERGERS

Financial advisers and independent financial advisers licensed by the SFC may act for Hong Kong listed issuers as regards transactions principally involving the GEM Listing Rules, Listing Rules and Takeovers Code.

In Hong Kong, any takeover, merger, privatisation and share repurchase activities affecting public companies are regulated by the Takeovers Code which is issued by the SFC in consultation with the Takeovers and Mergers Panel. The primary purpose of the Takeovers Code is to afford fair treatment for shareholders who are affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code seeks to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and

REGULATORY OVERVIEW

informed market in the shares of companies affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code also provides an orderly framework within which takeovers, mergers, privatisations and share buy-backs activities are to be conducted.

In addition, any other persons who issue circulars or advertisements to shareholders in connection with takeovers, mergers, privatisations and share buy-backs must observe the highest standards of care and consult with the Takeovers Executives prior to the release thereof.

The role and responsibility of financial advisers and other professional advisers is of particular importance given the non-statutory nature of the Takeovers Code, and it is part of their responsibility to use all reasonable efforts, subject to any relevant requirements of professional conduct, to ensure that their customers understand, and abide by, the requirements of the Takeovers Code, and to co-operate to that end by responding to inquiries from the Takeovers Executive, the Takeovers and Mergers Panel or the Takeovers Appeal Committee.

HKEx

Apart from the SFC, the Stock Exchange also plays a leading role in regulating companies seeking admission to the Hong Kong markets and supervising those companies once they are listed. The Stock Exchange is a recognised exchange controller under the SFO. It owns and operates the only securities and futures exchanges in Hong Kong, namely the Stock Exchange and The Hong Kong Futures Exchange Limited, related clearing houses. The duty of the Stock Exchange is to ensure orderly and fair markets and that risks are managed prudently, consistent with the public interest and in particular, the interests of the investing public.

In its role as the operator and frontline regulator of the central securities and derivatives marketplace in Hong Kong, the Stock Exchange regulates listed issuers; administers listing, trading and clearing rules; and provides services at the wholesale level to customers of the exchanges and clearing houses, including issuers and intermediaries — namely investment banks or sponsors, securities and derivatives brokers, custodian banks and information vendors — who service the investor directly. These services comprise trading, clearing and settlement, depository and nominee services, and information services.

COMPLIANCE WITH THE RELEVANT REQUIREMENTS

Save for the fact that, during the period from 25 May 2016 to 31 August 2016, Innovax Capital had only one sponsor principal, and could not meet the licensing requirement to maintain at least two sponsor principals for carrying on sponsor or compliance adviser work, our Directors confirmed that our Group has obtained all relevant permits/registrations/licences for its existing operations in Hong Kong and that our Group complies with all applicable laws, regulations, rules, codes and guidelines in Hong Kong which are material to the business and operation of our Group during the Track Record Period and up to the Latest Practicable Date.

REGULATORY OVERVIEW

APPROVAL REQUIRED FOR REORGANISATION AND LISTING

On 19 September 2017, our Group obtained approval from the SFC regarding the change of substantial shareholders of Innovax Capital, Innovax Securities and Innovax Asset Management. The changes were completed within 6 months after the grant of the approval and we have notified the SFC in relation to the completion of such changes. For details of the Reorganisation, please refer to the section headed “History, reorganisation and corporate structure” of this prospectus.

For Shareholders’ approval in relation to the Listing, please refer to the section headed “Statutory and general information — A. Further information about our Company — 3. Resolutions in writing of our sole Shareholder passed on 24 August 2018” in Appendix IV to this prospectus.

OUR CORPORATE HISTORY

Overview

Our Company was incorporated in the Cayman Islands on 14 June 2016 as an exempted company with limited liability as a holding company of our Group. It is the listing vehicle of our Group following the Listing and carries out no business operations. Following the Reorganisation, it holds indirectly 100% interest in Innovax Capital, Innovax Securities and Innovax Asset Management through an intermediate holding company, Crystal Prospect. Details of our Group's reorganisation and corporate structure are set out in the paragraphs headed "Reorganisation" and "Corporate structure" in this section.

The history of our Group can be traced back to June 2014 when Innovax Capital was founded by Mr. Chung, our chairman, executive Director and one of our Controlling Shareholders. For the background and relevant industry experience of Mr. Chung, please refer to the section headed "Directors and senior management" in this prospectus.

Our core business

We are a financial and securities service provider in Hong Kong which provides: (i) corporate finance advisory services; (ii) placing and underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services.

Founded in 2014, we have a business objective to establish an integrated platform for providing financial and securities services to our clients. With the commencement of business of Innovax Capital, which is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015, we started to provide (i) corporate finance advisory services, including IPO sponsorship services, financial advisory and independent financial advisory services and compliance advisory services, and (ii) placing and underwriting services to our clients.

As part of the implementation of our business strategies to establish an integrated platform for providing financial and securities services to our clients, we commenced our securities dealing and brokerage business and securities financing business through Innovax Securities in June 2017 and asset management business through Innovax Asset Management in April 2017. Innovax Securities was granted the licences by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in April 2017 and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC in June 2017. Innovax Asset Management was granted the licence by the SFC to carry out Type 9 (asset management) regulated activity in April 2017.

Details of our core business are set out in the section headed "Business" in this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Excluded business

On 29 November 2013, CCFI was incorporated in Hong Kong and was wholly and beneficially owned by Crystal Prospect and ultimately owned as to 100% by Mr. Chung. It was granted a money lenders licence on 21 July 2015. On 15 March 2017, the entire issued share capital of CCFI was disposed of by Crystal Prospect to Mr. Chung and CCFI is directly and wholly owned by Mr. Chung since then. For details relating to the reasons for excluding CCFI from our Group, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

Our major development and milestones

Our major development and milestones since our establishment are set out below:

<u>Month/Year</u>	<u>Event</u>
June 2014	Incorporation of Innovax Capital in Hong Kong
February 2015	Innovax Capital was granted by the SFC the licences to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and was admitted as an eligible sponsor
March 2015	Issue of new shares by Casablanca Group Limited (stock code: 2223) for which we acted as the sole placing agent
October 2015	Listing of Madison Wine Holdings Limited (stock code: 8057) on GEM for which we acted as the sole sponsor, joint global coordinator, joint bookrunner and joint lead manager
December 2015	Listing of SFK Construction Holdings Limited (stock code: 1447) on the Main Board for which we acted as the sole sponsor, joint global coordinator, joint bookrunner and joint lead manager
February 2016	We completed one IPO sponsorship project listed on the Main Board and two IPO sponsorship projects on GEM during the year ended 29 February 2016
July 2016	Incorporation of Innovax Securities in Hong Kong
August 2016	Incorporation of Innovax Asset Management in Hong Kong

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Month/Year</u>	<u>Event</u>
February 2017	<p>Innovax Capital was permitted by the SFC to advise on matters/ transactions falling within the ambit of the Takeover Codes</p> <p>We completed one IPO sponsorship project listed on the Main Board and one IPO sponsorship project on GEM during the year ended 28 February 2017</p>
April 2017	<p>Innovax Asset Management was granted by the SFC the licence to carry out Type 9 (asset management) regulated activity and we commenced our asset management business</p> <p>Innovax Securities was granted by the SFC the licences to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities</p>
June 2017	<p>Innovax Securities was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC and then we commenced our securities dealing and brokerage business and securities financing business</p>
August 2017	<p>Innovax Balanced Fund SP was launched</p>
January 2018	<p>Listing of Space Group Holdings Limited (stock code: 2448) on the Main Board for which we acted as the sole bookrunner and joint lead manager</p>
February 2018	<p>We completed five IPO sponsorship projects listed on the Main Board and six IPO sponsorship projects on GEM during the year ended 28 February 2018</p>

Corporate development

The major corporate development including the major shareholding changes of members of our Group, which was material to the performance of our Group during the Track Record Period, is set out below:

Our Company

Our Company was incorporated in the Cayman Islands on 14 June 2016 as an exempted company with limited liability as a holding company of our Group. The initial authorised share capital of our Company was US\$50,000 divided into 50,000 ordinary shares of US\$1.00

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

each. Upon incorporation, one share, representing 100% of the then entire issued share capital of our Company was issued and allotted at par to the initial subscriber, which was then transferred to Mr. Chung on the same day.

On 30 June 2017, our Company changed our authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each to HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, our Company (i) repurchased one issued share of US\$1.00 each from Mr. Chung; and (ii) issued and allotted one Share of HK\$0.01 each to Mr. Chung.

Upon completion of the Reorganisation, our Company became the holding company of our Group. For further details, please refer to the paragraph headed “Reorganisation” in this section.

Crystal Prospect

On 15 October 2013, Crystal Prospect was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares with par value of US\$1.00 each. On 23 October 2013, 100 shares, representing 100% of the entire issued share capital of Crystal Prospect were issued and allotted at par to Mr. Chung.

Crystal Prospect is an investment holding company with no business activities.

Innovax Capital

On 9 June 2014, Innovax Capital was incorporated in Hong Kong with limited liability. Upon incorporation, Innovax Capital issued and allotted 100 shares, representing 100% of its then entire issued share capital to Crystal Prospect with an initial paid-up capital of HK\$100. On 18 September 2014, Innovax Capital issued and allotted 9,999,900 shares to Crystal Prospect and its paid-up capital was increased to HK\$10,000,000. Innovax Capital is wholly-owned by Crystal Prospect since then.

Innovax Capital was granted by the SFC the licences to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities on 25 February 2015. Innovax Capital commenced its corporate finance advisory business and placing and underwriting business in February 2015.

Innovax Securities

On 12 July 2016, Innovax Securities was incorporated in Hong Kong with limited liability. Upon incorporation, Innovax Securities issued and allotted 10,000,000 shares, representing 100% of its entire issued share capital to Crystal Prospect with a paid-up capital of HK\$10,000,000. Innovax Securities is wholly-owned by Crystal Prospect since then.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Innovax Securities was granted by the SFC the licences to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities on 19 April 2017 and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC on 15 June 2017. Innovax Securities commenced its securities dealing and brokerage business and securities financing business in June 2017.

Innovax Asset Management

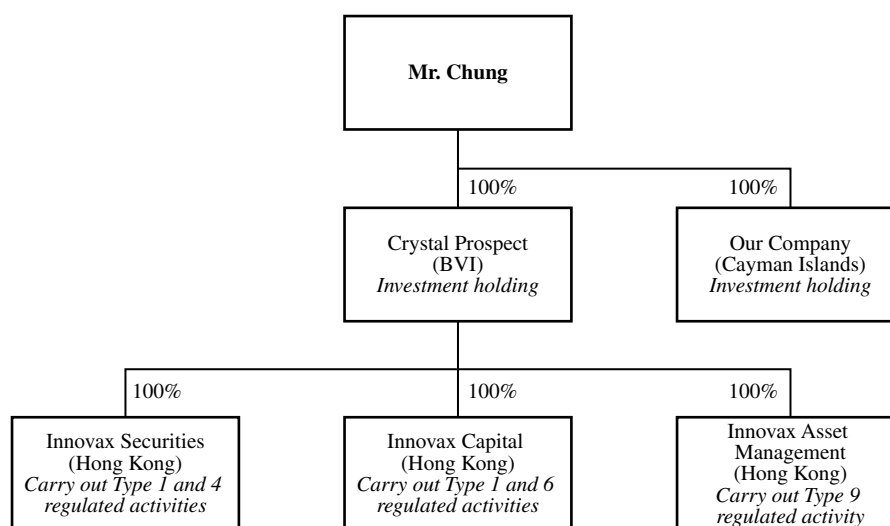
On 22 August 2016, Innovax Asset Management was incorporated in Hong Kong with limited liability. Upon incorporation, Innovax Asset Management issued and allotted 100,000 shares, representing 100% of its then entire issued share capital to Crystal Prospect with an initial paid-up capital of HK\$100,000. On 31 March 2017, Innovax Asset Management issued and allotted 400,000 shares to Crystal Prospect and its paid-up capital was increased to HK\$500,000. On 29 December 2017, Innovax Asset Management issued and allotted 1,500,000 Shares to Crystal Prospect and its paid-up capital was further increased to HK\$2,000,000. Innovax Asset Management is wholly-owned by Crystal Prospect since then.

Innovax Asset Management was granted by the SFC the licence to carry out Type 9 (asset management) regulated activity on 13 April 2017. Innovax Asset Management commenced its fund management and discretionary account management business in April 2017.

REORGANISATION

In April 2017, we commenced the Reorganisation in preparation of the Listing.

The corporate and shareholding structure of our Group immediately before the Reorganisation is set forth below:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of BSI to hold Mr. Chung's interests in our Company

On 28 April 2017, BSI was incorporated in the BVI with limited liability to act as the holding company for the interest of Mr. Chung in our Company. Upon incorporation, BSI was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each and 100 shares of which were issued and allotted at par to Mr. Chung on 23 May 2017. Mr. Chung is the sole shareholder of BSI.

On 19 September 2017, the SFC granted approval to BSI and our Company to become the substantial shareholders of Innovax Securities, Innovax Capital and Innovax Asset Management as required under section 132 of the SFO.

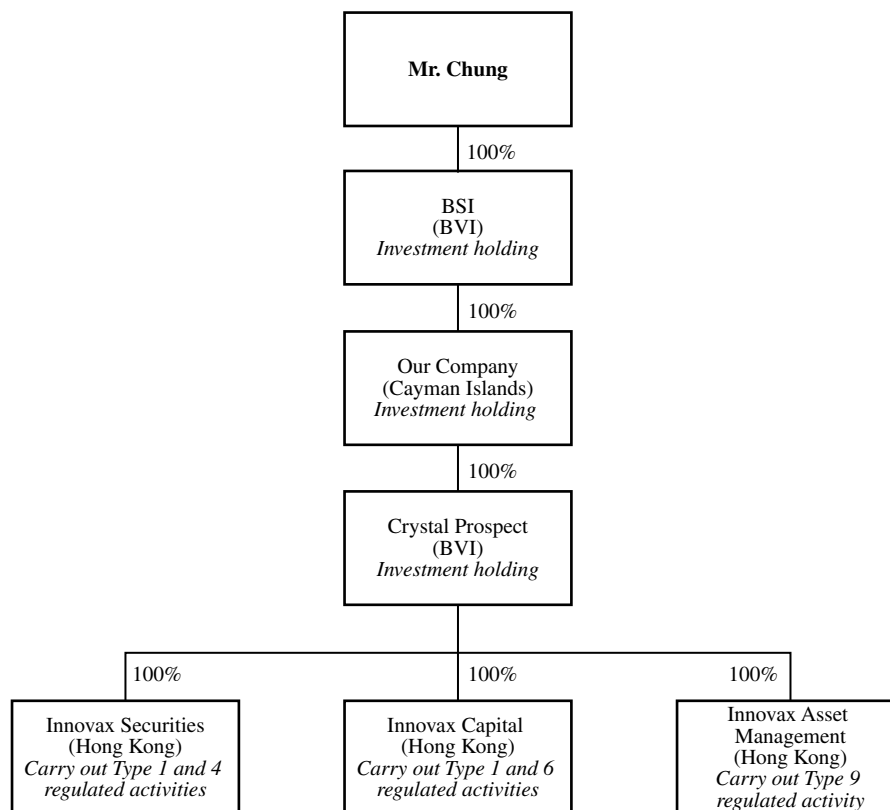
On 11 January 2018, Mr. Chung transferred one Share, representing the then entire issued share capital of our Company at par to BSI in consideration of additional 10 shares in BSI being issued and allotted at par to Mr. Chung on the same day. Upon completion of such issue and allotment, our Company became a direct wholly-owned subsidiary of BSI which, in turn, is wholly owned by Mr. Chung.

Transfer of shares in Crystal Prospect to the Company

On 11 January 2018, Mr. Chung transferred 100 shares, representing the entire issued share capital of Crystal Prospect at par to our Company, in consideration of additional 79,999 Shares in our Company being issued and allotted at par to BSI on the same day. Upon completion of such issue and allotment, Crystal Prospect became a direct wholly-owned subsidiary of our Company and Innovax Capital, Innovax Securities and Innovax Asset Management were accordingly introduced into our Group for the purpose of Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following is the corporate and shareholding structure immediately after completion of the Reorganisation, but before completion of the Capitalisation Issue and the Global Offering:



INCREASE IN AUTHORISED SHARE CAPITAL

On 24 August 2018, our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each.

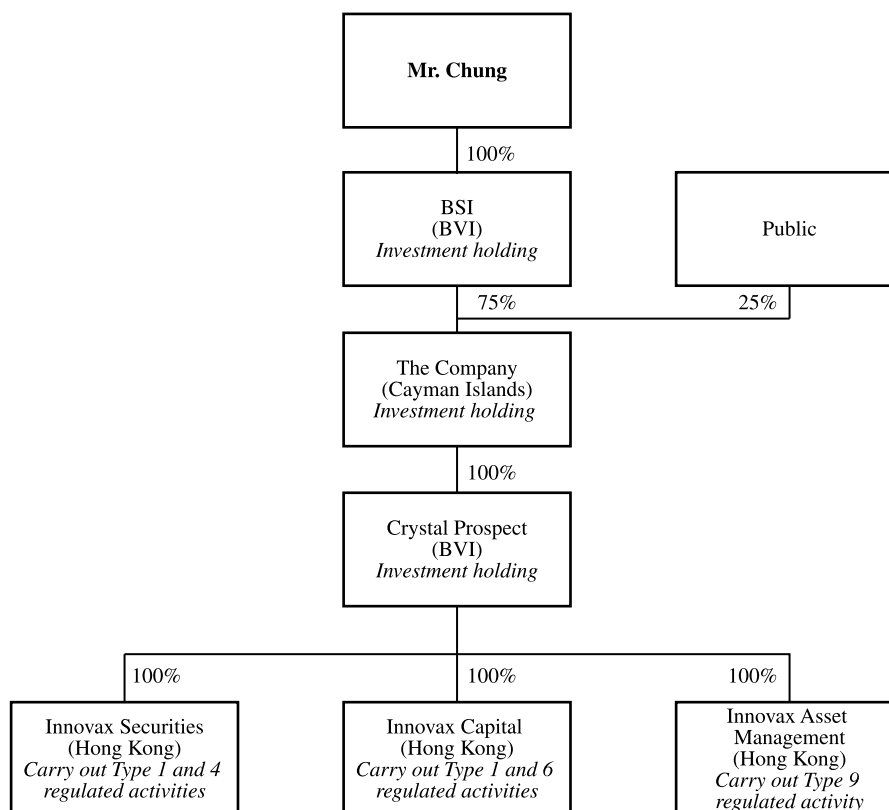
CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors will be authorised to capitalise the amount of HK\$2,999,200 from the share premium account of our Company by applying such sum towards the paying up in full at par a total of 299,920,000 shares for the issue and allotment to the then sole Shareholder, being BSI.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The corporate and shareholding structure of our Group immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme) is set forth as below:



OVERVIEW

We are a financial and securities service provider in Hong Kong which provides: (i) corporate finance advisory services; (ii) placing and underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services. During the Track Record Period, majority of our revenue was generated from our corporate financial advisory business, which accounted for approximately 71.5%, 90.7% and 64.9% of our total revenue for the three years ended 28 February 2018, respectively, supplemented by our placing and underwriting business, which accounted for approximately 28.5%, 9.3% and 29.6% of our total revenue for the three years ended 28 February 2018, respectively. Details of the financial and securities services provided by us are set out as follows:

- **Corporate finance advisory services**

Our corporate finance advisory services mainly comprise the following services:

IPO sponsorship services: We act as sponsors to companies pursuing listing on the Main Board and GEM in return for sponsor's fee.

Financial and independent financial advisory services: We act 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 Takeovers Code; or (ii) independent financial advisers giving opinions or recommendations to the independent board committee and independent shareholders of listed companies, in return for advisory fee.

Compliance advisory services: We 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.

- **Placing and underwriting services**

We provide 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.

- **Securities dealing and brokerage services**

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

BUSINESS

- **Securities financing services**

We provide securities financing services to our 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, in return for interest income.

- **Asset management services**

We provide fund management and discretionary account management services to our clients in return for management and/or performance fee. As at 28 February 2018, the AUM of Innovax Balanced Fund SP was approximately US\$2.7 million (equivalent to approximately HK\$21.0 million). As at 28 February 2018, Innovax Balanced Fund SP had four investors, including Mr. Li Lap Sun, our senior management member. The other three investors were professional investors, who are Independent Third Parties. As at the Latest Practicable Date, Innovax Asset Management was subject to the licensing conditions that (i) the licensee shall not hold client assets; and (ii) shall only provide services to professional investors (as defined under the SFO).

The following table sets out the revenue generated from each of our principal businesses during the Track Record Period:

	For the year ended					
	29 February 2016		28 February 2017		28 February 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Corporate finance advisory business	21,271	71.5	32,684	90.7	54,794	64.9
Placing and underwriting business	8,497	28.5	3,326	9.3	24,951	29.6
Securities dealing and brokerage business	—	—	—	—	4,313	5.1
Securities financing business	—	—	—	—	69	0.1
Asset management business	—	—	—	—	247	0.3
	<u>29,768</u>	<u>100</u>	<u>36,010</u>	<u>100</u>	<u>84,374</u>	<u>100</u>

Founded in 2014, we have a business objective to establish an integrated platform for providing financial and securities services to our clients. With the commencement of business of Innovax Capital, which is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015, we started to provide (i) corporate finance advisory services, including IPO sponsorship services, financial and independent financial advisory services and compliance advisory services, and (ii) placing and underwriting services to our clients. For the three years ended 28 February 2018, we had been engaged in 20, 36 and 59 corporate finance advisory projects, respectively and eight, ten and 15 placing and underwriting projects, respectively, which in aggregate generated a revenue of approximately HK\$29.8 million, HK\$36.0 million and HK\$79.7 million, respectively.

BUSINESS

As part of the implementation of our business strategies to establish an integrated platform for providing financial and securities services to our clients, we commenced our securities dealing and brokerage business and securities financing business through Innovax Securities in June 2017 and asset management business through Innovax Asset Management in April 2017. Innovax Securities was granted the licences by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in April 2017 and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC in June 2017. Innovax Asset Management was granted the licence by the SFC to carry out Type 9 (asset management) regulated activity in April 2017. During the period from the commencement of our securities dealing and brokerage business, securities financing business and asset management business and up to 28 February 2018, the revenue generated from these businesses amounted to approximately HK\$4.3 million, HK\$69,000 and HK\$247,000, respectively.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths which contribute to our success and differentiate us from our competitors:

We have a fast growing and strongly sustainable corporate finance advisory business

During the Track Record Period, our corporate finance advisory business recorded a significant growth in revenue and number of clients. Revenue generated from our corporate finance advisory business achieved a CAGR of 60.5% from the year ended 29 February 2016 to the year ended 28 February 2018 and we successfully secured the engagement with 23 and 35 new clients for our corporate finance advisory services for the years ended 28 February 2017 and 2018, respectively. We believe provision of our IPO sponsorship services, the revenue generated from which accounted for approximately 86.6%, 85.2% and 89.2% of the revenue generated from our corporate finance advisory business for the three years ended 28 February 2018, respectively, have laid a solid foundation for the continuous growth of our corporate finance advisory business. As at the Latest Practicable Date, we completed a total of 17 IPOs and had 27 other engagements of IPO sponsorship projects being in process.

In addition to our IPO sponsorship services, we provided financial and independent financial advisory services to 21 clients and compliance advisory services to 22 clients during the Track Record Period, and total revenue generated from our financial and independent financial advisory services and compliance advisory services achieved a CAGR of 44.6% from the year ended 29 February 2016 to the year ended 28 February 2018. Considering the fast growing track record of and robust demand for our corporate finance advisory services, our Directors believe that our business is strongly sustainable notwithstanding that our corporate finance advisory business is on project-by-project basis.

We have an integrated platform to provide a range of financial and securities services to our clients

Since provision of corporate finance advisory services (including IPO sponsorship services, financial and independent financial advisory services and compliance advisory services) and placing and underwriting services in February 2015, we have been implementing our business strategies to become an integrated platform for provision of a range of financial and securities services to our clients. Having commenced our securities dealing and brokerage business and securities financing business in June 2017 and asset management business in April 2017, we are able to offer our clients one-stop financial and securities services to meet their diverse needs. We believe that by broadening our scope of services and creating cross-selling synergy among each of our business operations will benefit our Group as a whole from elevating clients' satisfaction, increasing our revenue from each client, enhancing our overall corporate image and further strengthening our growth and sustainability.

Our financial and securities services can create synergies with each other and generate diversified and stable sources of revenue

Building on the foundation of our well-developed corporate finance advisory business, we believe that our range of financial and securities services can create synergies with each other and generate diversified and stable sources of revenue. We believe that we will benefit from the business opportunities arising from (i) clients applying for listing on the Stock Exchange for which we act as the sponsor; and (ii) clients (including listed or unlisted companies) to which we have provided our corporate finance advisory services, through offering our placing and underwriting services to such clients. In addition, as complemented by our securities dealing and brokerage business, which offers a distribution channel for procuring investors to subscribe for the securities offered under the primary or secondary fund raising projects undertaken by us, our placing and underwriting business had recorded a significant growth after commencement of our securities dealing and brokerage business in June 2017. During the year ended 28 February 2018, the revenue generated from our placing and underwriting business amounted to approximately HK\$25.0 million, representing a growth of approximately 650.2% from the revenue of approximately HK\$3.3 million generated for the year ended 28 February 2017 and a CAGR of approximately 71.4% from the revenue of approximately HK\$8.5 million generated for the year ended 29 February 2016.

In line with the growth of our placing and underwriting business, we believe that there will be an increasing number of new clients of and a growing demand for our securities dealing and brokerage services for subscribing securities offered under the primary (mainly IPOs) or secondary fund raising projects undertaken by us. In addition, coupled with the expansion in our securities financing business, our securities dealing and brokerage business is expected to be more active as clients are facilitated to purchase securities on a margin basis and are required to trade through their accounts with us when utilising our securities financing services. Approximately 20% of the net proceeds from the Global Offering will be used for increasing our capital for the expansion of our securities financing business. We believe that

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the complementary nature of our financial and securities services enables us to capture business opportunities across our different business segments and generate diversified and stable sources of revenue.

We have experienced and competent management and professional staff

Our Group has a team of experienced and competent management who is responsible for directing and managing daily operations, monitoring and supervising compliance and risk management, overseeing financial condition and performance, allocating and budgeting human resources and formulating business strategies. Leveraging on their experience and network in the financial industry, we have been successfully expanding our client base and source of deals and transactions. For details of the biographies of our management team, please refer to the section headed “Directors and senior management” in this prospectus.

In addition to our experienced and competent senior management team, we have teams of professional staff in different business operations including the corporate finance advisory business, placing and underwriting business, securities dealing and brokerage business, securities financing business, asset management, compliance, risk management, finance and accounts and settlement. Together with our senior management team, our professional staff enables us to implement our business strategies, provide quality services to clients, manage our compliance and risks, identify and capture business opportunities, maintain relationship with clients and procure new clients.

Our proven track record in establishing business relationship with our clients engaged in different business operations which spread across a diverse spectrum of industry sectors

We believe that market reputation and clients’ confidence in our services are indispensable to our continuous success. During the Track Record Period, we were engaged by 114 clients for our corporate finance advisory services and placing and underwriting services. Our clients include listed companies and companies seeking for listing on the Stock Exchange and each of them engages in different business operations which spread across a diverse spectrum of industry sectors including but not limited to, construction, wholesale and retail of consumer products, information technology, manufacturing, financial, natural gas supply, medical, restaurant, burial services and travel services. A diversified client base will mitigate our risk arising from the cyclical fluctuation of certain industry sectors. Our experience and successful track record in providing services to clients from different industry sectors will enhance our capability in sourcing new clients and our ability to resolve issues which are specific to certain industry sectors.

BUSINESS STRATEGIES

We have a business objective to establish an integrated platform for providing financial and securities services to our clients. In order to achieve our objective and future plans, we have the following specific business strategies:

Continue to strengthen our corporate finance advisory business and placing and underwriting business

For the three years ended 28 February 2018, the revenue contributed by our corporate finance advisory business amounted to approximately HK\$21.3 million, HK\$32.7 million and HK\$54.8 million, respectively, representing approximately 71.5%, 90.7% and 64.9% of our total revenue, respectively. During the Track Record Period, our corporate finance advisory business was our major core business and had been experiencing robust growth in revenue and clients' demand for our services.

In order to reinforce the future growth and clients' trust and confidence of our corporate finance advisory services, we intend to continue to strengthen our corporate finance advisory business by recruiting more experienced professional staff including responsible officers, principals and licensed representatives to ensure that we have sufficient staff with appropriate levels of knowledge, skills and experience to provide the services. We believe that by increasing our human resources for our corporate finance advisory business, we are able to increase our work capacity to provide quality services to our clients and maintain sufficient resources and effective systems and controls to ensure that we are able to meet all of our obligations and responsibilities under the Code of Conduct, the Listing Rules and the GEM Listing Rules. We intend to apply the net proceeds from the Global Offering to attract more talents and expand our corporate finance team.

Provision of placing and underwriting services to clients formed an integral part of our financial and securities services to our clients during the Track Record Period. Driven by the well-developed corporate finance advisory business which provides more sources of fund raising projects to be undertaken and complemented by our securities dealing and brokerage business which offers a distribution channel for procuring investors to subscribe for the securities offered under the primary or secondary fund raising projects undertaken by us, we consider that our placing and underwriting business will have a prosperous development in the future. We will recruit more experienced ECM professionals to provide placing and underwriting services. Since the expansion of our placing and underwriting business will be limited by our liquid capital, we intend to apply the net proceeds from the Global Offering to increase our capital for expanding our placing and underwriting business.

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Develop our securities dealing and brokerage business and securities financing business

We commenced our securities dealing and brokerage business in June 2017. We believe that there will be synergy between our securities dealing and brokerage business and other businesses of our Group. With the rising number of engagements of us for our placing and underwriting services, we believe that there will be an increasing number of new clients and a growing demand for our securities dealing and brokerage services for subscribing securities offered under the primary or secondary fund raising projects undertaken by us. On the other hand, our securities dealing and brokerage business can offer a distribution channel for procuring investors to subscribe for the securities offered under the primary or secondary fund raising projects undertaken by us.

We intend to grow our securities dealing and brokerage business by (i) recruiting more AEs to procure and solicit new clients and provide customer services to our clients; (ii) offering more diverse products such as global stocks and fixed income products to clients; and (iii) upgrading our information technology systems to improve clients' experience.

Our securities financing business not only increases the source of income of our Group, but also complements and enhances our securities dealing and brokerage business. Coupled with the expansion in our securities financing business, our securities dealing and brokerage business is expected to be more active as clients are facilitated to purchase securities on a margin basis and are required to trade through their accounts with us when utilising our securities financing services. Our securities financing business is limited by our liquid capital and our level of bank borrowings from time to time is subject to the capital requirement under the FRR. Since the commencement of our securities financing business and up to 28 February 2018, we provided margin financing to our clients through our internal resources and provided IPO financing to our clients through our internal resources and short term advances from a broker as we encountered difficulties in obtaining financing facilities granted by Authorised Institutions for our securities financing business. As at the Latest Practicable Date, we did not have any financing facilities from Authorised Institution for our securities financing business. We intend to apply the net proceeds from the Global Offering to increase our capital for expanding our securities financing business.

Develop our asset management business

As at 28 February 2018, the AUM of our fund management and discretionary account management amounted to approximately US\$2.7 million (equivalent to approximately HK\$21.0 million) and HK\$3.5 million, respectively. On 2 May 2018, two new clients, who are Independent Third Parties, invested US\$3.0 million (equivalent to approximately HK\$23.3 million) into Innovax Balanced Fund SP. We intend to continue to expand our asset management business by recruiting more experienced professionals for sales and marketing to attract more professional investors to invest in our funds and engage us for discretionary account management so as to further increase our AUM. We will also recruit more research analysts to assist our portfolio managers to better assess the existing and future market conditions so as to enhance our investment performance. We intend to diversify the types of

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asset management schemes including setting up new funds to satisfy the needs of different clients. We believe that the expansion of our asset management business will broaden our revenue base in long run by generating monthly management fee and performance based incentive income. We intend to apply the net proceeds from the Global Offering to attract more talents and expand our asset management team and increase seed money to establish new funds.

Further enhance our risk management, internal control and information technology capabilities

We are committed to conducting our business in accordance with the applicable laws, rules and policies issued or endorsed by regulators, best market practice and the highest standards of integrity and fair dealing. We will continue to review and improve our internal control systems and risk management systems by employing additional compliance and risk control personnel and new information systems to enhance the efficiency of our internal control and risk management.

We intend to upgrade and enhance our information technology systems for office automation, risk management, trading systems and settlement systems so as to increase our efficiency and security of our business operations.

OUR BUSINESS ACTIVITIES AND SERVICES

We are a financial and securities service provider in Hong Kong which provides: (i) corporate finance advisory services, including IPO sponsorship services, financial and independent financial advisory services and compliance advisory services; (ii) placing and underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services.

(i) Corporate finance advisory business

Our corporate finance advisory services comprise mainly IPO sponsorship services, financial and independent financial advisory services and compliance advisory services. We provide corporate finance advisory services through Innovax Capital which is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and is an eligible sponsor since 25 February 2015. As at the Latest Practicable Date, we had 11 responsible officers (including six sponsor principals) and 18 licensed representatives to carry out Type 6 (advising on corporate finance) regulated activities. For the three years ended 28 February 2018, the revenue contributed by our corporate finance advisory business amounted to approximately HK\$21.3 million, HK\$32.7 million and HK\$54.8 million, respectively, representing

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approximately 71.5%, 90.7% and 64.9% of our total revenue, respectively. The following table sets out the breakdown of the number of engagements of, and revenue generated from, our corporate finance advisory business during the Track Record Period:

	For the year ended								
	29 February 2016			28 February 2017			28 February 2018		
	Number of engagement (active) <i>Notes 1&2</i>	Revenue		Number of engagement (active) <i>Notes 1&3</i>	Revenue		Number of engagement (active) <i>Notes 1&4</i>	Revenue	
		HK\$'000	%		HK\$'000	%		HK\$'000	%
IPO sponsorship services	8 (8)	18,430	86.6	18(18)	27,841	85.2	29(26)	48,854	89.2
Financial and independent financial advisory services	5(4)	1,780	8.4	8(8)	1,910	5.8	9(8) ^{Note 5}	1,580	2.8
Compliance advisory services	7(7)	1,061	5.0	10(10)	2,933	9.0	21(21)	4,360	8.0
Total	20(19)	21,271	100	36(36)	32,684	100	59(55)	54,794	100

Notes:

- (1) The number represents the number of active engagements among the total number of engagements. Active engagement refers to the engagement under which our Group had recognised revenue and provided services to the relevant client during the relevant financial year.
- (2) During the year ended 29 February 2016, no active engagements were carried forward from the year ended 28 February 2015 as our Group only commenced its corporate finance advisory business and placing and underwriting business after Innovax Capital was granted the SFC licences to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities in February 2015.
- (3) During the year ended 28 February 2017, numbers of new engagements on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services were 15, eight and three, respectively.

During the year ended 28 February 2017, numbers of active engagements carried forward from the year ended 29 February 2016 on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services were three, nil and seven, respectively.

- (4) During the year ended 28 February 2018, numbers of new engagements on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services were 15, eight and 12, respectively.

During the year ended 28 February 2018, numbers of active engagements carried forward from the year ended 28 February 2017 (excluding the active engagements carried forward from the year ended 29 February 2016) on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services were ten, one and three, respectively.

During the year ended 28 February 2018, numbers of active engagements carried forward from the year ended 29 February 2016 and subsequently to the year ended 28 February 2017 on (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services were one, nil and six, respectively.

- (5) During the year ended 28 February 2018, one new engagement on financial and independent financial advisory services was terminated as mutually agreed between the client and us.

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The table below sets out a summary of our corporate finance advisory projects handled by us during the Track Record Period and up to the Latest Practicable Date:

	Year ended			From 1 March
	29 February 2016	28 February 2017	28 February 2018	2018 to the Latest Practicable Date
	Number	Number	Number	Number
IPO sponsorship services				
— Completed during the year/period	3	2	11	1
— Ongoing	3	14	15	27
— Terminated during the year/period (<i>Note</i>)	2	2	3	1
Sub-total	8	18	29	29
Financial and independent financial advisory services				
— Completed during the year/period	4	6	3	5
— Ongoing	0	1	4	7
— Terminated during the year/period (<i>Note</i>)	1	1	2	1
Sub-total	5	8	9	13
Compliance advisory				
— Completed during the year/period	0	1	4	5
— Ongoing	7	9	17	13
Sub-total	7	10	21	18
Total	20	36	59	60

Note: During the year/period, several transactions were terminated for a number of reasons, which mainly include: (i) client decided not to proceed with the transactions; (ii) client was unable to reach a consensus with us on the listing timetable; and (iii) certain milestones of the transaction were not achieved in accordance to scheduled timetable and as a result, the mandate between client and us lapsed and the transaction did not proceed further.

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As at the Latest Practicable Date, our Group had a total of 29 staff with license for Type 6 regulated activity, of whom 11 staff were responsible officers and six staff were sponsor principals with seven years to 15 years of relevant corporate finance experience.

Our IPO sponsorship projects have different timetables which require different levels of involvement from our execution teams at different stages. For example, the listing applications of some of our ongoing IPO sponsorship projects as at the Latest Practicable Date were submitted to the Stock Exchange during the period from November 2017 to June 2018, while some of such projects are at the preliminary stage and are expected to submit listing applications after the fourth quarter of 2018. Accordingly, our Directors consider that we are able to allocate our human resources among different IPO sponsorship projects to ensure sufficient human resources to handle all projects.

In addition, we intend to use approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering, to enhance and further develop our corporate finance advisory business by attracting more talents and expanding our corporate finance team. We intend to recruit 12 new staff, including three responsible officers/sponsor principals and nine licensed representatives ranging from director grade with corporate finance and IPO sponsorship experience to executive grade with corporate finance, legal or accounting experience after the Listing. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

The table below sets out the monetary value movement of outstanding contract value of our corporate finance advisory projects during the Track Record Period:

	IPO sponsorship services	Financial and independent financial advisory services	Compliance advisory services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Outstanding contract value of mandates on hand as at 1 March 2015	—	—	—	—
New contract value during the year ended 29 February 2016	30,630	1,780	5,244	37,654
Contract value recognised during the year ended 29 February 2016 (Note)	18,430	1,780	1,060	21,270

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	IPO sponsorship services	Financial and independent financial advisory services	Compliance advisory services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Terminated outstanding contract value during the year ended 29 February 2016	4,300	—	—	4,300
Outstanding contract value of mandates on hand as at 29 February 2016 and carried forward to 1 March 2016	7,900	—	4,184	12,084
New contract value during the year ended 28 February 2017	60,130	2,960	2,797	65,887
Contract value recognised during the year ended 28 February 2017 <i>(Note)</i>	25,961	1,910	2,934	30,805
Terminated outstanding contract value during the year ended 28 February 2017	6,175	800	—	6,975
Outstanding contract value of mandates on hand as at 28 February 2017 and carried forward to 1 March 2017	35,894	250	4,047	40,191
New contract value during the year ended 28 February 2018	68,000	3,640	13,616	85,256
Contract value recognised during the year ended 28 February 2018 <i>(Note)</i>	46,954	1,580	4,360	52,894
Terminated outstanding contract value during the year ended 28 February 2018	8,550	1,800	—	10,350

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	IPO sponsorship services HK\$'000	Financial and independent financial advisory services HK\$'000	Compliance advisory services HK\$'000	Total HK\$'000
Outstanding contract value of mandates on hand as at 28 February 2018 and carried forward to 1 March 2018	48,390	510	13,303	62,203

Note: During the Track Record Period, in some cases of provision of IPO sponsorship services to our clients, upon successful listing and completion of the IPO, our clients paid us additional sponsor fees as bonus in recognition of our contribution and dedication to the successful listing. Such bonus was paid by our clients to us on discretionary basis, the amount of which was determined by our clients at their sole discretion. For the three years ended 28 February 2018, the bonus received by us were nil, approximately HK\$1.9 million and HK\$1.9 million respectively, which were not included in the total contract value recognised in the respective years.

The table below sets out the project completion rate of our corporate finance advisory projects during the Track Record Period:

	For the year ended		
	29 February 2016 %	28 February 2017 %	28 February 2018 %
IPO sponsorship services	70.0	42.0	49.2
Financial and independent financial advisory services	100.0	88.4	75.6
Compliance advisory services	20.2	42.0	24.7
Total	63.8	43.4	46.0

Note: The project completion rate is calculated by dividing the total contract value recognised during the year by the total contract sum. The total contract sum represents the sum of the outstanding contract value of mandates carried forward and the new contract value during the year after deducting the terminated outstanding contract value.

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The table below further sets forth the outstanding contract value of active mandates on hand as at the Latest Practicable Date and the expected amount of such revenue to be recognised during the year ending 28 February 2019:

	Number of active mandate	Outstanding contract value as at the Latest Practicable Date HK\$'000	Outstanding contract value as at 28 February 2018 expected to be recognised during the year ending 28 February 2019 ^(Note) HK\$'000
IPO sponsorship services	27	104,365	68,315
Financial and independent financial advisory services	7	1,340	1,203
Compliance advisory services	13	11,811	5,135
Total	47	117,516	74,653

Note: Our outstanding contract value as at 28 February 2018 expected to be recognised during the year ending 28 February 2019 is based on the latest timetables of our clients' projects which are subject to change. If our IPO sponsorship, financial or independent financial projects are not completed as scheduled or are delayed from the planned timetable, we may not receive payment for our services in a timely manner or as scheduled. As such, we may not be able to bill the above outstanding contract value or such billing may be delayed.

IPO sponsorship services

We act as sponsors for companies pursuing listing on the Main Board or GEM. Our primary role is to provide assurance to the Stock Exchange and the market generally that the listing applicant complies with the Listing Rules or the GEM Listing Rules and other relevant legal and regulatory requirements and that the listing document provides sufficient particulars and information for investors to form a valid and justifiable opinion of the listing applicant's shares, financial condition and profitability. We also advise and guide the listing applicant as to the Listing Rules or the GEM Listing Rules and other relevant regulatory requirements.

Our services provided to our clients as listing applicants include, among other things, overall coordination of the listing process, formulating the listing plans, offering strategies and listing timetable, conducting due diligence, preparing and reviewing all relevant documents such as the prospectus together with other professional parties, submission of listing application to the Stock Exchange, liaising and communicating with the regulators and responding to the queries from them during the vetting process, liaising with underwriting syndicate on matters in relation to the share offering under the IPO and overall management of public offer to ensure that the public offer is conducted in a fair and orderly manner.

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During the Track Record Period, we were engaged by 38 clients to act as sponsor in their proposed listing applications to the Stock Exchange, and 17 IPO sponsorship projects had been completed before the Latest Practicable Date. Set out below is the public information relating to our major IPO sponsorship projects in which we were engaged during the Track Record Period:

Client	Nature of business	Our role	Status as at the Latest Practicable Date	
Completed projects				
1	Madison Group Holdings Limited (Previously known as Madison Wine Holdings Limited) (stock code: 8057)	Retail and wholesale of wine products and other alcoholic beverages in Hong Kong and the provision of a range of customer-centric value-added services	Sole sponsor	Completed (listed on GEM on 8 October 2015)
2	Thelloy Development Group Limited (stock code: 1546, previously 8122)	A main contractor in Hong Kong focusing on providing (i) building construction services; and (ii) repair, maintenance, alteration and addition works services	Sole sponsor	Completed (listed on GEM on 9 October 2015)
3	SFK Construction Holdings Limited (stock code: 1447)	Principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau and one of the leading general building main contractors in Hong Kong	Sole sponsor	Completed (listed on the Main Board on 10 December 2015)
4	Super Strong Holdings Limited (stock code: 8262)	A contractor in general building works and specialist building works in Hong Kong	Sole sponsor	Completed (listed on GEM on 30 March 2016)
5	SH Group (Holdings) Limited (stock code: 1637)	Provision of electrical and mechanical engineering services in Hong Kong	Sole sponsor	Completed (listed on the Main Board on 3 January 2017)
6	Microware Group Limited (stock code: 1985)	Provision of IT infrastructure solutions services and IT managed services in Hong Kong	Sole sponsor	Completed (listed on the Main Board on 8 March 2017)
7	CPM Group Limited (stock code: 1932)	A manufacturer of industrial and architectural paint and coating products	Sole sponsor	Completed (listed on the Main Board on 10 July 2017)

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	Client	Nature of business	Our role	Status as at the Latest Practicable Date
8	China Wan Tong Yuan (Holdings) Limited (stock code: 8199)	A burial services provider in Langfang, Hebei province, China	Sole sponsor	Completed (listed on GEM on 27 September 2017)
9	Ocean One Holding Limited (stock code: 8476)	Wholesale and retail of frozen seafood in Hong Kong	Sole sponsor	Completed (listed on GEM on 19 October 2017)
10	Vicon Holdings Limited (stock code: 3878)	A specialist foundation contractor and focus on design-and-build foundation projects in Hong Kong private sector	Sole sponsor	Completed (listed on the Main Board on 22 December 2017)
11	IBO Technology Company Limited (stock code: 2708)	Provision of “Internet of Things” intelligent terminal product application and solutions services in the PRC	Sole sponsor	Completed (listed on the Main Board on 28 December 2017)
12	Wine’s Link International Holdings Limited (stock code: 8509)	Wholesale and retail of wine products and other alcoholic beverages in Hong Kong	Sole sponsor	Completed (listed on GEM on 12 January 2018)
13	ZACD Group Limited (stock code: 8313)	An asset manager headquartered in Singapore offering integrated solutions across the real estate value chain in Singapore and elsewhere in the Asia-Pacific region	Joint sponsor	Completed (listed on GEM on 16 January 2018)
14	Jia Group Holdings Limited (stock code: 8519)	A restaurant group in Hong Kong	Sole sponsor	Completed (listed on GEM on 8 February 2018)
15	MECOM Power and Construction Limited (stock code: 1183)	An integrated construction engineering contractor and power substations constructor in Macau	Sole sponsor	Completed (listed on the Main Board on 13 February 2018)
16	Gain Plus Holdings Limited (stock code: 8522)	Provision of subcontracting works providing RMAA services and building construction services	Sole sponsor	Completed (listed on GEM on 13 February 2018)
17	Tian Chang Group Holdings Limited (stock code: 2182)	Provision of integrated plastic solutions and manufacturing of e-cigarette products	Sole sponsor	Completed (listed on the Main Board on 8 March 2018)

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	Client	Nature of business	Our role	Status as at the Latest Practicable Date
Projects in progress				
18	Unite Intelligence Control Limited	A manufacturer of automotive HVAC components and automotive air-intake manifolds	Sole sponsor	In progress, application for listing on the Main Board submitted on 17 November 2017
19	Macau E&M Holding Limited	An integrated E&M engineering services works contractor in Macau	Sole Sponsor	In progress, application for listing on the Main Board submitted on 24 April 2018
20	KNT Holdings Limited	A one-stop solutions provider of bridesmaid dresses, bridal gowns and special occasions dresses and were the largest bridesmaid dresses manufacturer	Sole Sponsor	In progress, application for listing on the Main Board submitted on 2 May 2018

Financial advisory and independent financial advisory services

Our financial advisory services include advising our clients on the terms and structure 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 Takeovers Code. As a financial adviser, our responsibilities (vary case by case) include but not limited to assisting the clients in negotiating and advising on the terms and conditions of the proposed transactions, advising the clients as to compliance with the Listing Rules, the GEM Listing Rules and the Takeovers Code (as the case may be) and all other applicable laws, rules, codes and guidelines, assisting the clients in performing due diligence, coordinating the progress of the work of professional parties involved in the transactions, supervising the preparation of documentation and liaising with relevant regulatory authorities such as the Stock Exchange and the SFC for the clearance and/or publication of relevant announcements, circular and other documents as required.

We also act as independent financial advisers to listed issuers in relation to the proposed transactions undertaken by them, which are required by the relevant rules and regulations including the Listing Rules, the GEM Listing Rules and the Takeovers Code to appoint an independent financial adviser to provide opinion as to whether the terms of the proposed transactions, are fair and reasonable so far as the independent shareholders of the listed issuers

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are concerned. As an independent financial adviser, we review and conduct analyses on the proposed transactions, assess the fairness and reasonableness on the terms of the proposed transactions and issue opinion letters to give voting recommendations to the independent board committee and independent shareholders of listed issuers or to give advice to independent securities holders regarding acceptance in general offers. Our opinion letters are incorporated into the circulars to be sent to the shareholders of the listed issuers pursuant to the Listing Rules, the GEM Listing Rules and the Takeovers Code, as the case may be. We are also responsible for obtaining the necessary clearance or approval from the Stock Exchange or the SFC in relation to our opinion letters.

During the Track Record Period, we were engaged by 21 clients to act as financial advisers or independent financial advisers. Set out below is the public information relating to our major financial and independent financial advisory projects in which we were engaged during the Track Record Period:

	<u>Client</u>	<u>Nature of the transaction</u>	<u>Our role</u>	<u>Status as at the Latest Practicable Date</u>
1	C Cheng Holdings Limited (stock code: 1486)	Listing on the Main Board by way of introduction and transfer from GEM	Financial adviser	Completed and listed on the Main Board on 3 August 2015
2	China People Holdings Company Limited (stock code: 681)	Connected transaction	Independent financial adviser	Completed in September 2016
3	CIMC Enric Holdings Limited (stock code: 3899)	Continuing connected transaction	Independent financial adviser	Completed in February 2017
4	China Shun Ke Long Holdings Limited (stock code: 974)	General offer under the Takeovers Code	Financial adviser to the listed company as the offeree	Completed in June 2017
5	Thelloy Development Group Limited (stock code: 1546, previously 8122)	Listing on the Main Board by way of introduction and transfer from GEM	Financial adviser	Completed and listed on the Main Board on 26 October 2017
6	China State Construction International Holdings Limited (stock code: 3311)	Continuing connected transactions	Independent financial adviser	Completed in November 2017
7	Telecom Service One Holdings Limited (stock code: 3997)	Listing on the Main Board by way of introduction and transfer from GEM	Financial adviser	Completed and listed on the Main Board on 27 March 2018

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Compliance advisory services

We act as compliance advisers for companies listed on the Main Board or GEM. Pursuant to the Listing Rules and the GEM Listing Rules, each newly listed company in Hong Kong is required to engage a compliance adviser to ensure its compliance with these rules for an initial period which commences from the date of listing and ends on the date on which the listed company complies with (i) the Listing Rules requirements in respect of its financial results for the first full financial year commencing after the date of listing or (ii) the GEM Listing Rules requirements in respect of its financial results for the second full financial year commencing after the date of its initial listing. At any time after the initial period, the Stock Exchange may direct the listed company to appoint a compliance adviser for a specific period and to undertake the compliance advisory role as may be specified by the Stock Exchange.

Our responsibilities as a compliance adviser include (i) ensuring that clients are properly guided and advised as to compliance with the Listing Rules or the GEM Listing Rules (as the case may be) and all other applicable laws, rules, codes and guidelines; (ii) discussing with clients on their operating performance and financial condition with reference to the clients' business objective(s) as stated in their respective listing documents; (iii) ensuring clients' compliance with any undertakings provided by the clients and their directors at the time of listing and with the terms and conditions of any waiver granted to the clients by the Stock Exchange; (iv) providing clients with advice and guidance on compliance with the Listing Rules or the GEM Listing Rules (as the case may be) in relation to their regulatory announcements, circulars and financial reports; and (v) providing regular updates on any material changes of or supplements to the Listing Rules or the GEM Listing Rules (as the case may be) to clients' directors and senior management.

During the Track Record Period, we were engaged by 22 clients to act as their compliance advisers, and most of them were our clients for IPO sponsorship services. Set out below is the selected information relating to our compliance advisory projects during the Track Record Period, which had been completed before the Latest Practicable Date:

	Client	Principal business
1	China Shun Ke Long Holdings Limited (stock code: 974)	A supermarket chain store operator with geographical focus in Guangdong province of the PRC
2	Madison Wine Holdings Limited (stock code: 8057)	A retailer of a wide range of premium wine and spirits products and a personalised wine services provider in Hong Kong
3	SFK Construction Holdings Limited (stock code: 1447)	Principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau and one of the leading general building main contractors in Hong Kong
4	SDM Group Holdings Limited (stock code: 8363)	Principally engaged in business of jazz and ballet and pop dance academy in Hong Kong and the PRC
5	LVGEM (China) Real Estate Investment Company Limited (stock code: 95)	A property developer of residential and commercial development projects in the Pearl River Delta region of the PRC

Our pricing policy

Our corporate finance advisory fees were determined on a case-by-case basis after arm's length negotiations with each client. The terms of the service fees including the payment schedule vary in accordance with the type of services we provide, nature of the transactions, scope of our duties, length of time we expect to spend, complexity of the transactions and our expected workload.

For provision of IPO sponsorship services, we charge our client a fixed sponsor fee which is determined with reference to, among other things, nature of the client's principal business, geographical locations of the client's business operations, complexity of the IPO projects including restructuring, listing issues required to be resolved before application for listing and intensity of listing timetable and manpower required for performing due diligence. The sponsor fee is generally payable by instalment according to the pre-defined milestones during the process of the listing application including (i) upon signing of the engagement letter; (ii) upon submission of the listing application to the Stock Exchange and the SFC; (iii) upon the listing application hearing being conducted by the Listing Committee or the Listing Division, as the case may be; and (iv) upon listing.

During the Track Record Period, in some cases of provision of IPO sponsorship services to our clients, upon successful listing and completion of the IPO, our clients paid us additional sponsor fees as bonus in recognition of our contribution and dedication to the successful listing. Such bonus was paid by our clients to us on discretionary basis, the amount of which was determined by our clients at their sole discretion.

For provision of financial advisory or independent financial advisory services, our advisory fees were determined on a case-by-case basis after arm's length negotiations with each client taking into account nature of the transactions, scope of our duties, expected length of time to complete the transactions, complexity of the transactions, our expected workload and requirement of particular deliverables such as letter of advice or feasibility report. The advisory fee is generally payable by instalment according to the pre-defined milestones during the process of the transaction such as (i) upon signing of the engagement letter; (ii) upon release of the announcement in relation to the transaction; (iii) upon despatch of the shareholders' circular; and (iv) upon completion of the transaction.

For provision of compliance advisory services, we generally charge our clients a fixed monthly advisory fee which is payable monthly or quarterly for providing compliance advisory services in accordance with the compliance adviser agreement and the relevant requirements under the Listing Rules or the GEM Listing Rules, as the case may be. The compliance advisory fee is determined with reference to the expected time spent by us and the required manpower during the service period.

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During the Track Record Period, the average advisory fee we charged for acting as (i) sponsors was approximately HK\$4.3 million; (ii) financial advisers and independent financial advisers was approximately HK\$299,000; and (iii) compliance advisers was approximately HK\$39,000 per month.

Major terms of engagement letter

We enter into legally-binding engagement letters with our clients for provision of our corporate finance advisory services. The summary of the major terms of the engagement letters is set out below:

Our scope of services and clients' responsibilities

The engagement letter sets out our scope of services to be provided by us as sponsor, financial adviser, independent financial adviser or compliance adviser, as the case may be. The engagement letter also specifies the client's responsibilities to facilitate us to perform our duties and to meet our obligations under the Code of Conduct, the Listing Rules, the GEM Listing Rules or the Takeovers Code, as the case may be. Such responsibilities include, among other things, fully assisting us to perform due diligence, procuring all relevant parties engaged by the client to fully cooperate with us to facilitate our performance of our duties and enabling us to gain access to all relevant records in connection with the transaction.

Our service fee and payment terms

The engagement letter specifies the terms of our service fee including the payment schedule. Other than the service fee, the engagement letter includes clauses for reimbursement by the client of the out-of-pocket expenses incurred by us during the course of provision of our services.

We do not grant credit terms to our clients. We issue an invoice to our clients of corporate finance advisory services after a milestone specified under the engagement letter is achieved or upon completion of the transaction. Payment is required to be made within a reasonable period of time of about one to two months after issue of an invoice and is usually settled by cheques or via wire transfers.

Indemnity and termination

Under the engagement letter, our client is in general required to indemnify our Group where our Group suffers any loss, damage or claims due to the relevant transaction unless such loss, damage or claims are caused by our negligence or willful default.

The engagement letter provides for events under which the engagement would be terminated and is generally subject to termination by the client and us via written notice to the other party.

Our operational procedures

The overall operational procedures of provision of our corporate financial advisory services are summarised as follows:

Deal origination and assessment

Our responsible officers together with our execution team are responsible for sourcing business opportunities and potential projects for our corporate financial advisory business. The source of potential projects may originate from (i) referral from our existing clients or clients to which we have provided services; (ii) referral from professional parties; and/or (iii) personal networks of our responsible officers or professional staff.

Our origination works include meeting with clients for (i) understanding their needs and requirements and background information including but not limited to their business operations, financials and business plans; (ii) preparing and presenting proposals in relation to restructuring and listing; and (iii) introducing our competitive advantages, experience, team members and our services to be provided.

Performing KYC to know and understand our clients is required to be taken before proceeding further. Our execution team performs preliminary due diligence works which include but not limited to:

- performing site visits to the major operations of the client;
- discussing with the owner and the management on the shareholding structure, business operations, history and development, business plans and financial performance and position;
- preparing KYC questionnaire and document request list and reviewing the information and documents provided by the client;
- conducting industrial research to obtain a better understanding on client's business, if necessary;
- conducting conflicts and independence checking based on the information and documents provided by and discussion with the management of the client; and
- performing background check through publicly available sources such as the Internet and Stock Exchange filings check on new client. External investigators can be appointed to carry out private investigation and produce necessary reports.

Deal approval procedure

The final acceptance and entering into engagement letters with clients of corporate finance advisory projects require approval from our mandate review committee which consists of six members including the chairman of our Group, the chief financial officer of our Group, the head of our corporate finance department, the head of our compliance department, the head of our ECM department and our risk officer.

When the responsible officer and the deal team consider that a corporate finance advisory project basically meets the necessary requirements and recommend us to be engaged by the client, the deal team will prepare a mandate review report for submission to the mandate review committee. The mandate review report will provide information including but not limited to the details of the proposed transaction, our role, description of the client's organisational structure, business, financials, background of the shareholders, directors and management, industry overview, proposed offer structure (in case of IPO project), proposed timetable, our risk exposure and benefits under the engagement, proposed service fee to be received by us and proposed appointment of the deal team and professional parties.

Engagement

After obtaining approval from the mandate review committee, our deal team proceeds to prepare an engagement letter for execution by the client. The engagement letter covers salient terms of engagement including duties and responsibilities of the client and us, our service fee and payment terms, indemnity and termination clauses.

The responsible officer is responsible for ensuring that we are engaged to act for the client sufficiently in advance of the expected date of completion. Taking into account the nature, scale and complexity of the assignment and any other factors that may affect the standard of work, the responsible officer should ensure that we have adequate time and manpower to undertake the work necessary to meet its obligations and responsibilities under the Listing Rules, the GEM Listing Rules or the Takeovers Code, as the case may be.

Deal execution

The execution works for our corporate finance advisory services generally include but not limited to (depending on the nature of our services):

- performing detailed due diligence, the scope of which depends on the size and complexity of the business operations;
- advising the client as to compliance with the Listing Rules, the GEM Listing Rules and the Takeovers Code, as the case may be, and all other applicable laws, rules, codes and guidelines;

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- assisting the client in negotiating and advising on the terms and conditions of the proposed transaction;
- advising on and discussing with the client and its professional parties the structure of the proposed transaction and the relevant implications under the Listing Rules, the GEM Listing Rules and the Takeovers Code, as the case may be;
- coordinating the progress of work of professional parties involved in the transaction;
- supervising the preparation of and reviewing all the required documentation;
- submission on behalf of the client of listing application (in case of IPO application) and/or documents such as letters of advice, announcements, circulars and other documents as required by the Stock Exchange and the SFC, as the case may be; and
- liaising with relevant regulatory authorities such as the Stock Exchange and the SFC for the clearance and/or publication of relevant prospectuses, announcements, circulars and other documents as required.

For provision of IPO sponsorship services, in order to discharge our role as a sponsor satisfactorily, we and our licensed representatives are required to comply with our internal control policy and the Code of Conduct to:

- (a) advise and guide a listing applicant in preparation for a listing;
- (b) take reasonable due diligence steps in respect of a listing application. Before submitting a listing application, we are required to complete all reasonable due diligence on a listing applicant except in relation to matters that by their nature can only be dealt with at a later date;
- (c) take reasonable steps to ensure that true, accurate and complete disclosure about a listing applicant is made to the public;
- (d) deal with the regulators in a truthful, cooperative and prompt manner;
- (e) maintain proper books and records that are sufficient to demonstrate its compliance with the Code of Conduct;
- (f) maintain sufficient resources and effective systems and controls for proper implementation and adequate management oversight of the sponsor work;

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- (g) act as the overall manager of a share offer including the international placing tranche and the public offer tranche to ensure that the share offer is conducted in a fair and orderly manner; and
- (h) take reasonable steps to ensure analysts do not receive material information not disclosed in the listing.

With regard to the “Joint statement regarding the price volatility of GEM stocks” (the “Joint Statement”) and the “Guideline to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks” (the “Guideline”), we would advise our clients, including but not limited to, the following:

- (i) the relevant regulatory requirements, including the relevant GEM Listing Rules (as supplemented by the Joint Statement) and the potential consequences for non-compliance;
- (ii) the target investor type and placee mix;
- (iii) the overall strategy and allocation basis with a view to achieving an open market and an adequate spread of shareholders, and to ensure that the percentage of shares in public hands meets the relevant requirements under the GEM Listing Rules (as supplemented by the Joint Statement); and
- (iv) the retention of proper documentation by the clients as required under the Joint Statement.

We retain proper documentation to demonstrate that we have used all reasonable efforts to discharge all of our obligations.

In order to ensure ongoing compliance with the Joint statement and the Guideline and other applicable guidelines, laws, rules, regulations and the Code of Conduct, we have updated our corporate finance operational manual and will continue to monitor any new regulatory changes and update our corporate finance operational manual and provide guidance to all of our staff.

Completion

Upon completion of the corporate finance advisory projects, all of our internal records and files must be retained in accordance with our internal control policy and the relevant laws and regulations, including those relating to all due diligence conducted in preparation for application for listing (in case of IPO sponsorship projects). Such records must be made available to the regulators on request.

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We issue debit notes for our services provided to our clients in accordance with the payment terms set out in the engagement letters. Our finance and accounts department will follow up with the responsible officer and the deal team on the fee receivables and the collection status of the outstanding fees.

(ii) Placing and underwriting business

During the Track Record Period, we provided 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.

Acting as placing agent or sub-placing agent for issue of new shares by listed companies, we are engaged to place a number of securities on an agreed price on a best effort basis within a period of time. We charge our clients placing commissions for acting as placing agent or sub-placing agent in issue of new shares based on the aggregate placing price of the number of securities successfully placed by us. For the three years ended 28 February 2018, the aggregate value of securities placed by us (being the product of the number of securities placed by us and their respective placing price) amounted to approximately HK\$60.0 million, HK\$79.2 million and HK\$7.0 million.

For placing and underwriting exercise where we acted as global coordinator or bookrunner or lead manager or underwriter for IPOs of listing applicants, we are obliged to take up the unsubscribed offer shares up to our maximum underwriting commitment in the event of under-subscription of the offer shares. For the three years ended 28 February 2018, our aggregate underwriting commitments for IPOs were approximately HK\$125.8 million, HK\$52.4 million and HK\$637.5 million, respectively. The decrease in our underwriting commitment for IPOs from approximately HK\$125.8 million during the year ended 29 February 2016 to approximately HK\$52.4 million during the year ended 28 February 2017 was mainly attributable to the decrease in the number of IPOs underwritten by us. During the year ended 29 February 2016, a total of three IPO sponsorship projects sponsored by us were completed, and we acted as underwriter of these IPO sponsorship projects. However, during the year ended 28 February 2017, a total of two IPO sponsorship projects sponsored by us were completed, and we were the underwriter of one of these IPO sponsorship projects. The average percentage of our underwriting commitment to the total funds raised by the relevant projects were approximately 11.2%, 5.2% and 29.8% for the three years ended 28 February 2018, respectively. During the Track Record Period, we did not take up on our own any securities under underwriting exercise as a result of under-subscription. We charged our clients underwriting commissions for acting as global coordinator or joint bookrunner or joint lead manager or underwriter for IPOs based on our underwriting commitment and the aggregate offer price of the number of securities underwritten by us and/or successfully placed by us.

During the year ended 31 December 2015, the fund raising size of (i) small-sized GEM IPO ranged from approximately HK\$19.3 million to approximately HK\$48 million; (ii) medium-sized GEM IPO ranged from approximately HK\$50 million to approximately HK\$80 million; (iii) large-sized GEM IPO ranged from approximately HK\$90 million to approximately HK\$384.4 million;

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(iv) small-sized Main Board IPO ranged from approximately HK\$36.7 million to approximately HK\$150.0 million; and (v) medium-sized Main Board IPO ranged from approximately HK\$151.8 million to approximately HK\$2.8 billion.

During the year ended 31 December 2016, the fund raising size of (i) small-sized GEM IPO ranged from approximately HK\$30 million to approximately HK\$50 million; (ii) medium-sized GEM IPO ranged from approximately HK\$50 million to approximately HK\$94.5 million; (iii) large-sized GEM IPO ranged from approximately HK\$107.5 million to approximately HK\$1.3 billion; (iv) small-sized Main Board IPO ranged from approximately HK\$62.6 million to approximately HK\$104.6 million; and (v) medium-sized Main Board IPO ranged from approximately HK\$110.3 million to approximately HK\$2.0 billion.

During the year ended 31 December 2017, the fund raising size of (i) small-sized GEM IPO ranged from approximately HK\$35 million to approximately HK\$54 million; (ii) medium-sized GEM IPO ranged from approximately HK\$55 million to approximately HK\$74.1 million; (iii) large-sized GEM IPO ranged from approximately HK\$75 million to approximately HK\$370.0 million; (iv) small-sized Main Board IPO ranged from approximately HK\$50 million to approximately HK\$116.1 million; and (v) medium-sized Main Board IPO ranged from approximately HK\$120.0 million to approximately HK\$1.4 billion.

We completed (i) two medium-sized GEM IPO projects and one small-sized Main Board IPO project during the financial year ended 29 February 2016; (ii) one medium-sized GEM IPO project and one medium-sized Main Board IPO project during the financial year ended 28 February 2017; and (iii) three medium-sized GEM IPO projects, three large-sized GEM IPO projects, one small-sized Main Board IPO project; and four medium-sized Main Board IPO.

For the three years ended 28 February 2018, we had been engaged in 8, 10 and 15 placing and underwriting projects, respectively, which in aggregate generated a revenue of approximately HK\$8.5 million, HK\$3.3 million and HK\$25.0 million, respectively, representing approximately 28.5%, 9.3% and 29.6% of our total revenue, respectively. During the year ended 28 February 2018, approximately HK\$2.0 million of the revenue generated from our placing and underwriting business of approximately HK\$25.0 million was attributable to the profit arising from the stabilisation action for an IPO under which we were one of the joint global coordinators, joint bookrunners and joint lead managers.

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Set out below is a brief summary of the placing and underwriting projects undertaken by us during the Track Record Period:

<u>Types of fund raising exercise</u>	<u>Our role</u>	<u>29 February</u>	<u>Year ended</u>	<u>28 February</u>
		<u>2016</u>	<u>28 February</u>	<u>28 February</u>
		<u>Number of</u>	<u>Number of</u>	<u>Number of</u>
		<u>completed</u>	<u>completed</u>	<u>completed</u>
		<u>transactions</u>	<u>transactions</u>	<u>transactions</u>
IPOs	Underwriter	7	8	14
Issue of new shares by listed companies	— Placing agent	1	1	—
	— Sub-placing agent	—	1	1
Total		<u>8</u>	<u>10</u>	<u>15</u>

Building on the foundation of our well-developed corporate finance advisory business, our Directors believe that we will benefit from the business opportunities arising from (i) clients applying for listing on the Stock Exchange for which we act as the sponsor; and (ii) clients (including listed or unlisted companies) to which we have provided our other corporate finance advisory services, through offering our placing and underwriting services to such clients. In addition, as complemented by our securities dealing and brokerage business, which offers a distribution channel for procuring investors to subscribe for the securities offered under the primary or secondary fund raising projects undertaken by us, our placing and underwriting business had recorded a significant growth after commencement of our securities dealing and brokerage business in June 2017. During the year ended 28 February 2018, the revenue generated from our placing and underwriting business amounted to approximately HK\$25.0 million, representing a growth of approximately 650.2% from the revenue of approximately HK\$3.3 million generated for the year ended 28 February 2017 and a CAGR of approximately 71.4% from the revenue of approximately HK\$8.5 million generated for the year ended 29 February 2016.

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Set out below is the public information relating to our major placing and underwriting projects in which we were engaged during the Track Record Period:

	<u>Client</u>	<u>Nature of the transaction</u>	<u>Our role</u>	<u>Fund raising size</u> HK\$'000	<u>Our underwriting commitment</u>
1	Casablanca Group Limited (stock code: 2223)	Issue of new shares	Sole placing agent	60,000	best effort basis
2	Madison Wine Holdings Limited (stock code: 8057)	IPO	Joint global coordinator, joint bookrunner and joint lead manager	75,000	22.22%
3	Thelloy Development Group Limited (stock code: 8122)	IPO	Joint global coordinator, joint bookrunner and joint lead manager	65,000	5%
4	SFK Construction Holdings Limited (stock code: 1447)	IPO	Joint global coordinator, joint bookrunner and joint lead manager	135,000	32.8%
5	China Baoli Technologies Holdings Limited (previously known as “Rex Global Entertainment Holdings Limited”) (stock code: 164)	Issue of new shares	Joint placing agent	800,000	best effort basis
6	SH Group (Holdings) Limited (stock code: 1637)	IPO	Joint global coordinator, Joint bookrunner and joint lead manager	120,000	39%
7	Microware Group Limited (stock code: 1985)	IPO	Joint global coordinator, Joint bookrunner and joint lead manager	87,600	40%
8	CPM Group Limited (stock code: 1932)	IPO	Joint global coordinator, Joint bookrunner and joint lead manager	215,000	10.12%
9	China Wan Tong Yuan (Holdings) Limited (stock code: 8199)	IPO	Sole global coordinator, Joint bookrunner and joint lead manager	70,000	47.36%
10	United Strength Power Holdings Limited (stock code: 2337)	IPO	Joint bookrunner and joint lead manager	157,118	21.7%
11	Ocean One Holding Limited (stock code: 8476)	IPO	Joint bookrunner and joint lead manager	85,400	13%
12	IBO Technology Company Limited (stock code: 2708)	IPO	Joint global coordinator, Joint bookrunner and joint lead manager	150,000	20%
13	Wine’s Link International Holdings Limited (stock code: 8509)	IPO	Sole global coordinator, sole bookrunner and sole lead manager	90,000	88.48%

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<u>Client</u>	<u>Nature of the transaction</u>	<u>Our role</u>	<u>Fund raising size</u> HK\$'000	<u>Our underwriting commitment</u>
14 Space Group Holdings Limited (stock code: 2448)	IPO	Sole bookrunner and joint lead manager	228,000	77.25%
15 ZACD Group Limited (stock code: 8313)	IPO	Joint global coordinator, Joint bookrunner and joint lead manager	160,000	54.66%
16 MECOM Power and Construction Limited (stock code: 1183)	IPO	Joint global coordinator, Joint bookrunner and joint lead manager	375,000	32%

Our pricing policy

The placing and underwriting commission rates charged by us are determined on a case-by-case basis after arm's length negotiations with each client based on various factors including but not limited to, the proposed fund raising size, proposed pricing and valuation of the offering, prevailing market conditions and sentiments, target types and geographical locations of investors, perceived market response to and demand for the offering, number of underwriters and/or placing agents involved and number of shares to be placed or underwritten by us. The placing and underwriting commission receivable by us is calculated based on the aggregate offer price of the number of securities placed and/or underwritten by us.

During the Track Record Period, we acted as global coordinator, bookrunner lead manager or underwriter for 15 IPOs of Main Board listing applicants (“**MB IPOs**”) and 14 IPOs of GEM listing applicants (“**GEM IPOs**”). The commission rate for us acting as (i) placing or sub-placing agent for issue of new shares by listed companies ranged from 0.3% to 5.0%; (ii) global coordinator, bookrunner, lead manager or underwriter for MB IPOs ranged from 2.5% to 5.0%; and (iii) global coordinator, bookrunner, lead manager or underwriter for GEM IPOs ranged from 2.0% to 10.0%, which was in line with the market rates and market practice.

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Set out below the breakdown of the number of IPO projects underwritten by our Group during the Track Record Period by range of underwriting commission and the relevant commission rate which is the basic commission rate as set out in the respective placing and/or underwriting agreements:

	No. of MB IPOs	No. of GEM IPOs
2.0% – <2.5%	—	1
2.5% – <3.0%	7	1
3.0% – <3.5%	4	5
3.5% – <4.0%	2	1
4.0% – <4.5%	1	2
4.5% – <5.0%	—	1
5.0% – <5.5%	1	1
5.5% – <7.0%	—	—
7.0% – <9.5%	—	1
9.5% – 10%	—	1
Total	15	14

Note: For with commission rates of 2.5% were agreed between the listing applicants and us after arm's length negotiations based on various factors such as the proposed fund raising size and the prevailing market conditions and sentiments.

Our operational procedures

Deal origination

Our ECM team, led by Ms. Chau Lok Yuen, Amy, who joined our Group in June 2017 and had over 9 years of experience in ECM, and overall supervised by our ECM Committee, is responsible for sourcing potential transactions of provision of placing and underwriting services. The source of potential projects may originate from (i) referral from our existing clients or clients to which we have provided corporate finance services including IPO sponsorship services; (ii) our corporate finance advisory team which is working on IPO sponsorship projects requiring placing and underwriting services; (iii) referral from professional parties; and/or (iv) personal networks of our responsible officers or professional staff.

We discuss with potential clients about fund raising proposals including alternatives of fund raising methods, proposed fund raising size, terms and structure, pricing basis, target investors, use of proceeds and timetable. We will also perform preliminary due diligence on the clients before we accept the engagement.

Deal approval procedure

Our ECM committee, who is responsible for approving acceptance of engagement of placing and underwriting projects, consists of six members including the chairman of our Group, the chief financial officer of our Group, the head of our corporate finance department, the head of our compliance department, the head of our ECM department and our risk officer. Our ECM team is required to prepare a mandate review report outlining the details including the deal size, tentative timetable, estimated income attributable to us, commission rate, the amount to be placed or underwritten by us, our risk exposure and benefits under the engagement and other relevant information for the approval by our ECM committee.

For underwriting projects under which we are obliged to take up the unsubscribed offer shares up to our maximum underwriting commitment in the event of under-subscription of the offer shares, after approval by our ECM committee, the mandate review report is required to submit to our Board for final approval due to the financial risk exposure.

Deal execution

Our ECM team is responsible for execution of the placing and underwriting projects. The execution works involve, among other things:

- a. forming the underwriting syndicate and liaising and coordinating with each syndicate member;
- b. notifying our compliance department of all necessary details according to our policy on Chinese Walls and conflicts of interest;
- c. monitoring the issue of research report (if any). Our ECM team, in conjunction with the legal advisers to the underwriters, to advise the research teams of the underwriting syndicate, the blackout period and circulate the research guideline prepared by the legal advisers to the underwriters to ensure their compliance with the relevant rules and regulations;
- d. discussing the price range with the issuers and the syndicate members;
- e. coordinating and arranging marketing and roadshow activities;
- f. together with our finance and accounts department ensuring that FRR is strictly complied with and assessed on an ongoing basis. Our ECM team has to monitor the market, credit and liquidity risks on an ongoing basis;
- g. reviewing all placing and/or underwriting documentation;
- h. monitoring and consolidating feedback on the demand of the proposed issue during the roadshow and bookbuilding process;

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- i. signing placing and/or underwriting agreements;
- j. discussing the price determination and allocation with the issuers and other syndicate members, if necessary. Under delegation by the issuer and after obtaining approval from our ECM committee in respect of the price determination and allocation, ECM team is responsible for share allocation to be made to investors, and shall do so in accordance with the relevant rules and practices and following the general principle of share allocation basis, which takes into consideration of different factors including but not limited to timeliness of demand, nature of investors and nature of demand, and specific circumstances of each case but not limiting to the consideration of timeliness of demand, nature of investors, nature of demand;
- k. monitoring the public offer and reporting exceptions to our ECM committee immediately; and
- l. monitoring despatch of prospectus, refund cheques and share certificates.

With regard to the “Joint statement regarding the price volatility of GEM stocks” (the “Joint Statement”) and the “Guideline to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks” (the “Guideline”), we would ensure the allocation procedures, including but not limited to the following, to allot GEM IPO shares for our placing and underwriting services is in place:

- (i) requiring our clients or our sub-underwriters and/or sub-placing agents (if any) and their respective clients for new underwriting and/or placing projects to provide us with the relevant KYC documentation and ensuring all relevant KYC documentation is in place;
- (ii) cross-checking duplication of addresses, sources of funding and relationship to ensure the clients or the sub-underwriters and/or the sub-placing agents (if any) and their respective clients is not a nominee or acting in concert with any other person;
- (iii) working with sponsor and other underwriters to ensure fair and orderly allocation of GEM IPO shares;
- (iv) ensuring allocation to be in line with the bases of the public offer tranche and in the sole discretion of our ECM committee in the event of any conflict of interest; and
- (v) addressing any concerns raised by sponsor or regulators with respect to the placee list.

If the clients or the sub-underwriters and/or sub-placing agents (if any) and their respective clients fail to provide the information and documentation in a satisfactory manner, we will not allot any shares to the clients or the sub-underwriters and/or sub-placing agents (if any) and their respective clients.

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We ensure proper records are kept so that we can demonstrate compliance with the Guideline throughout the entire placing process.

In order to ensure ongoing compliance with the Joint Statement and the Guideline and other applicable guidelines, laws, rules, regulations and the Code of Conduct, we have updated our ECM operational manual and will continue to monitor any new regulatory changes and update our ECM operational manual and provide guidance to all of our staff.

Completion

ECM is responsible for monitoring the settlement of all placing and underwriting transactions, including the despatch of share certificates and refund cheques to the investors and transfer of proceeds to the issuers. Upon completion of the placing and underwriting transactions, all of our internal records and files must be retained in accordance with our internal control policy and the relevant laws and regulations, including those relating to any book building or placing exercise. Such records must be made available to the regulators on request.

We issue debit notes for our commissions to our clients in accordance with the payment terms set out in the engagement letter or the placing and/or underwriting agreement. Our placing and underwriting commissions may be payable by our clients directly by cheques or wire transfers or by way of deduction of fees from the proceeds and payable by the sponsor or lead underwriter to us on behalf of the clients. Our finance and accounts department follows up with ECM team on the fee receivables and the collection status of the outstanding fees.

(iii) Securities dealing and brokerage business

We offer securities dealing and brokerage services to our clients for trading in securities listed on the Main Board or GEM through Innovax Securities. Innovax Securities was granted the licences by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in April 2017 and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC in June 2017.

Each of our clients is required to maintain a securities trading account (a cash account or a margin account) with us before placing trading orders with us. Trading orders can be placed through (i) phone or (ii) online trading platform through our website at www.innovax.hk or our mobile application.

For clients placing trading orders by phone, all of their phone communications with us are recorded by our telephone recording system as our internal control measures. For clients placing orders through our online trading platform, they are provided with their own user names and passwords to log into our online trading platform for carrying out trading activities. Other than placing securities trading orders, our online trading platform also allows our clients to trace the order status and account balances on a real time basis, review their transaction histories and

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download the monthly statements. Our clients may subscribe at a fee for real-time streaming quotation services to access real-time market data including share prices, transaction records and historical data on our online trading platform.

As at 28 February 2018, we had 461 securities trading accounts, 335 of which were active accounts (from which we had received brokerage commission). These active accounts include 323 cash accounts and 12 margin accounts.

Since the commencement of our securities dealing and brokerage business in June 2017 and up to 28 February 2018, the aggregate trading volume from orders placed by our clients to us amounted to approximately HK\$645.0 million, approximately 74.4% of which were from orders placed by phone and approximately 25.6% of which were from orders placed through our online trading platform. During the period from June 2017 to 28 February 2018, we received from our clients brokerage commission of (i) approximately HK\$460,000 for executing trades in securities on the secondary market on behalf of them; and (ii) approximately HK\$3.9 million for subscribing for securities on behalf of them through their securities trading accounts maintained with us under IPO offering and secondary placing transaction, under which we were underwriter or placing agent or sub-placing agent or broker.

As at 28 February 2018, we engaged four AEs, three and one out of which were Staff AEs and Self-employed AE, respectively. Our Directors consider that engaging Self-Employed AEs, which is in line with common industry practice, enables our Group to broaden our business network and reach out to more potential clients while minimising fixed staff costs since they are not entitled to any fixed monthly salary. Our securities trading accounts are categorised as House Accounts and AE Referred Accounts. Clients sourced by our management through their business connections or by our Staff AEs are classified as House Accounts while clients sourced by our Self-employed AE through his/her personal networks are classified as AE Referred Accounts. The income generated from House Accounts is attributed to our Group, while the income generated from AE Referred Accounts are shared between the responsible Self-employed AE and our Group. As at 28 February 2018, we had 441 House Accounts, of which 421 were cash accounts and 20 were margin accounts, and we had four AE Referred Accounts, of which three were cash accounts and one was margin account.

The sharing portion of brokerage commission varies among each AE Referred Account and is determined on a case-by-case basis after taking into account factors, including but not limited to the client's transaction history, trading volume and frequency, financial positions and prevailing market commission rates. To determine the proportion of commission shared by our self-employed AE for securities trading transactions, upon account opening, our self-employed AE proposes a sharing ratio on the gross amount of commission generated from each AE Referred Account. Currently, the proportion of commission shared by the Self-employed AE is not less than 40% of the net amount of commission received from the clients he referred to us. Since the commencement of our securities dealing and brokerage business in June 2017 and up to 28 February 2018, the total commission expense paid to the Self-employed AE amounted to approximately HK\$2,500.

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In conjunction with our securities dealing and brokerage services, we also provide advices on securities as value-added service to our clients. Such value-added services to clients include provision of daily market update reports, securities performance analysis reports and monthly and yearly market outlook reports. We aim to offer more clients' satisfaction and fulfil their needs for our financial and securities services thereby encouraging them to trade through their securities accounts with us. During the Track Record Period, we did not charge any fees from clients for provision of such value-added services.

Our pricing policy

We charge our clients brokerage commission for executing trades in securities on the secondary market on behalf of them based on the transaction value of each completed trading order. Subject to a minimum charge ranging from HK\$50 to HK\$100 (which may be waived by us after taking into account the transaction history, trading volume and frequency and financial position of our clients), we generally charge our clients brokerage commission at a rate from 0.02% to 0.25%. In respect of the brokerage commission for subscribing for securities on behalf of them under IPO offering and secondary placing transaction, we generally charge our clients at a commission rate of 1%. The commission rates charged to our clients vary and are determined on a case-by-case basis after taking into account factors including the transaction history, trading volume and frequency and financial position of our clients and the then market commission rates.

For the year ended 28 February 2018, the revenue generated from our securities dealing and brokerage business amounted to approximately HK\$4.3 million, representing approximately 5.1% of our total revenue.

Our operational procedures

Account opening

Our AEs are required to take all reasonable steps to perform KYC by obtaining the true and full identity and information on financial situation, investment experience and investment objective of each client.

The AE should explain the whole set account opening document to the client in face-to-face approach to guide and assist the client to complete the account opening documents without influencing the client to provide genuine information and self-declaration. Risk disclosure should be performed with records and documents to evidencing that the relevant risks are duly disclosed to the client before acceptance of client's account opening application. It is required to gather necessary verification documents to facilitate the client on-boarding due diligence. The required verification documents vary from different types of clients including individual, corporation and financial institution.

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Our responsible officers or other eligible certifying persons shall examine the client's original identification documents to verify the genuine identity and witness client's signature on the account opening documents.

In addition to the review of the verification documents and the particulars as provided by the client, each of the client on-boarding application shall be matched against reputable database to screen and detect high risk client such as political exposed person.

After interviewing with the client and checking the whole set account opening documentation, the responsible AE is required to propose the trading limit or credit limit for the client after taking into account the following:

- investment objective, investment history and trading frequency;
- past payment records and defaults;
- financial background and existence and amount of guarantees (if any); and
- any known events which may have an adverse impact on the client's financial status, potential default or accuracy of information provided by the client.

Trading limit is the maximum unsettled amount calculated for gross purchase while credit limit is maximum amount of margin loan we can provide to a client to trade. The client is not allowed to trade above the trading limit or credit limit without obtaining written approval from our responsible officer and/or our risk management department.

The whole set account opening documents with proposed trading limit and/or credit limit for the client will be passed to our risk management department for review and assessment and approval for the trading limit and/or credit limit will be sought from our senior management. The whole set account opening documents is required to submit to our compliance department for checking and final approval.

Order taking and execution

After receiving a client's order and before placing the order, the responsible AE is required to check the status of the client's account including margin status, trading limit, credit limit, cash and stock holding and the authority of authorised representative (if any). We should identify the client upon receipt of an order, no matter via electronic means or telephone, by recognising the voice of the client or by checking the email address or login details/domain of the client.

Our AEs are responsible for taking trading orders from customers through telephone and such orders will be recorded through our centralised telephone recording system. Our AEs are prohibited from receiving trading orders through mobile phones within office premises. If trading orders are received from mobile phones outside office premises, our AEs have to immediately call back to our centralised telephone recording system and record the time of

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receipt and instruction details. The responsible AE can place order with details through BSS. Upon execution of the order from the Stock Exchange through BSS, the responsible AE should confirm the executed order to the client immediately through our centralised telephone recording system.

For securities dealing through our online trading platform, clients are provided with unique usernames and passwords for logging into the online trading platform. They can change their passwords through the online trading platform. When trading orders are input, our system will check if the clients have sufficient cash and/or securities in their accounts to cover the transaction cost. Our clients can trace the transaction status from the online trading platform on real time basis.

When trading error happens, as soon as the error is noted, the responsible officer must be informed and immediate action must be taken to correct the error. If it is not possible to cancel the order because it has already been executed and a position is taken as a result of the error, the position should be liquidated on the same trade day provided that the error is detected during the trading hours. Where the error is detected after trading hours, it should be liquidated first thing on the following trade day.

Whenever an error has occurred, resulting in a position being taken by us, the reason for the error should be recorded in the dealing error report, by the person responsible followed by his initial as evidence of acknowledging the error. Then the responsible officer should note down the resolution and initial the report. The dealing error report should then be forwarded to our compliance officer for review and signature.

Since the commencement of our securities dealing and brokerage business in June 2017 and up to the Latest Practicable Date, we identified seven incidents of error trades, respectively. Such error trades arose from clients placing orders by telephone and were attributable to (i) mistaken input of the order prices and/or client's account number; (ii) mistaken confirmation of trade execution to client; (iii) mistaken execution of purchase order for client who did not have sufficient trading limit or cash balance; and (iv) misunderstanding on clients' wire transfer instruction and IPO subscription order. The amount involved in each incident was minimal and the aggregate transaction value involved in those error trades was approximately HK\$1,567,000. By taking remedial actions to correct the errors, we recognised a net loss of approximately HK\$33,000. In order to prevent recurrence of similar incidents of error trades, we have taken the following internal control measures:

- (i) we have given warning to the relevant AEs involved in the error trades;
- (ii) we have provided internal training to our AEs;
- (iii) we have assigned transaction limit to each AE to limit the maximum error exposure amount;

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- (iv) we have applied our trading system with trading limit and/or credit limit to prevent purchase of securities with insufficient cash balance or trading limit or credit limit or sale of securities with insufficient owned securities; and
- (v) our responsible officer of Innovax Securities is responsible for monitoring transactions on a real-time basis and reviewing transaction history of the last trading day to detect irregularity.

Settlement

All trades executed through BSS would be downloaded to the back office system maintained by our settlement department after market close. Trades downloaded are authorised by the system automatically. Our back office system will conduct auto matching of trading records and then update clients' cash balance and stock balance to BSS for the next trade day.

Before market open of the next trade day, the responsible AE should review the unsettled report and notify the client that settlement has to be made on T+2. If the client fails to make such payment or delivery of securities by the due date, we reserve the right to liquidate the client's portfolio at our discretion. The client will be fully liable for the price difference and expenses (including legal costs and expenses) plus interest cost.

If the client is a margin client, the responsible AE should review the margin call report and notify the client about the call amount. If the loan amount exceeds the marginable value of securities, the AE is required to request his client to liquidate the portfolio to an acceptable level or deposit the difference to the account on the same day. Otherwise, we reserve the right to liquidate the client's portfolio at our discretion. If the client account has a margin call, new purchase is not allowed. Otherwise, prior approval from our senior management should be obtained.

If the loan amount exceeds the credit limit, the client has to deposit the difference or liquidate the portfolio to the level within the credit limit. The credit limit cannot be exceeded even if the client account has sufficient securities collateral. Only cashier order of bank fund or wire transfer can be recognised as acceptable good funds for margin deposit. Margin call met by a personal cheque is considered as good funds only when the cheque is cleared.

In respect of fund deposit by the client, all cheque deposit should be drawn from the account holder and made payable to Innovax Securities. Cash deposit for settlement of trades is prohibited. We discourage acceptance of third party cheque for trade settlement. Prior written approval from the responsible officer and client's written authorisation are required if the client decides to settle trades using a third party cheque.

In respect of fund withdrawal by the client, the client should fill in the standard withdrawal slip with proper authentication or make instruction through the online trading platform for fund withdrawal unless the client has provided a standing instruction to us. Cash withdrawal is not allowed. Cheque can only be issued and presented to the account holder. If

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the client instructs someone to pick up the cheque, the original signed copy of the instruction with the identity documents of the authorised person must be presented before the cheque can be released. We may bank in the cheque for the client instead of presenting the cheque to the client or we will perform wire transfer to overseas and local interbank upon request.

In respect of securities deposit by client, the client should fill in the standard securities deposit receipt with proper original signature. If the share certificates are registered in the client's name, the client should sign the transfer deed before deposit. After proper transfer to the name under Innovax Securities, the client is allowed to sell such shares in the stock market. If the share transfer is through CCASS settlement, the client should fill in "free of payment" or "against payment" in the settlement instruction Form. Third party's securities deposit in the client's account is not allowed.

In respect of securities withdrawal by the client, the client should fill in the standard delivery order with proper original signature. Availability of securities before withdrawal must be checked. The physical share certificates will be delivered to the client after the share certificates are withdrawn from CCASS. Our AEs are not allowed to withdraw the share certificates on behalf of their clients.

(iv) Securities financing business

To enhance and complement the securities dealing and brokerage business and to broaden the source of revenue of our Group, we offer securities financing services to our clients to facilitate them to purchase securities on a margin basis through Innovax Securities. Our securities financing services include (i) margin financing by providing margin loans to our clients for purchasing securities on the secondary market; and (ii) IPO financing to clients for subscribing shares offered under public tranche of IPOs.

Margin financing

Clients who wish to obtain securities margin financing from our Group, have to maintain margin accounts with us. The margin loan provided to our clients are repayable on demand with the securities held under the clients' margin accounts as collaterals. Each margin account opening application is subject to the approval of our responsible officer and risk management department, and if approved, our client will be granted a credit limit, based on a number of factors, such as his/her/its past trading and settlement record, financial standing, portfolio concentration level as well as liquidity and price volatility of the individual stocks in his/her/its portfolio. We monitor the credit limits of our clients on a regular basis. To ensure that the credit limit of each client is not excessive, we may reduce the credit limit of the client if there have been subsequent adverse changes such as high market volatility or when the financial standing of the client deteriorates. The credit limit may only be used by our clients provided that no margin call has been made.

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All securities financing facilities extended to clients are secured by pledge of listed equity securities acceptable to our Group. The list of approved securities is determined and reviewed by our credit committee from time to time with reference to the master stock list of our principal banker and after taking into account factors, including but not limited to, the financial conditions, price performance, liquidity and industry outlook of the relevant listed companies, and prevailing market conditions. We assign a margin ratio for each type of listed securities ranging from 0% to 70%. In general, margin ratios for HSI constituent stocks and Hang Seng China Enterprises Index constituent stocks are 70% and not less than 30%, respectively. The marginable amount of each client's securities portfolio held under his/her/its securities trading account is determined by (i) the market value of securities held under that client's securities trading account; and (ii) the margin ratio for each of those securities. Upon change in market value of securities under a securities trading account, the marginable amount varies accordingly. Our responsible officer and risk management department review, on a daily basis, the margin position report containing the outstanding balance, the marginable amount, the amount to be called for deposit and the loan-to-value ratio (expressing as a ratio of the outstanding balance against the market value of the securities held under a securities trading account). The range of our daily loan-to-value ratio of our clients was 3.45% to 29.42% during the period from the commencement of our securities financing business in June 2017 and up to 28 February 2018.

As at 28 February 2018, the outstanding balance of our margin loans amounted to approximately HK\$3.9 million and the market value and marginable value of securities pledged by our clients as collaterals amounted to approximately HK\$20.8 million and HK\$2.5 million, respectively, representing a loan-to-value ratio and a loan-to-margin ratio of approximately 18.7% and 156.3%, respectively. The outstanding balance was reduced to approximately HK\$1.7 million on 2 March 2018, as compared to the marginable amount of approximately HK\$2.1 million as at 2 March 2018. As at the Latest Practicable Date, the outstanding balance of our margin loans amounted to approximately HK\$1.5 million and the market value and marginable value of securities pledged by our clients as collaterals amounted to approximately HK\$6.1 million and HK\$1.4 million, respectively, representing a loan-to-value ratio and a loan-to-margin ratio of approximately 24.6% and 107.6%, respectively.

During the period from June 2017 to 28 February 2018, we had five margin accounts with outstanding balance exceeding the marginable amount, at one or more than one occasions. We closely monitor the margin position of those margin accounts based on the margin position report.

Our credit committee may, on a case-by-case basis depending on the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the client, exercise the right to take action on a securities trading account such as prohibition of further purchase of securities or liquidation of the position of the securities trading account. Since June 2017 and up to the Latest Practicable, we had not prohibited any securities trading

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accounts from making further purchase of securities nor liquidated any securities trading account and we did not record any loss resulting from default of margin loans from our clients.

During the period from June 2017 to 28 February 2018, we provided margin financing to our clients through our internal resources. As at the Latest Practicable Date, we did not have any financing facilities from Authorised Institution for our margin financing business.

IPO financing

We provide IPO financing to clients for subscription of shares offered under public tranche of IPOs for a term ranging from four to 14 days. We will liaise with Authorised Institutions or other brokers for financing if our internal available fund is insufficient. During the period from June 2017 to 28 February 2018, we had provided IPO loans of approximately HK\$86.3 million in aggregate to our clients for eight IPOs, among which, we obtained short term advances from a broker of approximately HK\$83.3 million in aggregate. As at 28 February 2018, we had outstanding IPO loans to clients of approximately HK\$13.5 million. For the period from 1 March 2018 and up to the Latest Practicable Date, we had provided IPO loans of approximately HK\$58.8 million in aggregate to our clients for four IPOs, approximately HK\$52.8 million of which was financed by short term advances from a broker. As at the Latest Practicable Date, we had no outstanding IPO loan balance.

The broker who provided short term advances to us for IPO financing during the Track Record Period and up to the Latest Practicable Date is an Independent Third Party. These short term advances bear interest at fixed rate of 1.58% to 2.78% per annum determined after arm's length negotiation between us and the broker before the entering into of each transaction, for a term ranging from four to 14 days.

For the year ended 28 February 2018, interest income generated from our securities financing business amounted to approximately HK\$69,000, representing approximately 0.1% of our total revenue.

Our pricing policy

During the Track Record Period, the interest rates charged by our Group on the outstanding principal amount of loans to our clients for purchasing securities on the secondary market ranged from 8.0% to 10.0% per annum with reference to the Hong Kong Dollar Best Lending Rate quoted by the Hongkong and Shanghai Banking Corporation and the loans to our clients for subscribing shares offered under public tranche of IPOs ranged from 1.8% to 2.8% per annum. These interest rates are determined with reference to the credit standing of the relevant clients and the quality of the securities pledged and/or other collaterals given.

Our credit control policy

We have a prudent margin lending and margin call policy set out in our credit control manual. In accordance with the management objective such as target loan level, rate of return and bad debt ratio and the authority given by our Board, we advance margin financing or IPO financing to our clients in order to earn interest income from our securities financing business. In the meantime, we must well manage the credit risk and balance the risk and return relationship after taking into account the changing economic environment and market trend.

We have a credit committee which has the powers and authorities delegated by our Board to monitor the credit control of our securities financing business and is responsible for, among other things,

- (i) approve and monitor all matters in relation to our credit risk of our Group, including margin financing or IPO financing granted to clients, repayment schedules and the interest rates applicable in case of any overdue debit balances of clients' securities trading accounts; and
- (ii) set up, approve and review effective credit risk management measures and systems of our Group from time to time, and to ensure such measures and systems are duly implemented and enforced.

Our credit committee consists of five members including (i) the chairman of our Group, (ii) the chief financial officer of our Group; (iii) our risk officer; (iv) the head of our securities dealing and brokerage department; and (v) the head of our compliance department.

A written margin client agreement is entered into with a client before margin financing or IPO financing is provided to that client and is specified that the account is a margin account. Under the margin client agreement, the client is clearly informed of our credit control policy including the margin call policy as it affects them. A risk disclosure statement in relation to provision of an authority to re-pledge securities collateral is included in a prominent position in the margin client agreement, monthly statement and any written notice given by us to any client to renew the standing authority in which the client authorises it to deposit the client's securities collateral as collateral for margin financing provided.

To avoid potential over-borrowing, we have to ensure that the aggregate of all outstanding bank borrowings, overdrafts and advances secured by the pledging or deposit of securities collateral belonging to margin clients remains prudent when compared to the aggregate of all outstanding margin loans made to margin clients. As a general guide, the amount of such bank borrowings, overdrafts and advances should not exceed 120% of the value of outstanding margin loans.

If we repledge securities collateral to Authorised Institutions for obtaining financing facilities for margin financing, we are required to notify the SFC in writing within one business day whenever for a continuous period of two weeks the aggregate outstanding

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balance of borrowings drawn under its bank credit facilities equals or exceeds 80% of the total credit limit of the bank credit facilities calculated at the sum of: (a) the credit limit of each unsecured bank credit facility; and (b) the lower of (i) the aggregate credit limit of its secured bank credit facilities; and (ii) the aggregate amount that the Authorised Institutions are willing to lend against the security pledged to the Authorised Institutions.

Our credit control policy provides approval procedures and approval authority within our Group in respect of granting trading limit or credit limit to clients, overriding authority for further buy transaction of clients under margin call, interest rate offered to clients, acceptable securities as collateral and the respective margin ratio, exposure to concentration on single stock as collateral and loan to single client, clients' request for fund or stock collateral withdrawal or transfer. Our credit control policy also sets out the margin monitoring, margin call procedures and forced liquidation procedures.

Our risk management department is responsible for periodic review and report to our credit committee and/or senior management on, among other things, status of securities accounts of clients, analysis of securities financing or margin loan portfolio of our Group, trading limit and credit limit granted by us, stock marginable ratio and our credit control policy.

During the Track Record Period, we did not record any loss resulting from default of margin loans from our clients.

(v) **Asset management business**

We offer asset management services through Innovax Asset Management, which was granted the licence by the SFC to carry out Type 9 (asset management) regulated activity in April 2017. Our asset management services include fund management and discretionary account management.

Innovax Asset Management is subject to a licensing condition that we shall only provide services to professional investors. As such, we are required to take all reasonable steps in performing KYC to satisfy ourselves the clients to be treated as professional investors. Knowing the true and full identity of each client including the identity of its beneficial owners is the first step that should be taken. It is important that we obtain at the outset information regarding our clients' background, financial situation, investment experience and investment objective and in case that the clients are corporate, the nature of their business, their shareholding structure and their controlling shareholders. The information should be well documented and kept in the file.

Fund management

On 21 June 2017, Innovax Asset Management entered into an investment management agreement (the "**Investment Agreement**") with Innovax Alpha SPC, for the account and on behalf of Innovax Balanced Fund SP. Innovax Alpha SPC is an open-ended fund registered with the Cayman Islands Monetary Authority. Pursuant to the Investment Agreement, Innovax Asset Management was appointed as the investment manager of Innovax Balanced Fund SP to,

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among others, manage the investment and reinvestment of the assets and rights held by Innovax Balanced Fund SP from time to time with a view to achieving the investment objective and strategy as described in the private placing memorandum of Innovax Alpha SPC.

As at 28 February 2018, the AUM of Innovax Balanced Fund SP was approximately US\$2.7 million (equivalent to approximately HK\$21.0 million). The net asset value per share of Innovax Alpha SPC increased from approximately US\$100 (equivalent to approximately HK\$778) on 1 August 2017 (the “**Launch Date**”), being the launch date of Innovax Balanced Fund SP, to approximately US\$100.6 (equivalent to approximately HK\$782.7) on 28 February 2018, representing a positive return of approximately 0.6%.

Details of Innovax Balanced Fund SP are set out below:

Fund name:	Innovax Alpha SPC
Segregated portfolio:	Innovax Balanced Fund SP
Fund type:	Open-ended, single class
Place of incorporation:	Cayman Islands
Investment objective:	To deliver long-term capital appreciation with managed risks and a prospect of dividend payout. This segregated portfolio intends to diversify its investments across different product types and geographical locations in order to minimise the impacts of market volatility

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Investment objective and strategy:	To invest primarily in companies listed in major markets including Hong Kong, China and US. Investments may be made in equity securities, related derivatives or in American Depository Receipt or Global Depository Receipt. Index futures and options will also be employed for hedging purposes. The fund is designed to have exposure in three main areas — core equities, special opportunity equities and short duration bonds. There is no fixed allocation percentage amongst the three areas but it should be expected the core equities should form the majority. The core equity portion will employ both fundamental and technical analysis and a long-short strategy to generate absolute return with less regards to market directions, by monitoring a universe of mid to big capitalisation stocks (defined by market capitalisation of over US\$3 billion). The special opportunity portion of the fund focuses more on stocks with market capitalisation smaller than the core equities. Investment thesis is based more on special situations as they arise, including, IPOs, pre-IPOs, private equities, placement at discounts, private placement and strategic partnership investment. For short duration bonds, this is expected to provide a stable stream of income and to lower the overall portfolio volatility
Target investors:	Professional investors as defined by the SFC, with the aim of achieving stable long-term capital appreciation.
Launch date:	1 August 2017
Initial AUM:	approximately US\$2.3 million (equivalent to approximately HK\$17.9 million)
Investment manager:	Innovax Asset Management
Management fee:	1.75% per annum, calculated on the basis of the net asset value of Innovax Balanced Fund SP as at the last valuation day of each calendar month and payable monthly in arrears

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Performance fee: 20% of the positive increment in the net asset value of each share of Innovax Balanced Fund SP over the High Water Mark as at the last valuation day in each period of 12 months ending on 31 December and payable in arrears within 30 days of the end of such period

Mr. Li Lap Sun (“**Mr. Li**”), our senior management member leading our asset management team, is the sole management shareholder and one of the directors of Innovax Alpha SPC. He has over 20 years of experience in finance and asset management. For Mr. Li’s biography, please refer to the section headed “Directors and senior management” in this prospectus. As at 31 August 2017, approximately 39.0% of the initial AUM was invested by Mr. Li and the remaining initial AUM was invested by two individuals, who are Independent Third Parties. Mr. Li made further investment into Innovax Balanced Fund SP in February 2018 and his subscription accounted for approximately 17.3% of the total AUM as at 31 July 2018.

During the period from the Launch Date and up to 28 February 2018, we recorded management fee and performance fee for Innovax Balanced Fund SP of approximately HK\$211,000 and HK\$21,000, respectively.

Discretionary account management

Our discretionary account management is provided to clients which appoint us as the manager for managing their portfolios on their behalves at our discretion. During the Track Record Period, we charge an annual management fee of 1.0% of the sum of the market value of the securities and the outstanding balance of the client’s account at the end of each fiscal year. As at 28 February 2018, we were managing one discretionary account, the portfolio of which had an aggregate market value of approximately HK\$3.5 million.

For the year ended 28 February 2018, the revenue generated from our asset management business amounted to approximately HK\$247,000, representing approximately 0.3% of our total revenue.

Our risk management policy

The ultimate responsibility in defining and maintaining risk control framework, setting the appropriate risk parameters for the portfolios under management and in continuously monitoring compliance of the portfolios with the investment objectives and policies and investment restrictions lies with our senior management.

Our risk management department will have in place a comprehensive risk management policy which includes procedures requiring regular performance of various risk analytics on the portfolios under management and close monitoring of the portfolios against the investment objectives, policies and restrictions.

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On a daily basis, our risk officer conducts portfolio level evaluation (including analysis of value-at-risk, correlations amongst sectors, concentrations of portfolio in gross and net exposures and beta adjusted exposures with different variables) and amongst other things analyses the portfolio's position level (including checking for abnormal movements, liquidity dry up, etc.), return profile analysis, counterparty risk analysis and market risk. On a daily basis, our risk officer also prepares a snapshot report of analysis results.

On a weekly basis, our risk officer conducts historical/trend analysis (for example, changes in value-at-risk, changes in various gross and net exposures, etc.), stress test and what-if analysis. Our risk officer also monitors marginal contributions to risk analysis on an ongoing basis.

On a regular basis the risk officer meets with our portfolio manager to discuss any risks facing the portfolios.

Our investment committee which consists of five members including (i) the chairman of our Group, (ii) our chief investment officer; (iii) the chief financial officer of our Group; (iv) our risk officer; and (v) the head of our compliance department, is responsible for approval of adoption of investment objectives, investment strategies and policies and investment restrictions as well as the risk management policy and parameters for each portfolio under management. It will also monitor the operational and portfolio risks to the portfolios under management through regular review and meeting with the portfolio managers and our Board.

Our investment committee will monitor the portfolios including review whether the investment objectives and policies and investment restrictions are being followed by the portfolio managers. In case of any deviation, our investment committee will discuss the deviations with our portfolio manager immediately and monitor remedial action. For all material deviations our investment committee will formulate recommendations to our Board on the appropriate remedial actions to be made. Our investment committee will meet on a monthly basis or more regularly if a meeting is requested by any member of our investment committee.

CLIENTS

The clients of our corporate finance advisory business and placing and underwriting business are mainly corporate clients including listed companies or listing applicants on the Stock Exchange or private companies. The clients of our securities dealing and brokerage business and securities financing business include corporate, professional and retail investors. The clients of our asset management business are professional investors.

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Top five clients

For the three years ended 28 February 2018, the revenue generated from our top five clients accounted for approximately 70.2%, 47.7% and 36.5% of our total revenue, respectively, and the revenue generated from our largest client accounted for approximately 21.4%, 18.0% and 9.8% of our total revenue, respectively.

The tables below set out the revenue generated from our top five clients, their background, our services provided and the duration of business relationships with our Group for the three years ended 28 February 2018.

For the year ended 29 February 2016

Rank	Client	Background of client	Services provided	Revenue recognised during the period HK\$'000	% of total revenue %	Length of business relationship ^(Note)	Status as at the Latest Practicable Date
1	SFK Construction Holdings Limited (stock code: 1447)	Principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau and one of the leading general building main contractors in Hong Kong	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	6,375	21.4	Since May 2015	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 10 December 2015 ● Compliance advisory services completed in April 2017
2	Madison Group Holdings Limited (Previously known as Madison Wine Holdings Limited) (stock code: 8057)	Retail and wholesale of wine products and other alcoholic beverages in Hong Kong and the provision of a range of customer-centric value-added services	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	4,791	16.1	Since March 2015	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 8 October 2015 ● Compliance advisory services completed in June 2018
3	Thelloy Development Group Limited (stock code: 1546, previously 8122)	A main contractor in Hong Kong focusing on providing (i) building construction services; and (ii) repair, maintenance, alteration and addition works services	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO 	4,300	14.4	Since April 2015	IPO sponsorship services and placing and underwriting services completed on 9 October 2015
4	Casablanca Group Limited (stock code: 2223)	A listed company in Hong Kong principally engaged in design, manufacture and sell bedding products with a focus on the high-end and premium markets in Hong Kong and the PRC	Placing services for issue of new shares	3,000	10.1	One-off	Completed on 13 March 2015
5	Super Strong Holdings Limited (stock code: 8262)	A contractor in general building works and specialist building works in Hong Kong	IPO Sponsorship services	2,430	8.2	Since July 2015	Completed on 30 March 2016
Total revenue from our top five clients:				20,896	70.2		

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For the year ended 28 February 2017

Rank	Client	Background of client	Services provided	Revenue recognised during the period HK\$'000	% of total revenue %	Length of business relationship ^(Note)	Status as at the Latest Practicable Date
1	SH Group (Holdings) Limited (stock code: 1637)	Provision of electrical and mechanical engineering services in Hong Kong	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	6,472	18.0	Since April 2016	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 3 January 2017 ● Compliance advisory services in progress
2	Microware Group Limited (stock code: 1985)	Provision of IT infrastructure solutions services and IT managed services in Hong Kong	IPO sponsorship services (Note 2)	5,250	14.6	Since October 2015	Completed on 8 March 2017
3	Wine's Link International Holdings Limited (stock code: 8509)	Wholesale and retail of wine products and other alcoholic beverages in Hong Kong	IPO sponsorship services (Note 2)	2,000	5.6	Since February 2016	Completed on 12 January 2018
4	Luen Shing Group Holdings Limited	A rice processor and edible oil repacking wholesaler in Hong Kong	IPO sponsorship services	1,750	4.9	Since November 2016	In progress
5	IBO Technology Company Limited (stock code: 2708)	Provision of "Internet of Things" intelligent terminal product application and solutions services in the PRC	IPO Sponsorship services (Note 2)	1,705	4.7	Since January 2017	Completed on 28 December 2017
Total revenue from our top five clients:				17,177	47.7		

BUSINESS

For the year ended 28 February 2018

Rank	Client	Background of client	Services provided	Revenue recognised during the period HK\$'000	% of total revenue %	Length of business relationship ^(Note 1)	Status as at the Latest Practicable Date
1	MECOM Power and Construction Limited (stock code: 1183)	An integrated construction engineering contractor and power substations constructor in Macau	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	8,249	9.8	Since May 2017	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 13 February 2018 ● Compliance advisory services in progress
2	IBO Technology Company Limited (stock code: 2708)	Provision of "Internet of Things" intelligent terminal product application and solutions services in the PRC	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	6,581	7.8	Since January 2017	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 28 December 2017 ● Compliance advisory services in progress
3	Gain Plus Holdings Limited (stock code: 8522)	Provision of subcontracting works providing RMAA services and building construction services	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	5,592	6.6	Since May 2017	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 13 February 2018 ● Compliance advisory services in progress
4	CPM Group Limited (stock code: 1932)	A manufacturer of industrial and architectural paint and coating products	<ul style="list-style-type: none"> ● IPO sponsorship services ● Placing and underwriting services for IPO ● Compliance advisory services 	5,384	6.4	Since September 2016	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 10 July 2017 ● Compliance advisory services in progress
5	Tian Chang Group Holdings Limited (stock code: 2182)	Provision of integrated of plastic solutions and manufacturing of e-cigarette products	<ul style="list-style-type: none"> ● IPO sponsorship services^(Note 2) 	5,000	5.9	Since February 2017	<ul style="list-style-type: none"> ● IPO sponsorship services and placing and underwriting services completed on 8 March 2018
Total revenue from our top five clients:				30,806	36.5		

Notes:

- (1) Length of business relationship with our clients is reckoned based on the dates of mandates entered into between our clients and us or the dates from which we got involved in the preparation work of the relevant projects, whichever is earlier.
- (2) We also provide compliance advisory service to these clients upon listing.

To the best knowledge of our Directors, none of our Directors, chief executives, or any person who owns more than 5% of the issued share capital of our Company or any of its subsidiaries, or any of their respective close associates, has had or has any interest in any of our top five clients during the Track Record Period. All of our top five clients during the Track Record Period are Independent Third Parties.

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SUPPLIERS

Due to the nature of our principal business activities, we have no major suppliers.

To the best knowledge of our Directors, none of our Directors, chief executives, or any person who owns more than 5% of the issued share capital of our Company or any of its subsidiaries, or any of their respective close associates, has had or has any interest in any of our suppliers during the Track Record Period. All of our suppliers during the Track Record Period are Independent Third Parties.

SALES AND MARKETING

For our corporate finance advisory business and the placing and underwriting business, our responsible officers together with our execution team are responsible for sales and marketing activities including preparing and presenting proposals for potential clients and maintaining regular communication and good relationship with clients to which we have provided services and business partners in the industry such as professional parties which have cooperated with us.

For our securities dealing and brokerage business and securities financing business, our responsible officers and AEs are responsible for performing sales and marketing activities including referring new customers to our Group, maintaining clients' relationship, promoting our services to new and existing clients and handling clients' enquiries.

For our asset management business, our responsible officers are responsible for sales and marketing activities including promoting our fund management and discretionary account management services to potential clients, maintaining clients' relationship and handling clients' enquiries.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

LICENCES AND REGULATORY REQUIREMENTS

We are subject to the rules and regulations promulgated by the SFC and the Stock Exchange and other relevant regulatory authorities in Hong Kong, among others, the Companies Ordinance, the SFO, the Listing Rules, the GEM Listing Rules and the Takeovers Code. Such laws, rules and regulations are subject to amendments or changes from time to time.

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Set out below is a summary of all licences, certificates and participations held by our Group as at the Latest Practicable Date for our operations and the time of first issue/admission:

<u>Licence/certificate holder</u>	<u>Licence/certificate/participation (Note 1)</u>	<u>Date of first issue/admission</u>
Innovax Capital	Licence under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (Notes 2 and 3)	25 February 2015
	Admission as sponsor	25 February 2015
Innovax Securities	Licence under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities	19 April 2017
	Stock Exchange Participant Certificate	15 June 2017
	HKSCC Direct Clearing Participation	15 June 2017
Innovax Asset Management	Licence under the SFO to carry on Type 9 (asset management) regulated activity (Note 4)	13 April 2017

Notes:

1. These licences, certificates and participations have no expiry date and hence are not required to be renewed.
2. As at the Latest Practicable Date, Innovax Capital was subject to the licensing conditions that (i) the licensee shall not hold client assets; and (ii) for Type 1 regulated activity, the licensee shall not engage in dealing activities other than those relating to corporate finance.
3. Prior to 17 February 2017, Innovax Capital was subject to the licensing condition that the licensee shall not advise on matters/transactions falling within the ambit of the Takeovers Code.
4. As at the Latest Practicable Date, Innovax Asset Management was subject to the licensing conditions that (i) the licensee shall not hold client assets; and (ii) shall only provide services to professional investors (as defined under the SFO).

Save for the fact that, during the period from 25 May 2016 to 31 August 2016, Innovax Capital had only one sponsor principal, and could not meet the licensing requirement to maintain at least two sponsor principals for carrying on sponsor or compliance adviser work, our Directors confirm that, during the Track Record Period and up to Latest Practicable Date, our Group has obtained all requisite licences, certificates and participations for conducting our business activities as set out in this prospectus and was in compliance with all applicable rules, legislations, permits and licence requirements, codes and guidelines which are material to our operations.

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Our Directors confirm that, to the best knowledge of our Directors after due inquiry, there were no outstanding regulatory issues involving us, our Directors, senior management or other employees during the Track Record Period and up to the Latest Practicable Date that could threaten our ability to maintain the licences, certificates and participantships for conducting our business activities and operations in the jurisdictions in which we operate.

All licensed corporations are required under section 145 of the SFO to have a minimum level of paid-up share capital and liquid capital in respect of the regulated activities for which the application for licence is made and to maintain at all times such minimum level paid-up share capital and liquid capital. Please refer to the section headed “Regulatory overview” in this prospectus for further details. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, all licensed corporations under our Group maintained the requisite paid-up share capital and liquid capital under the FRR.

For details of the relevant laws and regulations regarding our licences, certificates and participantships, please refer to the section headed “Regulatory overview” in this prospectus.

As at the Latest Practicable Date, all our staff members who performed regulated activities were licensed under the SFO either as licensed representatives or responsible officers. Under the SFO, licensed corporation shall not carry on any regulated activity unless not less than two responsible officers are approved by the SFC in relation to the regulated activity. Set out below is a table of the number of responsible officers and licensed representatives for each regulated activity as at the Latest Practicable Date:

<u>Regulated activity</u>	<u>Number of Responsible Officers (Note)</u>	<u>Number of Licensed Representatives (Note)</u>
Type 1	6	32
Type 4	2	3
Type 6	11	18
Type 9	2	2

Note: Respective persons may hold multiple licences for different regulated activities.

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The following table sets out the names of the responsible officers for each regulated activity approved by the SFC as at the Latest Practicable Date:

<u>Regulated activity</u>	<u>Responsible officers</u>
Type 1	Ms. Chau Lok Yuen, Amy Mr. Chu Sai Tak Mr. Lam Wai Hong, Edward Mr. Chung Chi Man Mr. Poon Siu Kuen, Calvin Mr. So Hin Pong
Type 4	Ms. Chau Lok Yuen, Amy Mr. So Hin Pong
Type 6	Mr. Chu Sai Tak (sponsor principal) Mr. Fung Sik Lun Mr. Ip Mun Lam (sponsor principal) Mr. Kam Wai Man (sponsor principal) Ms. Ling Wai Yan, Erica (sponsor principal) Mr. Ng Kai Pong Mr. Poon Siu Kuen, Calvin (sponsor principal) Ms. Sun Lilei Ms. Tsui Wing Yi Mr. Wong Cheuk Him, Alvin Mr. Wong Chor Ming (sponsor principal)
Type 9	Mr. Li Lap Sun Mr. So Hin Pong

COMPETITION

Corporate finance advisory business and placing and underwriting business

The corporate finance advisory industry operates in a fast changing business environment. Competition in the corporate finance advisory sector in Hong Kong is intense because there is a relatively large number of market players and the entry barrier for setting up business in providing corporate finance advisory services is considered to be low as substantial capital investment is not required.

As at 31 December 2017, there were 315 licensed corporations and 35 registered institutions for Type 6 (advising on corporate finance) regulated activity, 1,247 licensed corporations and 119 registered institutions for Type 1 (dealing in securities) regulated activity.

BUSINESS

Our Group faces keen competition in provision of corporate finance advisory services and placing and underwriting services in Hong Kong. Our Directors believe that competition in this market is primarily based on quality and scope of services, market reputation, business network, pricing, human and financial resources.

We also face competition in attracting and retaining talent. The competition among financial service providers for sponsor principals is very intense. Our ability to continue to compete effectively will depend on our ability to retain and motivate our existing workforce and attract new talents.

Our Directors believe that competition within the industry is intense and our Group has to compete with other corporate finance advisers, which may have more resources, a wider range of services offered and longer operating history than that of our Group. Such firms may leverage on their existing relationship with companies, expertise, financial strength and established reputation to compete in the market. Our Directors believe that competition in this market is primarily based on quality and scope of services offered, market reputation, business network, pricing, human and financial resource.

As there are many participants within the corporate finance advisory business, our Directors believe that it is not practical to ascertain the market share of our Group and other major players in the corporate finance advisory industry during the Track Record Period.

With the increasing number of listed companies in Hong Kong, the level of equity fund raising on the Stock Exchange, either through IPOs or in the secondary market, has been substantial. While the market is active, competition in the underwriting and placing business in Hong Kong is intense because of the relatively large number of market players.

Securities dealing and brokerage business

As at the Latest Practicable Date, Innovax Securities was a Stock Exchange Participant holding Stock Exchange trading right and was classified as a Category C Stock Exchange Participant.

The securities dealing and brokerage business in Hong Kong is dominated as to around 51.9% of the market share in terms of transaction size by the top 14 firms (Stock Exchange Participants under Category A), and as to around 85.4% of the market share in terms of transaction size by the top 65 firms (Stock Exchange Participants under Category A and Category B) during the year ended 31 December 2017. As such, the remaining brokerage firms in the stock market (Stock Exchange Participants under Category C) competing for around 14.6% market share in terms of transaction size during the year ended 31 December 2017, and we are one of the Stock Exchange Participants under Category C.

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Since 1 April 2003, minimum commission rates in respect of securities and commodities trading in Hong Kong have been deregulated. Furthermore, the introduction and popularity of online trading systems have also intensified the competition among securities brokers. As the traditional brokerage business has faced challenges, certain securities brokers have offered zero commission rate to customers with long-term relationship.

Building on the foundation of our well-developed corporate finance advisory business, we believe that we have advantage in securing a leading underwriting role for our IPO sponsorship projects upon the Listing. Leveraging our leading role among the underwriting syndicates in respect of different arrangements of the IPO projects including allocation of offer shares under the IPOs, we can attract clients to subscribe offer shares of these IPO projects through their accounts with our Group on cash or margin basis, as we have advantage in securing and allocating offer share to our clients, compared with other securities brokers with junior underwriting role of these IPO projects or securities brokers which are not underwriting syndicates. Leveraging on the above advantages, we successfully attract clients to open securities trading accounts to subscribe offer shares of IPO projects. As it normally takes around three business days to transfer shares from their securities trading accounts at our Group to their securities trading accounts maintained with other securities brokers, our Directors consider that most of our clients will not transfer their allotted shares from IPO to other securities brokers in order to save brokerage commission, given the market price of IPO shares may be fluctuating. To retain these clients for using our securities trading service continuously, we will provide free market research service to our clients from time to time, and will introduce investment opportunities to them for our other IPO projects. Upon the Listing, we will monitor the market trend of brokerage commission, and we may adjust our brokerage commission rate to enhance our competitiveness from time to time.

To compete with securities brokers offering low or zero commission rates, we intend to strengthen our securities financing business upon the Listing to facilitate our clients to purchase securities on margin basis, and our clients are required to trade through their accounts with our Group when utilising our securities financing services. It not only broadens our revenue sources, but also attracts and/or retains our clients to utilise our securities trading services.

Securities financing business

According to Financial Review of the Securities Industry published by SFC, the total number of securities dealers and securities margin financiers in Hong Kong increased from 907 in 2012 to 1,222 in 2017, representing a CAGR of approximately 6.14%.

The number of active margin finance borrowers increased from 139,375 in 2012 to 337,599 in 2017, representing a CAGR of approximately 19.4%, and the margin loans receivable from margin clients have been increasing over the period from 2012 to 2017, at CAGR of approximately 28.5%.

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Assets management business

The number of corporations licensed for Type 9 (asset management) regulated activity grew by 14.5% to 1,300 corporations as at 31 December 2016 from 1,135 as at 31 December 2015, surpassing the number of corporations licensed for all other types of regulated activity. The number of individuals licensed for asset management grew by 11.3% to 9,543 as at 31 December 2016 from 8,572 as at 31 December 2015. As at 31 March 2016, the number of corporations and individuals licensed for asset management further increased to 1,348 and 9,746, respectively.

Licensed corporations registered a year-on-year increase of 3.5% in their aggregate asset management and fund advisory business to HK\$12,553 billion in 2016. Their asset management business increased by 4.6% to HK\$11,354 billion while their fund advisory business dropped by 5.4% to HK\$1,199 billion. The increases were principally attributable to net capital inflows from new and existing mandates and overall positive market performance towards the end of 2016.

For details of the competition that our Group faces and will continue to face, please refer to the section headed “Industry overview” in this prospectus.

INTERNAL CONTROL

We are committed to conducting our business in accordance with the laws, rules and policies issued or endorsed by regulators, best market practice and the highest standards of integrity and fair dealing. Pursuant to the Code of Conduct, a licensed corporation should have internal control in place to protect its operations, clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions. We have established our internal control policies and operational guidelines and procedures for each of our business operations to identify key regulatory requirements and processes that our Group has established to manage its business and to outline some of the compliance procedures, monitoring and reporting processes undertaken to ensure compliance with the applicable laws, rules, regulations and the Code of Conduct.

Our compliance department is headed by Mr. Lam King Fung, who joined our Group in May 2017. Mr. Lam is responsible for leading our compliance department and risk management department and he has 10 years of experience in monitoring compliance and risk management for securities firms with PRC background in Hong Kong prior to joining our Group. Our compliance department monitors our Group’s overall compliance with our internal control policies, operational guidelines and procedures, applicable regulatory requirements and reports in this regard to our senior management and our Board from time to time. Our compliance department periodically reviews our internal control policies and operational guidelines and procedures to cope with new development of the relevant laws and regulations. Our compliance department and the relevant senior management evaluate the needs for improvement in our internal control system as and when necessary according to our business development. All functional departments are responsible for the implementation of the internal control policies and operational guidelines and procedures.

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For the year ended 29 February 2016, our compliance officer performed an internal audit for our internal control system. Our Directors confirmed that no material violation of our internal control policies and operational guidelines and procedures during the year ended 29 February 2016 were found during the course of the internal audit. In September 2017, we engaged an independent internal control consultant (the “Internal Control Consultant”) to perform an assessment (the “**Internal Control Assessment**”) on our internal control system on certain business processes of our Group. The work scope of the Internal Control Assessment included corporate controls, financial reporting and disclosure controls, expenditure management, cash management and treasury, human resources and payroll, regulatory compliance management, general information technology controls, insurance and operational controls on business operations in corporate finance advisory business, placing and underwriting business, securities dealing and brokerage business, securities financing business, asset management business and advising on securities.

Based on the Internal Control Assessment, our Directors and the Joint Sponsors concur that, the various internal control policies and operational guidelines and procedures adopted by our Group are adequate and effective. Our Directors confirmed that no material violation of our internal control policies and operational guidelines and procedures by any of our staff members had occurred during the Track Record Period and up to and including the Latest Practicable Date.

Other than internal control policies and operational procedures of each of our principal businesses set out in the paragraph headed “Our business activities and services” in this section, we also set out below some of our major internal control policies in relation to our business activities. For avoidance of doubts, notwithstanding that Self-employed AEs are not our employees, they are licensed representatives of Innovax Securities and their business activities are bound by the Code of Conduct. As such, all our internal control policies and operational guidelines and procedures including the staff dealing monitoring procedures are extended to our Self-employed AEs.

Anti-money laundering and counter-terrorist financing

We are firmly committed to complying fully with all applicable laws and regulations in relation to the prevention of money laundering and terrorist financing.

We have internal operational guidelines to establish appropriate procedures for:

(i) *Identifying clients and their beneficial owners*

We are obliged to establish and verify the true and full identity of each client as well as the true and full identity of any beneficial owners of the account and take reasonable measures to verify the identity of any beneficial owners. We also need to establish each client’s financial situation, investment experience and investment objective, at the time the relationship is established. Anonymous or fictitious accounts must not be maintained for any new or existing client.

(ii) *Verifying their identities*

We are required to carry out due diligence on each client to identify each client and verify the client's identity using reliable, independent source documents, data or information. Clients may include but not limited to individuals, corporations, partnerships, trusts and funds and their beneficial owners. Enhanced due diligence measures must be undertaken on all persons who are classified as a high risk for money laundering or terrorist financing such as politically exposed persons.

(iii) *Performing database screening*

We need to maintain a database which contains the names and particulars of terrorist suspects and designated parties or we can make appropriate arrangements with a third party database provider. We need to screen new clients against current terrorist and sanction designations at the establishment of the relationship and thereafter when new sanction lists are published. The results of the screening of clients must be fully investigated and documented. Our employees must report any transactions or relationships they have or have had with any named individual or entities to our senior management who would then report the same to the JFIU.

(iv) *Monitoring business relationships continuously*

We are required to monitor on an ongoing basis, our business relations with each client and observe the transactions he/she/it undertakes to ensure that the transactions are consistent with our knowledge of his/her/its information including business background and risk profile and where appropriate, source of funds. Where transactions are complex, large or unusual, or patterns of transactions have no apparent economic or lawful purpose, are noted, we should examine the background and purpose, including, where appropriate, the circumstances, of the transactions. The findings and outcomes of these circumstances should be properly documented in writing and be available to assist the SFC and other competent authorities. Proper records of decisions made, by whom, and the rationale for them will help us demonstrate that we are handling unusual or suspicious activities appropriately. All high-risk clients must be reviewed at least on an annual basis.

(v) *Reporting knowledge or suspicion of money laundering*

We have an obligation to report to the JFIU where there is knowledge or suspicion of money laundering or terrorist financing.

(vi) *Keeping adequate records*

JFIU needs to ensure a satisfactory audit trail for suspected laundered money and must be able to establish a financial profile of the suspect account. All records on transactions, both domestic and international, should be maintained for at least seven years after the completion of a transaction, regardless of whether the business relationship ends during the period. Such

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records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

(vii) *Providing appropriate AML training*

Training on anti-money laundering and anti-terrorist financing will be provided for our new employees during orientation to ensure that they are aware of their personal obligations under the relevant legislation and guidelines and that they can be personally liable should they fail to report as required. Refresher training will be provided regularly to generate and maintain a level of awareness and vigilance to enable suspicious transactions to be recognised and reported.

During the Track Record Period, we were not aware of any clients or transactions which were suspicious of money laundering and terrorist financing activities.

Chinese Walls and conflicts of interest

Chinese Walls

We have an integrated platform to provide a range of financial and securities services including corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management services. We are required to maintain effective Chinese Walls to prevent flow of information that may be confidential or price sensitive between the corporate finance business (the “private side” of the Chinese Walls) and securities dealing and brokerage business, securities financing business and asset management business (collectively the “public side” of the Chinese Walls).

The responsible officers who possess inside information and confidential information are responsible for flow of information within a deal team or specific business line and others who have a legitimate “need to know” basis. Chinese Walls are essential to reduce the risk of confidential or price sensitive information being misused or wrongly disclosed, which also prevents the spread of information between different departments of our Group. Our compliance department and our senior management personnel are responsible for ensuring an effective Chinese Walls are in place.

Wall crossing

To prevent the flow of information that may be confidential or price sensitive between the corporate finance advisory business and the other business activities of our Group, our staff is required to strictly adhere to the wall crossing procedures as below:

- (i) the corporate finance team shall inform the compliance department about the proposed transaction and the relevant securities of a listed company or proposed issuer have to be added on either the watch list or the restricted list, if necessary;

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- (ii) the private side staff, requesting a proposed wall cross for a public side staff, must first obtain written approval from the respective responsible officer on the private side and the compliance officer, and notify the responsible officer of the public side. The relevant public side staff is required to obtain written approval from the respective responsible officer on the public side and our compliance officer;
- (iii) regarding a transaction involving an issuer under which a public side staff is brought “over the wall”, the public side staff is treated as being on the private side and may not engage in his/her normal sales, dealing, trading or research activities in the securities of that issuer. The public side staff 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; and
- (iv) the public side staff is responsible for informing our compliance department when he believes that inside information communicated becomes public information. He may only resume his normal sales, dealing, trading or research activities after obtaining approval from our compliance officer.

Watch list and restricted list

Our compliance department is responsible for maintaining the watch list and restricted list and monitoring clients’ trading and staff dealing.

The watch list is a confidential list of securities and issuers maintained by our Group for the purpose of monitoring possession of inside information obtained in the course of undertaking their duties in a pre-mature and non-public transaction relating to a listed corporation or a corporation to be listed. When we have obtained such price-sensitive information, we have a duty to keep such information confidential.

The watch list is used by the compliance officer to review the sales, dealing, trading and research activities of our Group without restricting such activities on the company level, except that the staff of the originating department acquiring such information is restricted from dealing in the securities relating to the listed corporations or corporations to be listed under the watch list. If necessary, our compliance officer is authorised to break trades in staff trading to be reversed where there is any possibility that such transaction is contrary to the interests of any of our clients and the public.

The restricted list is a list of securities and issuers for which certain restrictions apply to trading for proprietary and staff account where we have been engaged to provide corporate finance advisory services and placing and underwriting services. Generally, our staff will not be told the reasons for a particular equity security or issuer is restricted from trading.

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When our Group is engaged for provision of corporate finance advisory services and placing and underwriting services to a listed issuer, the respective responsible officer is responsible for promptly informing the compliance officer to add the listed company and the related listed company to the restricted list. Depending on the nature of the transaction, the listed company on the opposite side of such transaction with our client may also be placed on the restricted list.

The removal of the listed company and the related listed company from the restricted list is initiated by the respective responsible officer and approved by our compliance officer when the transaction is completed and going to public, when the transaction is terminated by one or both sides, when our involvement is ended, or when it is determined that it is no longer necessary to restrict staff trading.

Conflicts of interest

In addition to the duty not to disclose confidential and/or price sensitive information, our Group and our staff also have a broader duty to act fairly and in the best interests of our clients, avoid conflicts of interest situations and ensure the fair treatment to our clients.

Where our staff has a material interest in a transaction with a client or a relationship which gives rise to an actual or potential conflict of interest in relation to the transaction, the staff should neither advise, nor deal with the transaction unless he has disclosed that material interest or conflict to the client and obtained approval from the respective responsible officer. Once approved, the staff should take all steps to ensure fair treatment of the client.

Our staff is required to take all reasonable steps to avoid situations that are likely to involve conflicts of interest. He must not place his interest above his clients' interest and has to withdraw from or decline to accept the transaction where he has a material conflict. To avoid conflicts of interest, our corporate finance advisory staff and the directors of each member company of our Group are required to provide written declaration of interest and independence before our Group is engaged in the proposed transactions.

The staff of our securities dealing and brokerage business is required to handle order of clients fairly and in the sequence in which orders are received. We ensure that client orders, at all time, have priority over orders of staff's accounts and our Group's account. Cross trades between a client and our staff are strictly prohibited. Approval from the respective responsible officer should be obtained for cross trades or special trades between clients.

Our staff is not allowed to participate in subscription for any securities by placement unless obtaining prior approval from the respective responsible officer has been obtained.

We are aware that soft dollars rebate may give rise to conflicts of interest. To avoid conflicts of interest, the soft dollars rebate to other licensed corporations is strictly prohibited unless obtaining approval from the responsible officer has been obtained.

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Our staff is not allowed to participate in securities or futures dealing where the staff effects the dealing in order to “front-run” pending transactions for clients, or on the basis of other non-public information which would be expected to materially affect price of those securities or futures.

Our Staff is restricted from dealing where potential conflicts of interest are present. Where this must be done, the situation must be disclosed to the client and the client’s consent must be obtained prior to execution of the orders.

Staff dealing

In addition to our policy for conflicts of interest as set out above, our staff is required to strictly follow our internal policy on staff dealing which may give rise to conflicts of interest between our staff, our Group and our clients. Our staff must ensure that their personal business, investment and other activities (including those of family and other close associates) do not influence their judgment or action in relation to their employment duties.

Our staff is required to obtain prior written approval for dealing from the relevant head of department or responsible officer and our compliance officer, and is not allowed to deal or trade in any securities or financial products:

- when he/she is in possession of material non-public information or unpublished price sensitive information (which shall include research reports prior to publication) in relation to such securities or financial products, or on the basis of confidential information which is in his/her possession as a result of his/her employment or service with our Group. If our Group is the compliance adviser of a listed company, we may hold certain non-public information about the listed company and, all staff of the corporate finance advisory business who possess such non-public information are prohibited to trade any securities (including warrants) issued by such listed company;
- in circumstances which may present a conflict of interest with our Group’s activities or the transactions of our Group’s clients. To protect the interest of all our clients and our Group, all staff dealings that may possibly give rise to conflicts of interest or possible contravention of the codes, rules and legislations have to be approved by our compliance department prior to placing any order;
- which or the issuers of which are on our restricted list;
- through a nominee company or individual;
- if such dealing could commit them to a financial liability which could not easily be met from readily available funds or which over-stretch their financial resources;
- during the period of the offering of the securities of a listed or a potential listed company which our Group is an underwriter or a member of the syndicate, unless notified otherwise; and

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- when he/she is aware of the content of our research report before issuance, until two trading days after the issuance of the research report;

If he/she is a staff of the asset management business, he/she is not allowed to buy or sell an investment for his/her own account:

- on a day in which our asset management department has a pending “buy” or “sell” order in the same investment until that order is executed or withdrawn;
- within one trading day before (if the relevant person is aware of a forthcoming client transaction) or after trading in that investment on behalf of a client, unless the client order has been fully executed and any conflicts of interest have been removed and approved by our compliance department; and
- within one trading day before (if the relevant person is aware of a forthcoming recommendation) or after a recommendation to a client on that investment is made or proposed by our asset management department, unless the client order has been fully executed and any conflicts of interest have been removed and approved by the compliance department.

The staff of our asset management business is not allowed to short sell any securities recommended by our asset management department for purchase and shall hold all personal investments for at least 30 days, unless prior written approval of our compliance officer or other persons designated by our Board is given for earlier disposal.

We encourage long-term investment by our staff and strongly discourage short-term and speculative trading.

Our staff is not allowed to open or maintain their securities trading accounts with other licensed corporations or registered institutions to our compliance department.

Having considered the abovementioned internal control procedures, our Directors are of the view, and the Sponsor concurs with our Directors’ view, that our internal control procedures are adequate and effective to monitor our staff (including Self-employed AEs) dealing.

KYC

Our KYC with clients is in compliance with the Codes of Conduct, the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC and our internal policy for the prevention of money laundering terrorist financing policy as set out above.

Knowing the true and full identity of each client including the identity of its beneficial owners is the first step that should be taken. It is important that we obtain at the outset information regarding our clients’ background, financial situation, investment experience and investment

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objective and in case that the clients are corporate, the nature of their business, their shareholding structure and their controlling shareholders. The information should be well documented and kept in the file.

For our corporate finance advisory business, KYC is of utmost importance in discharge of our responsibilities and detailed due diligence is required to carry out, details of which are set out in the paragraph headed “Our business activities and services — (i) Corporate finance advisory business — Our operational procedures” in this section.

For the securities dealing and brokerage business, our AEs, who are licensed persons, are required to take all reasonable steps to identify the clients’ identities, financial background, investment experience and investment objectives. They also have to fully explain the account opening documents to clients. Written agreements must be entered into between us and the clients prior to providing any services to them. To verify the client’s identities, the written agreements have to be accompanied with copies of documents which can uniquely identify the client such as identity cards, passports, address proofs, corporate documents and/or other relevant documents as appropriate. Where there are any subsequent changes to the personal information of the clients such as address, we will request the clients to provide supporting evidence.

For the asset management, we are subject to a licensing condition that we shall only provide services to professional investors. As such, we are required to take all reasonable steps in performing KYC to satisfy ourselves that the clients are to be treated as professional investors.

FRR

We are required to maintain at all times the liquid capital which is not less than the minimum requirement as set out under the FRR. Our finance and accounts department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. The monthly financial returns are submitted to our relevant responsible officers for review and approval before submission to the SFC no later than three weeks after each calendar month. Our finance and accounts department also conducts the liquid capital computation on a daily basis which is reviewed by our responsible officers to ensure that we are able to comply with the FRR requirement on an ongoing basis.

During the Track Record Period, our Group did not have any material non-compliance with the minimum liquid capital requirement as set out by the SFC.

Information technology policy

The safety and stability of our computer and information system and trading system are of utmost importance to us.

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Our computer system and information processing facilities are protected by firewalls and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software. Encryption is required when data is stored on portable devices. We maintain daily backup procedures, remote premise and home office arrangement and alternative means of communication in place to ensure the continuity of our business operations.

To ensure the safety and stability of the trading system and prevent system breakdown, we have implemented the following measures. Firstly, for hardware components of the trading system, there are backup components to ensure any hardware failure can be recovered within a short period of time. Secondly, the securities dealing and brokerage department is responsible for the close monitoring of the stability and performance of the trading system and, if any irregularities are detected, liaising with the computer system vendors for immediate rectification. Thirdly, any software or hardware changes or upgrade in the trading system will be tested during market rehearsal session before rollout. Fourthly, the log for the trading system being accessed by our clients would be recorded. Both software and hardware firewalls are established for the trading system if they enter a wrong password for five times or more and the online access to the account would be suspended until we receive a request from the client to lift the suspension.

In the event the trading system is disrupted or suspended, other than the restoration of backup files and remote premise and home office arrangement, contingency plans will include (i) contacting other brokers to continue trading and the normal CCASS functions in the back-up centre provided by HKSCC; and (ii) notifying clients immediately that the trading system is disrupted or suspended and how it may affect the execution of the orders or transactions and informing them of the alternative means of communication of our responsible staff.

US FATCA COMPLIANCE

Our wholly-owned subsidiary, Innovax Securities, holds or manages clients' money in the provision of its securities dealing and brokerage services, and falls within the definition of foreign financial institutions under FATCA.

Innovax Securities has made the application to register with the US Internal Revenue Service (“IRS”).

We have also adopted the following measures to ensure that Innovax Securities comply with FACTA, including:

- (i) Reviewing the holding structure of our Company and determining the entities that should be considered as in the same expanded affiliate group as defined in section 1471(e)(2) of the US Internal Revenue Code for FATCA purposes;
- (ii) Enhancing the current client on-boarding process and relevant account opening forms to ensure compliance with FATCA;
- (iii) Review pre-existing accounts to identify any US indicia;

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- (iv) Taking necessary steps to update FATCA status of our counterparties; and
- (v) Providing training and guidance to the employees of Innovax Securities with respect to the new accounting on-boarding procedures under FATCA.

As at the Latest Practicable Date, none of our existing client accounts were held by a US taxpayer. Given that (i) Innovax Securities has registered with the IRS; (ii) we have implemented account opening procedures to identify US accounts and clients in compliance with FATCA; and (iii) none of our existing securities trading accounts are held by a US taxpayer, our Directors believe that the implementation of FATCA in Hong Kong pursuant to the IGA has no material impact on our business operations, our Shareholders and our existing clients.

COMPLAINTS RECEIVED BY OUR GROUP

We have established procedures for handling complaints. All complaints whether written or verbal have to be reported to our complaints officer and a register should be kept of all complaints including details such as name of complainant, date of receiving the complaint, brief description of the complaint and date of response.

All complaints should be dealt with as a matter of priority. All relevant information and any relevant documentation should be reported promptly to our Complaints Officer. Each of our employee is obliged to provide all information required by our complaints officer.

Our complaints officer shall liaise immediately with the staff involved as to the validity or otherwise of the complaint, or take any other necessary action, based on the nature of the complaint.

Our complaints officer shall conduct investigation and make reply letter to the complainant and any complaint case should be settled within a reasonable period and the complainant must be informed as to whether the Company accepts the complaint and offers redress or rejects the complaint with reasons.

Our complaints officer shall report all complaints to our senior management and an independent compliance review on complaint handling will be conducted by our compliance department on a regular basis aimed at examining adherence to our complaint handling procedures.

During the Track Record Period and up to and including the Latest Practicable Date, we did not receive any material complaints from any of our clients about our Group or our employees.

INSURANCE COVERAGE

During the Track Record Period and up to the Latest Practicable Date, we had (i) employees' compensation insurance in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); (ii) property insurance coverage for our principal place of business in Hong Kong; (iii) insurance covering loss of client assets due to theft by employees or other fraudulent acts as stipulated in the insurance policy as required under the Securities and Futures

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(Insurance) Rules (Chapter 571AI of the Laws of Hong Kong); and (iv) medical insurance for our employees. All our policies are underwritten with reputable insurance providers and we review our insurance policies annually. For the three years ended 28 February 2018, the total insurance expenses paid by us amounted to approximately HK\$43,000, HK\$91,000 and HK\$198,000, respectively.

Our Directors consider that we have obtained adequate insurance coverage over our assets and employees and for the operation of our business and are consistent with industry norm having regard to our current operations and the prevailing industry practice in Hong Kong. Our Directors confirm that payments under all existing insurance policies have been duly paid and that no material claims have been made in respect of any of our insurance policies during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

As at the Latest Practicable Date, we had 50 employees, all of whom are stationed in Hong Kong. Set forth below is a table showing the number of employees in each functional section of the Company:

	<u>As at the Latest Practicable Date</u>
Management	5
Corporate finance advisory business	28
Placing and underwriting business	2
Securities dealing and brokerage and securities financing business	5
Asset management business	1
Compliance, risk management, human resources, administration, finance, information technology	<u>9</u>
Total	<u><u>50</u></u>

We enter into employment contracts with all of our employees (and contracts for service with our Self-employed AEs). The contracts set out, among other things, the employees' duties and responsibilities, remuneration and grounds for terminations. The remuneration for our employees consists of monthly salary, which is determined based on, among other things, 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 monthly salaries of our employees are assessed and reviewed annually to determine any salary adjustment is required.

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Our Directors confirm that our relationship with our employees is satisfactory in general. Our Directors consider that the management policies, working environment, career prospect and benefits extended to our employees have contributed to building a good employee relations and employee retention. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant staff or labour disputes.

Self-employed AEs

Our Self-employed AE is solely responsible for handling the securities accounts of the clients they refer to our Group. Given the job nature, he is not entitled to any fixed monthly salary or statutory employment benefits. Instead, he is entitled to commission at an agreed sharing ratio from the commission generated from the clients he refers to our Group.

Notwithstanding that our Self-employed AE is not our employee, he is a licensed representative of Innovax Securities and his business activities are bound by the Code of Conduct. As such, all our internal control policies including the staff dealing monitoring procedures are extended to him and we have not experienced any difficulties on the monitoring of our Self-employed AE.

Training

Subject to the continuous professional training requirements, our responsible officers and licensed representatives are required to take sufficient number of hours of continuous professional training in order to fulfil such training requirements, to maintain their SFC licences to carry on the relevant regulated activities and to have update on changes and development in the financial and securities industry and the relevant laws and regulations.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased from Independent Third Parties the following properties for our operations:

<u>Address</u>	<u>Use of the property</u>	<u>Monthly rent</u>	<u>Term of lease</u>
2002, 20th Floor Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong	Office	HK\$69,000 to HK\$71,208 (exclusive of government rent, rates and air-conditioning and management fees)	Two years and seven months, commencing on 1 June 2018 and expiring on 3 January 2021 (both days inclusive)

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Address	Use of the property	Monthly rent	Term of lease
Unit A–C, 20th Floor Neich Tower 128 Gloucester Road Wanchai Hong Kong	Office	HK\$88,763 (exclusive of government rent, rates and air-conditioning and management fees)	Two years, commencing on 1 June 2018 and expiring on 31 May 2020 (both days inclusive)

No valuation report for the above office premises have been included in this prospectus as they are exempted under to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

INTELLECTUAL PROPERTY

As at the latest Practicable Date, we were the registered owner of the domain name www.innovax.hk, which was registered on 15 September 2014 and is due to expire on 15 September 2023. Such domain name is subject to renewal.

As at the Latest Practicable Date, we were the registered owner of the following trademarks in Hong Kong. Further, we had applied for registration of one trademark in Hong Kong. Please refer to the section headed “Statutory and general information — B. Further information about our business — 2. Intellectual property rights of the Group” in Appendix IV to this prospectus for further details.

No.	Trade Mark	Place of registration	Class	Registration number	Duration of validity	Registered owner
1.	A.  B. 	Hong Kong	35, 36	303703996	4 March 2016– 3 March 2026	Innovax Capital
2.	A.  B. 	Hong Kong	35, 36	304198861	6 July 2017– 5 July 2027	Innovax Capital
3.	A.  B. 	Hong Kong	35, 36	304200065	7 July 2017– 6 July 2027	Innovax Capital

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During the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice any claim of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent which would have had a material impact on our business, financial conditions or results of operations.

LEGAL PROCEEDINGS AND DISCIPLINARY ACTIONS

Legal proceedings

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any legal proceedings, investigations, claims nor had we been aware of any pending or threatened litigation, arbitration or other claims which would have a material adverse impact on the operations, financial position and reputation of our Group.

Disciplinary actions

Our Director confirm that during the Track Record Period and up to the Latest Practicable Date, (i) no disciplinary action had been taken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against any members of our Group, their respective directors or responsible officers; and (ii) they were not aware of any investigations or potential disciplinary actions undertaken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against any members of our Group, their respective directors or responsible officers.

COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material or systemic non-compliance.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising two executive Directors and five independent non-executive Directors. Mr. Chung and Mr. Poon Siu Kuen, Calvin made all key decisions of the core functions of our Group throughout the Track Record Period. 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 our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to members of our Board and senior management of our Group:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Chung Chi Man (鍾志文)	45	9 June 2014	14 June 2016	Chairman and executive Director	Overall strategic planning and overseeing the general management of our Group and overall supervision of our placing and underwriting business	None
Mr. Poon Siu Kuen, Calvin (潘兆權)	47	23 February 2015	4 May 2018	Chief executive officer and executive Director	Overall management of our Group and supervision and management of our corporate finance advisory business	None
Mr. Lo Wai Kwan (羅惠均) ^{Note}	43	16 March 2015	24 August 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Dr. Wu Kwun Hing (胡觀興) ^{Note}	51	16 March 2015	24 August 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Mr. Choi Wai Ping (蔡偉平) ^{Note}	44	22 March 2016	24 August 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Ms. Chan Ka Lai, Vanessa (陳嘉麗)	44	24 August 2018	24 August 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Mr. Cheung Kwok Kwan JP (張國鈞)	43	24 August 2018	24 August 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None

Note: Each of Mr. Lo Wai Kwan, Dr. Wu Kwun Hing and Mr. Choi Wai Ping was appointed as an independent non-executive director of Innovax Capital on 16 March 2015, 16 March 2015 and 22 March 2016, respectively to enhance the corporate governance of the board of directors of Innovax Capital.

DIRECTORS AND SENIOR MANAGEMENT

Members of our senior management

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Date of appointment as senior management</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. So Hin Pong (蘇顯邦)	61	27 March 2017	27 March 2017	Chief executive officer and executive director of Innovax Securities	Supervision and management of our securities dealing and brokerage business and securities financing business	None
Mr. Li Lap Sun (李立新)	51	27 March 2017	27 March 2017	Chief investment officer and executive director of Innovax Asset Management	Supervision and management of our asset management business	None
Ms. Chau Lok Yi (周樂怡)	38	2 May 2017	2 May 2017	Chief financial officer	Overall management of financial and company secretarial matters of our Group	None

EXECUTIVE DIRECTORS

Mr. CHUNG Chi Man (鍾志文), aged 45, is the founder of our Group, the chairman and an executive Director of our Company. Mr. Chung was appointed as our Director on 14 June 2016 and was re-designated as our executive Director on 4 May 2018. He was appointed as our chairman 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 our Group and overall supervision and management of our 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 our 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. POON Siu Kuen, Calvin (潘兆權), aged 47, joined our 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 our chief executive officer 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 17 years of experience in corporate finance. Prior to joining our 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 43, was appointed as our independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined our 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.

DIRECTORS AND SENIOR MANAGEMENT

Dr. WU Kwun Hing (胡觀興), aged 51, was appointed as our independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined our Group as an independent non-executive director of Innovax Capital on 16 March 2015.

Dr. Wu has over 25 years of experience in engineering, including extensive experience on major infrastructure projects. 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 of such company since then.

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 44, was appointed as our independent non-executive Director on 24 August 2018. He is mainly responsible for supervising and providing independent advice to the Board. He joined our 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 and the Institution of Engineering and Technology (formerly known as the Institution of Electrical Engineers) 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.

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Ms. CHAN Ka Lai, Vanessa (陳嘉麗), aged 44, was appointed as our 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 financial controller of China Agri-Industries Holdings Limited, a stated-owned enterprise listed on the Main Board of the Stock Exchange (stock code: 606). 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 43, was appointed as our 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, the Chairman of the Practice and Examination Committee of the Estate Agents Authority, 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.

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.

DIRECTORS AND SENIOR MANAGEMENT

Other disclosures pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirmed with respect to himself or herself that: (i) he or she is independent from and had no other relationships with any Directors, members of our senior management, substantial shareholders or Controlling Shareholders as at the Latest Practicable Date; (ii) apart from our Company, in the last three years leading up to and as at the Latest Practicable Date, he or she is not holding, nor had he or she held directorships in any other public company the securities of which are listed on any securities market in Hong Kong and/or overseas; (iii) he or she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iv) he or she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed “Statutory and general information — C. Further information about Directors and substantial shareholders — 1. Directors — (c) Interests and short positions of Directors and chief executive in the Shares, underlying Shares or debentures of our Company and its associated corporations following the Global Offering” in Appendix IV to this prospectus; (v) he or she does not have any interests in any business which competes or may compete, directly or indirectly, with us, which is disclosable under the Listing Rules, save as disclosed in the section headed “Relationship with our Controlling Shareholders” in this prospectus; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matters with respect to their appointments that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. SO Hin Pong (蘇顯邦), aged 61, 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 our 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 our 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

DIRECTORS AND SENIOR MANAGEMENT

(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 51, 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 our 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 was the director of the following company which was incorporated in Hong Kong and was dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance. The relevant details are as follow:

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of striking off</u>
Billion Free Limited (億孚有限公司)	Property holding	27 September 2002

Mr. Li confirmed that there was no wrongful act on his part leading to the above struck off of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the struck off of the company. The above company was solvent at the time of it being struck off.

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 prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Ms. CHAU Lok Yi (周樂怡), aged 38, is our chief financial officer and company secretary of our Company and is mainly responsible for overall management of financial and company secretarial matters of our Group. Ms. Chau joined our Group in May 2017.

Ms. Chau has over 14 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.

Save as disclosed above, each of the members of our senior management confirmed with respect to himself and herself that: (i) as at the Latest Practicable Date, he or she had no interests in our Shares within the meaning of Part XV of the SFO; (ii) he or she did not have any relationships with any Directors, members of our senior management, substantial shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he or she did not hold any directorships in any other public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Ms. CHAU Lok Yi (周樂怡), aged 38, was appointed as the company secretary of our Company on 4 May 2018. For details of her education and experience, please refer to the paragraph headed “Senior management” in this section.

AUTHORISED REPRESENTATIVES

Mr. Chung and Ms. Chau Lok Yi are the authorised representatives of our Company for the purpose of the Listing Rules.

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 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 Corporate Governance Code. The audit committee consists of four members, namely Ms. Chan Ka Lai,

DIRECTORS AND SENIOR MANAGEMENT

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 our audit committee are to assist our 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.

Remuneration Committee

Our Company has established 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 Corporate Governance 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.

During the Track Record Period, our remuneration policy for our 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. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

Our Company has established the nomination committee on 24 August 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance 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.

DIRECTORS AND SENIOR MANAGEMENT

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.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Our Board includes two executive Directors and five independent non-executive Directors. We believe our independent non-executive Directors will provide our Board the benefit of their skills, expertise and varied backgrounds and qualifications to complement our corporate development. All of our independent non-executive Directors, except Mr. Choi Wai Ping, will also serve as members of our audit committee and will be responsible for overseeing our financial reporting system, risk management and internal control systems. Furthermore, they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Our Directors are of the view that our present Board composition has a balance of skills, experience and diversity of perspectives which is appropriate to our business.

Our Board assumes the responsibility for overseeing the overall management and strategic planning of our Group through directing and supervising our affairs. Our Directors (including our 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 our Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at our expense to assist them in performing their duties to our Company.

Our Directors are aware that upon Listing, we are expected to comply with the code provisions set out in the Corporate Governance Code. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

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

For the years ended 29 February 2016, 28 February 2017 and 28 February 2018, the aggregate remuneration (including salaries, allowances and discretionary bonus) paid by us to our Directors were approximately HK\$3,417,000, HK\$2,521,000 and HK\$6,466,000 respectively. The aggregate remuneration (including salaries, allowances, discretionary bonus and contributions to pension schemes) paid by us to the five highest paid individuals which included one Director during the years ended 29 February 2016, 28 February 2017 and 28 February 2018, were approximately HK\$7,067,000, HK\$5,910,000 and HK\$18,979,000, respectively. Save as disclosed in this prospectus, no other remuneration has been paid, or are payable by our Group to our Directors and the five highest paid individuals during the same period.

During the Track Record Period, no remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office. Further, there was no arrangement under which any of our Directors waived or agree to waive any remuneration during the Track Record Period.

Under our arrangements currently in force, we estimate that the aggregate remuneration payable to our Directors (excluding discretionary bonus and share-based payment) for the year ending 28 February 2019 is estimated to be approximately HK\$3.1 million. Upon Listing, the remuneration committee will make recommendation to our Board on the remuneration of our Directors. Accordingly, the historical remuneration to our Directors during the Track Record period may or may not reflect their future levels of remuneration.

Our remuneration policy in respect of our Directors is based on and with reference to a number of factors including but not limited to their experience, responsibilities and workload. Details of the terms of the service contracts are set out in the section headed "Statutory and general information — C. Further information about Directors and substantial shareholders — 1. Directors" in Appendix IV to this prospectus.

For additional information on the Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountants' Report set out in Appendix I to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 24 August 2018. For details of the Share Option Scheme, please refer to the section headed “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Sinolink Securities as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, be interested in 10% or more of the issued voting shares any other member of our Group:

<u>Name of Shareholder</u>	<u>Capacity/nature of interest</u>	<u>Shares held as at 18 May 2018⁽¹⁾</u>		<u>Shares held immediately following the completion of the Capitalisation Issue and the Global Offering⁽¹⁾</u>	
		<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
BSI ⁽²⁾	Interest in controlled corporation	800 (L)	100%	300,000,000 (L)	75%
Mr. Chung ⁽²⁾	Beneficial owner	800 (L)	100%	300,000,000 (L)	75%
Ms. Lee Yin Har ⁽²⁾	Interest of spouse	800 (L)	100%	300,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) BSI is a company incorporated in the BVI and is wholly-owned by Mr. Chung, our chairman and executive Director. Accordingly, Mr. Chung is deemed to be interested in all the Shares held by BSI for the purpose of the SFO.
- (3) 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.

If the Over-allotment Option is fully exercised, the beneficial interests of each of BSI and Mr. Chung will be approximately 72.3%.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, be interested in 10% or more of the issued voting shares. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), BSI will hold 75% of our issued share capital. Accordingly, Mr. Chung and BSI are regarded as our Controlling Shareholders under the Listing Rules.

BSI is a limited liability company incorporated in the BVI and is an investment holding company wholly-owned by Mr. Chung. For Mr. Chung's background, please refer to the section headed "Directors and senior management" in this prospectus.

Excluded business

On 29 November 2013, CCFI was incorporated in Hong Kong and was wholly and beneficially owned by Crystal Prospect and ultimately owned as to 100% by Mr. Chung. It was granted a money lenders licence on 21 July 2015. In order to focus his management effort on our Group and after taking into consideration (i) the nature of the financing services and the financial needs of our Group's clients were different from those of CCFI; and (ii) CCFI and our Group are regulated under different regulatory regimes in Hong Kong, CCFI was excluded from our Group. On 15 March 2017, the entire issued share capital of CCFI was disposed of by Crystal Prospect to Mr. Chung at a nominal consideration, resulting in a loss on disposal of HK\$364,000 to our Group, which represented the net asset value of CCFI. CCFI had been making loss for the two years ended 29 February 2016 and 28 February 2017 prior to the disposal. With limited resources allocated by our Group to CCFI's money lending business, our Directors did not foresee there to be any significant improvement on its financial performance within short period of time. The revenue of approximately HK\$15,000 for the period from 1 March 2017 to 15 March 2017 (the "**Disposal Date**"), the date on which CCFI was disposed of, was interest income generated from CCFI's existing clients and outstanding loan amount, and after November 2016 to the Disposal Date, no loan to any new client or new loan to existing clients was granted. Considering CCFI's poor financial performance in the last two years prior to the Disposal Date with no future business prospect, it is not unreasonable to dispose of CCFI at a nominal consideration at the relevant time. In addition, our Directors considered that the disposal was beneficial to our Group as our Group would not be required to devote further capital and human resources and costs and expenses to such non-core business and could then focus its resources on its regulated activities. In particular, our Group had to reserve human and capital resources for the commencement of its new businesses including the securities dealing and brokerage business, securities financing business and asset management business in 2017. Comparing the overall financial impact that CCFI could bring to our Group in the long run, the resulting loss of approximately HK\$364,000 was insignificant.

Our Directors confirm that to the best of their knowledge after due and careful enquiry, CCFI was not subject to any potential claim, liability, litigation, non-compliance, penalty or negative publicity during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The principal business of CCFI is provision of loans to clients. CCFI is licensed to carry on business as a money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), which is enforced by the Commissioner of Police, whereas our Group's activities are regulated under the SFO governed by the SFC. Although we provide financing services to our clients, the nature of our financing services and the financial needs of our clients are different from those of CCFI. We provide securities financing to our clients who wish to purchase securities on a margin basis through their securities trading account maintained with us while CCFI provided loans to clients to cater their financial needs. All securities financing provided by us are pledged with securities under the securities trading accounts maintained with us whereas CCFI provided unsecured loans or secured loan pledged with properties.

CCFI is solely managed and operated by Mr. Chung. Other than Mr. Chung as founder of our Group, none of the staff including the responsible officers and the licensed representatives of our core business engaged in the business of CCFI throughout the Track Record Period and up to the Latest Practicable Date.

Since the grant of money lenders licence and up to the date of disposal of CCFI, CCFI had only conducted limited business activities.

	As at 29 February 2016	As at 28 February 2017	As at 15 March 2017
Number of clients	4	3	3
	HK\$'000	HK\$'000	HK\$'000
Outstanding loan amounts	4,609	3,287	3,273
	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Revenue (unaudited)	61	399	15
Net profit/(loss) (unaudited)	(419)	(20)	10

CCFI only commenced its money lending business in the fourth quarter of 2015, its revenue amounted to approximately HK\$61,000 during the year ended 29 February 2016. However, such loan interest income could not cover the operating cost, rental and staff cost, therefore resulting into a net loss during the year ended 29 February 2016.

During the year ended 28 February 2017, the revenue of CCFI increased to approximately HK\$399,000 due to its full-year operation compared with the previous financial year, as a result, its net loss decreased to approximately HK\$20,000.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Mr. Chung confirmed that CCFI has not provided any financing service or loan to any new client or new loan to any existing client since January 2018 and will not solicit any new client or engage in any new contract for providing financial services. As at 28 February 2018, CCFI had outstanding loan amounts of approximately HK\$6.1 million. Mr. Chung will cease the business of CCFI or dispose of his interests in CCFI after the existing outstanding loan amounts are settled by its clients, which is expected to be on or about 13 July 2020.

During the period from November 2014 to February 2016, our Group shared part of its office premises located at 101, 1st Floor, Lucky Building, 39 Wellington Street, Hong Kong with CCFI. During the period from March 2016 to 31 May 2018, our Group shared part of its office premises located at 2002, 20th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong with CCFI by jointly entering into a tenancy agreement with the landlord. CCFI paid our Group a monthly rental according to the area CCFI may occupy from time to time and at the same rental rate which our Group paid to the landlord of the office premises. For the three years ended 28 February 2018, the rental expenses paid by CCFI to our Group amounted to approximately HK\$96,000, HK\$41,000 and HK\$41,000, respectively. On 1 June 2018, CCFI leased a new office premise from an Independent Third Party and no longer share the office premises with our Group. On 1 June 2018, our Group renewed the office premises at Chinachem Century Tower as sole tenant of such premises until 3 January 2021.

Based on the above, CCFI is not and will not be part of our Group and our Directors are of the view that there is clear business delineation between our Group and CCFI and there is no competition between our Group and our Controlling Shareholders.

Our Directors, including our independent non-executive Directors, confirm that, none of the Controlling Shareholders, our Directors or any of their respective close associates have interests in any businesses other than our business which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon the Listing for the following reasons:

Management independence

Our Company has a board of Directors that functions independently from BSI, which is an investment holding company with no business activities. Other than Mr. Chung who is a director of BSI, none of our other Directors holds any directorship or senior management role in BSI.

Our Board comprises two executive Directors and five independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Five of the members of the Board are independent non-executive Directors have been appointed to provide independent opinion and advice to our Board to ensure the decisions of our Directors are made after due and careful consideration.

Our Group has a senior management team to carry out daily management and operations of our Group independently. The responsibilities of the senior management of our Group include supervision of daily operations, dealing with operational and financial matters, monitoring general expenses and capital expenditure and implementing the business strategies of our Group. Further details of our senior management are set out in the section headed “Directors and senior management” in this prospectus.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after Listing.

Operational independence

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. We have established our own organisational structure comprising different departments including front offices and back offices, each of them has clear segregation of duties and responsibilities. Our Group has all the operational resources and facilities needed to operate its business independently including customers, operational facilities, human resources, licences and trademark, and did not share any of these resources with our Controlling Shareholders, save as disclosed in the paragraph headed “Excluded business” in this section.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, all of our customers are Independent Third Parties and none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with our top five clients (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Having considered the above, our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

Financial independence

Our own financial and accounting systems is sufficient for discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently from our Controlling Shareholders and their respective close associates.

During the Track Record Period, our Group's bank loans were unsecured and guaranteed by Mr. Chung, one of our Controlling Shareholders, for approximately HK\$10.0 million. Such loan amounts was fully repaid on 6 August 2018. After Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders or their respective close associates.

During the Track Record Period, we had amounts due to Mr. Chung, who is one of our Controlling Shareholders, which were non-trade in nature, unsecured and unguaranteed, interest-free and repayable on demand. Our amounts due to Mr. Chung were approximately HK\$3.1 million, HK\$14.6 million, HK\$1.7 million and nil as at 29 February 2016, 28 February 2017, 28 February 2018 and 31 July 2018, respectively. Our amounts due to Mr. Chung of approximately HK\$14.6 million as at 28 February 2017 was mainly attributable to the declaration of dividends to Mr. Chung for the year ended 28 February 2017 of approximately HK\$11.6 million. All of our amounts due to Mr. Chung were fully settled. Details of the amounts due to Mr. Chung are set forth in the Note 23 of the Accountants' Report set forth in the Appendix I to this prospectus. Our Directors are of the view that there will be no financial dependence on our Group by the Director or any of their respective close associates.

Our Directors believe that our Group will have sufficient capital to meet our financial needs without having to rely on our Controlling Shareholders. Our Directors further believe that by leveraging on our Company's listing status after the Listing, our Group would be able to obtain third party financing upon reasonable terms to meet our business needs. Accordingly, our Directors consider that our Group's ability to operate as a going concern is not dependent on the continued support provided by our Controlling Shareholders and we will be financially independent from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of the Controlling Shareholders, BSI and Mr. Chung, has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has, amongst other matters, unconditionally and irrevocably undertaken with our Company on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that its/his respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not to directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or likely to compete directly or indirectly with the core business currently engaged or possibly in the future to be engaged by our Group in Hong Kong or any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”);
- (ii) not take any direct or indirect action, which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing or the existing customers, suppliers or employee of our Group for employment by them or their close associates (other than members of our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as our Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business;
- (iv) if any new business opportunity that relates to the Restricted Business (the “**Business Opportunity**”) is available to any of our Controlling Shareholders or any of his or its close associates (other than members of our Group), the Controlling Shareholders shall, and shall procure that his or its close associates shall, refer such Business Opportunity to our Company on a timely basis and in the following manner:
 - (a) refer the Business Opportunity to our Company by giving written notice (“**Offer Notice**”) to our Company of such Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;
 - (b) upon receiving the Offer Notice, our Company shall seek approval from the Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Business Opportunity (any Director

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

who has actual or potential interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Business Opportunity);

- (c) the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Business Opportunity;
 - (d) the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform the relevant Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity;
 - (e) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such Business Opportunity if he or it has received a notice from the Independent Board declining such Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and
 - (f) if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such revised Business Opportunity to our Company as if it were a new Business Opportunity.
- (v) keep the Board informed of any matter of potential conflicts of interests between each of the Controlling Shareholders (including its/his close associates) and our Group, in particular a transaction between any of the Controlling Shareholders (including its/his close associates) and our Group; and
- (vi) provide as soon as practicable upon our Company's request to our Directors (including the independent non-executive Directors):
- (a) a written confirmation on an annual basis in respect of compliance by it/him with the terms of the Deed of Non-Competition;
 - (b) all information necessary for the review and enforcement of the undertakings contained in the Deed of Non-Competition by the independent non-executive Directors with regard to such compliance; and
 - (c) their respective consent to the inclusion of such confirmation in our Company's annual report or by way of an announcement, and all such other information as may be reasonably requested by our Company for its review.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Deed of Non-Competition is conditional on (i) the Listing Division granting listing of, and permission to deal in, all the Shares in issue and to be issued under the Global Offering and our Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriter(s)) and that the Underwriting Agreements not being terminated in accordance with its terms or otherwise.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earliest of the following dates on which:

- (i) the Controlling Shareholders and their close associates (individually or taken as a whole) ceases to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board;
- (ii) our Shares cease to be listed on the Stock Exchange; or
- (iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or their respective close associates.

CORPORATE GOVERNANCE MEASURES ON COMPLIANCE AND ENFORCEMENT OF THE DEED OF NON-COMPETITION

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Deed of Non-Competition, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition to be complied with by our Controlling Shareholders;
- (ii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (iii) we will disclose any decisions on matters reviewed and approved by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition (including but not limited to the decision as to whether or not to pursue any Business Opportunity referred to under sub-paragraph (iv)(c) of “Deed of Non-Competition” above) by our Controlling Shareholders pursuant to sub-paragraph either through our annual report or by way of announcement;
- (iv) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he may not vote on the resolutions of the Board approving that matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association;
- (vi) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition or connected transaction(s) at the cost of our Company;
- (vii) our Company has appointed Sinolink Securities as its compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors and senior management — Compliance adviser" in this prospectus for further details in relation to the appointment of the compliance adviser; and
- (viii) our Board is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and senior management" in this prospectus.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders (including its/his respective close associates and/or companies controlled by them), and executive Directors and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTION

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, any director, chief executive or substantial shareholder of our Company or any of our subsidiaries (including any person who, within 12 months preceding the Listing Date, was a director of our Company or any of our subsidiaries), or any associate of the above persons will become a connected person of our Company upon our Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after our Listing will constitute our continuing connected transaction under Chapter 14A of the Listing Rules.

Continuing connected transaction which is fully exempted from the reporting, annual review, announcement and independent Shareholders approval requirements

Investment Management Agreement between Innovax Asset Management and Innovax Alpha SPC

On 21 June 2017, Innovax Asset Management entered into an investment management agreement (the “**Investment Management Agreement**”) with Innovax Alpha SPC, pursuant to which Innovax Asset Management was engaged as the investment manager of Innovax Balanced Fund SP, a segregated portfolio of Innovax Alpha SPC, from 21 June 2017 until expiry of the agreement upon three months’ notice given by either party and subject to compliance with applicable laws and regulations.

Pursuant to the Investment Management Agreement, Innovax Asset Management shall, subject to the overall policy, supervision and control of the directors of Innovax Alpha SPC, among others, manage the investments and reinvestments of the assets and rights of Innovax Balanced Fund SP from time to time held to achieve the investment objective and strategy of Innovax Balanced Fund SP.

In consideration of the services provided by Innovax Asset Management under the Investment Management Agreement, (i) Innovax Alpha SPC shall pay Innovax Asset Management (a) the management fee of 1.75% per annum, calculated on the basis of the net asset value of Innovax Balanced Fund SP as at the last valuation day of each calendar month which shall be payable monthly in arrears; and (b) the performance fee of 20% of the positive increment in the net asset value of each share of Innovax Alpha SPC over the High Water Mark as at the last valuation day in each period of 12 months ending on 31 December which shall be payable in arrears within 30 days of the end of such period; and (ii) Innovax Alpha SPC shall reimburse Innovax Asset Management of all out-of-pocket expenses incurred by Innovax Asset Management in the performance of its duties under the Investment Management Agreement.

CONNECTED TRANSACTION

As at the Latest Practicable Date, all of the management shares of Innovax Alpha SPC are directly wholly-owned by Mr. Li Lap Sun, a director of Innovax Asset Management. As a result, Innovax Alpha SPC is a connected person to our Group, and the entering into of the Investment Management Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon our Listing.

For the year ended 28 February 2018, Innovax Alpha SPC paid to Innovax Asset Management an aggregate amount of HK\$232,000, being management fee and performance fee of approximately HK\$211,000 and HK\$21,000, respectively.

Our Directors estimate that the annual aggregate amount of management fee and performance fee to be paid by Innovax Alpha SPC to Innovax Asset Management for the three years ending 28 February 2021 is expected not to exceed HK\$1.5 million, HK\$2.0 million and HK\$2.5 million, respectively. Such estimates are based on (i) the historical amounts paid by Innovax Alpha SPC to Innovax Asset Management during the Track Record Period; (ii) the AUM of Innovax Balanced Fund SP; (iii) the basis of determination of management fee and performance fee as set out under the Investment Management Agreement; and (iv) the expected expansion of our asset management business.

IMPLICATIONS UNDER THE LISTING RULES

Since each of the applicable percentage ratios (other than the profits ratio) for the Investment Management Agreement mentioned above are, as our Directors currently expect, less than 5% and the estimated annual amount is less than HK\$3 million, the transaction under the Investment Management Agreement mentioned above falls within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' VIEW

Our Directors (including the independent non-executive Directors) are of the view that the transaction under the Investment Management Agreement mentioned above and the annual caps are fair and reasonable, and that such transaction has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and is fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Global Offering:

Authorised share capital:

	<u>Nominal value</u> (HK\$)
1,000,000,000 Shares of HK\$0.01 each	10,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and Global Offering:

80,000 Shares in issue as at the date of this prospectus	800
299,920,000 Shares to be issued under the Capitalisation Issue	2,999,200
<u>100,000,000</u> Shares to be issued under the Global Offering	<u>1,000,000</u>
<u>400,000,000</u> Total	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and Global Offering are made. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

At least 25% of the total number of issued Shares must at all times be held by the public. The 100,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares and the Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme will be ordinary shares in the share capital of our Company and will rank equally in all respects with all other existing Shares in issue or to be issued as set forth in the above table and in particular, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus except for the entitlement under Capitalisation Issue.

SHARE CAPITAL

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to issue, allot and deal with Shares with a total number of issued Shares of not more than the sum of:

- (i) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of options which may be granted under the Share Option Scheme); and
- (ii) the total number of Shares repurchased by our Company (if any) under the Repurchase Mandate.

The issue and allotment of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the issue and allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of options granted under the Share Option Scheme do not generally require the approval of Shareholders of our Company in general meeting and the total number of Shares which our Directors were authorised to issue and allot pursuant to this mandate will not be compromised by the issue and allotment of such Shares.

The Issuing Mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable law or the Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further details of the Issuing Mandate are set forth in the section headed "Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 24 August 2018" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all of the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue or to be issued immediately following the completion of the Capitalisation Issue and the Global Offering.

SHARE CAPITAL

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules.

The Repurchase Mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable law or Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further information on the Repurchase Mandate is set forth in the section headed "Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 24 August 2018" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our sole Shareholder passed on 24 August 2018, our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set forth in the section headed "Statutory and general information — D. Other information — 1. Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares. The circumstances under which general meetings are required are provided in the Articles of Associations. For details, please refer to the section headed "Summary of the constitution of our Company and Cayman Companies Law" in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountants' Report included in Appendix I to this prospectus. Our financial information and the consolidated financial statements of our Group have been prepared in accordance with the HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Accountants' Report and not rely merely on the information contained in this section. Unless the context otherwise requires, financial information in this section is described on a consolidated basis.

The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Risk factors" and "Business" and elsewhere in this prospectus. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

During the Track Record Period, our revenue was generated from provision of: (i) corporate finance advisory services (including IPO sponsorship services, financial and independent financial advisory services and compliance advisory services); (ii) placing and underwriting services; (iii) securities dealing and brokerage services; (iv) securities financing services; and (v) asset management services, to our clients.

During the Track Record Period, majority of our revenue was generated from our corporate financial advisory business, which accounted for approximately 71.5%, 90.7% and 64.9% of our total revenue for the three years ended 28 February 2018, respectively, supplemented by our placing and underwriting business, which accounted for approximately 28.5%, 9.3% and 29.6% of our total revenue for the three years ended 28 February 2018, respectively. Details of the financial and securities services provided by us are set out as follows:

- **Corporate finance advisory services**

Our corporate finance advisory services mainly comprise the following services:

IPO sponsorship services: We act as sponsors to companies pursuing listing on the Main Board and GEM in return for sponsor's fee.

FINANCIAL INFORMATION

Financial and independent financial advisory services: We act 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 Takeovers Code; or (ii) independent financial advisers giving opinions or recommendations to the independent board committee and independent shareholders of listed companies, in return for advisory fee.

Compliance advisory services: We 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.

- **Placing and underwriting services**

We provide 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.

- **Securities dealing and brokerage services**

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

- **Securities financing services**

We provide securities financing services to our 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 in return for interest income.

- **Asset management services**

We provide fund management and discretionary account management services to our clients in return for management and/or performance fee.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 14 June 2016 as an exempted company with limited liability. Subsequent to the Reorganisation, our Company became the holding company of the companies now comprising our Group, details of which are set out in the section headed “History, reorganisation and corporate structure” in this prospectus. Preparation of the

FINANCIAL INFORMATION

financial information of our Group was in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA on the basis set out in note 2 to the Accountants’ Report contained in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES

Our Group’s financial information have been prepared in accordance with the HKFRSs. Significant accounting policies adopted by our Group are set forth in detail in Appendix I to this prospectus. Some of the accounting policies involve subjective judgements, estimates, and assumptions made by our management, all of which are inherently subject to uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group’s consolidated financial statements.

Revenue recognition

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 our Group and when it can be measured reliably, on the following basis:

Corporate finance advisory services

- (i) 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.
- (ii) advisory fee income is recognised as income when the relevant services have been rendered;

Placing and underwriting services

- (iii) underwriting fee income is recognised as income when the relevant services have been rendered;

Securities dealing and brokerage

- (iv) commission income is recognised as income on a trade date basis when the services are rendered;

FINANCIAL INFORMATION

Securities financing services

- (v) 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

- (vi) 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
- (vii) performance fee income is recognised when the performance target of the investment funds and managed accounts is met and the recovery is considered probable.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees 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.

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 receivables, loans and other receivables, bank balances and cash held on behalf of customers) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

FINANCIAL INFORMATION

Impairment of financial assets

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 amounts receivables, 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 amounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of 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.

As at 29 February 2016, 28 February 2017 and 2018, the aggregate carrying amount of accounts receivable was approximately HK\$1.8 million, HK\$5.6 million and HK\$34.5 million, respectively. No allowance for impaired debts has been provided due to the quality of the securities held by each client in the trading account maintained with us, current creditworthiness, collateral, subsequent settlement and past collection history of each client.

For details of the significant accounting policies and estimates relating to our Group's financial information, please refer to notes 4 and 5 to the Accountants' Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Due to the business nature of our Group, our financial performance highly relates to the number and size of transactions we secure in each of our business segments from time to time. As our business mainly focuses on capital market in Hong Kong, our Directors believe that the major factors affecting our Group's results of operations include:

- (a) the highly competitive financial and securities services industry in Hong Kong;
- (b) the performance of the financial and securities market in Hong Kong;
- (c) changes in the political, economic, social, legal conditions and government policies in Hong Kong; and
- (d) extensive regulatory requirements which change from time to time.

The highly competitive financial and securities services industry in Hong Kong

The financial and securities services industry in Hong Kong is highly competitive due to the vast number of market players in providing corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management services. For details relating to the competitive landscape of our industry, please refer to the section headed "Industry overview" in this prospectus.

Our competitors may have longer operating history, better brand recognition and reputation, proven track record, operations in more geographic locations, stronger human and financial resources, a wider range of services and stronger shareholders' background than that of our Group. Our Directors expect that there will be more market players entering into the market and competition will be intensified. We cannot assure you that we can sustain our competitive strengths and future prospects under this changing market environment and our results of operation will not be adversely affected.

The performance of the financial and securities market in Hong Kong

During the Track Record Period, we derived our revenue from provision of financial and securities services in Hong Kong. Our performance is directly affected by the market conditions of Hong Kong including market volatility, fluctuations in trading volume, funding availability and investor sentiment in Hong Kong. The financial market of Hong Kong is directly influenced by the global economic environment including macroeconomic and monetary policies, currency fluctuations and other socio-political factors.

FINANCIAL INFORMATION

Any adverse change to the economic and market conditions and the performance of the financial and securities market in Hong Kong may adversely affect and slow down the securities trading, corporate finance activities, fund raising activities and investment in funds in Hong Kong. Consequently, demand for our services may decline and our financial condition and results of operation may be adversely affected.

Changes in the political, economic, social, legal conditions and government policies in Hong Kong

Our business operations are based in Hong Kong and our Group had derived all our income in Hong Kong during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are affected by the political, economic, social, legal conditions and government policies in Hong Kong. As an open economy, Hong Kong's domestic economy is also affected by many other unpredictable factors such as economic, social, legal and political development in the PRC, fluctuations in global interest rates, and changes in international economic and political situations. Any material adverse change in the existing political, economic, social, legal conditions and government policies in Hong Kong may adversely affect our business, financial condition and results of operation.

Extensive regulatory requirements which change from time to time

We seek to conduct our business in accordance with the laws, rules and policies issued or endorsed by regulators, best market practice and the highest standards of integrity and fair dealing. It is imperative that all our employees, licensed persons and Directors act in conformity with their own and our responsibilities under the legal and regulatory system.

The financial and securities industry in Hong Kong is highly regulated and we are subject to different laws, rules, regulations, codes and guidelines including but not limited to the SFO, the Code of Conduct, the Companies Ordinance, the Listing Rules, the GEM Listing Rules and the Takeovers Code. Innovax Capital, Innovax Securities and Innovax Asset Management are licensed corporations under the SFO and we are under the supervision of the SFC and the Stock Exchange. We are required to ensure continuous compliance with all applicable laws, rules, regulations, codes and guidelines and satisfy the SFC, the Stock Exchange that we remain fit and proper to be licensed.

The SFC supervises licensed corporations and intermediaries operating in the market. The SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries. Under the SFO, the SFC may take disciplinary action against a regulated person (including a licensed person or a registered institution) if that person is found to be guilty of misconduct or not fit and proper to be or remain the same type of regulated person. Disciplinary actions taken by the SFC include revocation or suspension of licence, public or private reprimand or imposition of pecuniary penalties.

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Compliance is dynamic in nature. Changes and updates of laws, rules, regulations, codes and guidelines are introduced from time to time for purposes including regulating new market developments and our business activities will continue to develop and expand. We are required to regularly review our internal control system and ensure our staff is aware of such changes. If we fail to comply with all applicable laws, rules, regulations, codes and guidelines from time to time, we or our responsible officers, licensed representatives, senior management, Directors or relevant staff may be subject to disciplinary actions taken by or penalties imposed by the regulators and our business operations, financial condition and reputation may be materially and adversely affected.

RESULTS OF OPERATIONS OF OUR GROUP

Consolidated statements of profit or loss and other comprehensive income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income of our Group for the three years ended 28 February 2018, as extracted from the Accountants' Report of our Group in Appendix I to this prospectus.

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	29,768	36,010	84,374
Other income	413	399	44
Other losses	(35)	(1)	(366)
Staff costs	(9,504)	(13,200)	(44,605)
Administrative and other operating expenses	(1,786)	(2,937)	(8,571)
Finance costs	(31)	—	(81)
Profit before tax	18,825	20,271	30,795
Income tax expense	(3,098)	(3,424)	(5,364)
Profit and total comprehensive income for the year	<u>15,727</u>	<u>16,847</u>	<u>25,431</u>

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

The following table sets out the revenue generated from each of our principal businesses during the Track Record Period:

	For the year ended					
	29 February 2016		28 February 2017		28 February 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Corporate finance advisory business	21,271	71.5	32,684	90.7	54,794	64.9
Placing and underwriting business	8,497	28.5	3,326	9.3	24,951	29.6
Securities dealing and brokerage business	—	—	—	—	4,313	5.1
Securities financing business	—	—	—	—	69	0.1
Asset management business	—	—	—	—	247	0.3
	<u>29,768</u>	<u>100</u>	<u>36,010</u>	<u>100</u>	<u>84,374</u>	<u>100</u>

Corporate finance advisory business

Our corporate finance advisory services include provision of IPO sponsorship services, financial and independent financial advisory services and compliance advisory services. During the Track Record Period, the average advisory fee we charged for acting as (i) sponsors was approximately HK\$4.3 million; (ii) financial advisers and independent financial advisers was approximately HK\$299,000; and (iii) compliance advisers was approximately HK\$39,000 per month. The following table sets out a breakdown of our revenue generated from our corporate finance advisory services by types during the Track Record Period:

	For the year ended					
	29 February 2016		28 February 2017		28 February 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
IPO sponsorship services	18,430	86.6	27,841	85.2	48,854	89.2
Financial and independent financial advisory services	1,780	8.4	1,910	5.8	1,580	2.8
Compliance advisory services	<u>1,061</u>	<u>5.0</u>	<u>2,933</u>	<u>9.0</u>	<u>4,360</u>	<u>8.0</u>
Total	<u>21,271</u>	<u>100</u>	<u>32,684</u>	<u>100</u>	<u>54,794</u>	<u>100</u>

The revenue generated from our corporate finance advisory business accounted for approximately 71.5%, 90.7% and 64.9% of our total revenue for the three years ended 28 February 2018, respectively.

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Placing and underwriting business

During the Track Record Period, we acted as global coordinator, bookrunner lead manager or underwriter for 15 IPOs of Main Board listing applicants (“**MB IPOs**”) and 14 IPOs of GEM listing applicants (“**GEM IPOs**”). The commission rate for us acting as (i) placing or sub-placing agent for issue of new shares by listed companies ranged from 0.3% to 5.0%; (ii) global coordinator, bookrunner, lead manager or underwriter for MB IPOs ranged from 2.5% to 5.0%; and (iii) global coordinator, bookrunner, lead manager or underwriter for GEM IPOs ranged from 2.0% to 10.0%, which was in line with the market rates and market practice.

During the Track Record Period, we acted global coordinator, bookrunner, lead manager or underwriter for a total of 15 MB IPOs and 14 GEM IPOs. We set out below the breakdown of the number of IPO projects underwritten by our Group during the Track Record Period by range of underwriting commission:

	<u>No. of MB IPOs</u>	<u>No. of GEM IPOs</u>
2.0% – <2.5%	—	1
2.5% – <3.0%	7	1
3.0% – <3.5%	4	5
3.5% – <4.0%	2	1
4.0% – <4.5%	1	2
4.5% – <5.0%	—	1
5.0% – <5.5%	1	1
5.5% – <7.0%	—	—
7.0% – <9.5%	—	1
9.5% – 10%	—	1
 Total	<u>15</u>	<u>14</u>

Note: For with commission rates of 2.5% were agreed between the listing applicants and us after arm’s length negotiations based on various factors such as the proposed fund raising size and the prevailing market conditions and sentiments.

The revenue generated from our placing and underwriting business amounted to approximately HK\$8.5 million, HK\$3.3 million and HK\$25.0 million, representing approximately 28.5%, 9.3% and 29.6% of our total revenue for the three years ended 28 February 2018, respectively.

Securities dealing and brokerage business

We generally charge our clients brokerage commission at a rate from 0.02% to 0.25% subject to a minimum charge ranging from HK\$50 to HK\$100 (which may be waived by us after taking into account the transaction history, trading volume and frequency and financial position of our clients) for executing trades in securities on the secondary market on behalf of them based on the transaction value of each completed trading order. In respect of the brokerage commission for

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subscribing for securities on behalf of them under IPO offering and secondary placing transaction, we generally charge our clients at a commission rate of 1%. The revenue generated from our securities dealing and brokerage business amounted to approximately nil, nil and HK\$4.3 million, representing approximately nil, nil and 5.1% of our total revenue for the three years ended 28 February 2018, respectively.

Securities financing services business

During the Track Record Period, the interest rates charged by our Group on the outstanding principal amount of loans to our clients for purchasing securities on the secondary market ranged from 8.0% to 10.0% per annum and the loans to our clients for subscribing shares offered under public tranche of IPOs ranged from 1.8% to 2.8% per annum. The interest income generated from our securities financing business amounted to approximately nil, nil and HK\$69,000, representing approximately nil, nil and 0.1% of our total revenue for the three years ended 28 February 2018, respectively.

Asset management business

Our asset management services include fund management and discretionary account management. For discretionary account management, during the Track Record Period, we charged annual management fee of 1.0% of the sum of the market value of the securities and the outstanding balance of the client's account at the end of each fiscal year. For fund management, during the Track Record Period, we charged (a) management fee of 1.75% per annum, calculated on the basis of the net asset value of Innovax Balanced Fund SP as at the last valuation day of each calendar month and payable monthly in arrears; and (b) performance fee of 20% of the positive increment in the net asset value of each share of Innovax Alpha SPC over the High Water Mark as at the last valuation day in each period of 12 months ending on 31 December and payable in arrears within 30 days of the end of such period. The revenue generated from our asset management business amounted to approximately nil, nil and HK\$247,000, representing approximately nil, nil and 0.3% of our total revenue for the three years ended 28 February 2018, respectively.

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Other income

Our other income mainly included (i) loan interest income from provision of loans to clients by CCFI, which is the excluded business of our Group; (ii) consultancy fee income for providing consultancy services to clients in relation to company secretarial matters; and (iii) service fee income from related parties. The following table sets out a breakdown of our other income during the Track Record Period:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Loan interest income	61	399	15
Consultancy fee income	247	—	—
Service fee income	100	—	—
Others	5	—	29
Total	413	399	44

During the Track Record Period, our loan interest income was generated from the provision of loans by CCFI to five clients, four of whom are independent third parties and one of whom is Mr. Poon, our executive Director. The amount of interest rate charged by CCFI to such clients was determined after arm's length negotiations with reference to the prevailing market rate and the credibility of clients.

During the year ended 29 February 2016, our consultancy fee income was generated from the provision of consultancy services in relation to company secretarial matters to an independent third party. The amount of consultancy fee charged by us to such client was determined after arm's length negotiations with reference to the actual cost incurred for the provision of the relevant services.

For details relating to our service fee income from related parties for the year ended 29 February 2016, please refer to the paragraphs headed "Related parties transactions" in this section.

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Staff costs

Our staff costs comprised (i) salaries and allowance; (ii) performance-related bonuses; and (iii) contributions to mandatory provident fund for our employees. The following table sets out a breakdown of our staff costs during the Track Record Period:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments			
— Salaries and allowance	1,764	1,955	2,376
— Bonuses	1,620	528	4,052
— Contributions to mandatory provident fund scheme	33	38	38
Subtotal	3,417	2,521	6,466
Other staffs			
— Salaries and allowance	3,581	7,661	18,343
— Bonuses	2,367	2,783	19,252
— Contributions to mandatory provident fund scheme	139	235	544
Subtotal	6,087	10,679	38,139
Total	9,504	13,200	44,605

Given the nature of our business, staff costs were our Group's largest expense during the Track Record Period, accounting for approximately 84.0%, 81.8% and 83.8% of our total expenses for the three years ended 28 February 2018, respectively.

During the Track Record Period, our staff costs increased from approximately HK\$9.5 million for the year ended 29 February 2016 to approximately HK\$13.2 million for the year ended 28 February 2017, and further increased to approximately HK\$44.6 million for the year ended 28 February 2018. Such increases were mainly attributable to the overall growth of our staff numbers and increment of remuneration package offered to them.

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Set out below is the breakdown of our staff as at 29 February 2016, 28 February 2017 and 28 February 2018 respectively:

	<u>As at 29 February 2016</u>	<u>As at 28 February 2017</u>	<u>As at 28 February 2018</u>
Corporate finance responsible officers	3	6	8
Corporate finance staff	5	10	14
Securities and asset management responsible officers	2	2	4
Securities and asset management representative	—	—	4
Back office staff	<u>2</u>	<u>3</u>	<u>13</u>
Total:	<u><u>12</u></u>	<u><u>21</u></u>	<u><u>43</u></u>

As shown above, the number of our corporate finance responsible officers increased from three as at 29 February 2016 to six as at 28 February 2017, and further increased to eight as at 28 February 2018. Meanwhile, the number of our corporate finance staff increased from five as at 29 February 2016 to ten as at 28 February 2017, and further increased to 14 as at 28 February 2018. For reasons in the change of numbers of corporate finance responsible officers and other staff during the Track Record Period, please refer to paragraphs headed “Year ended 28 February 2018 as compared to 28 February 2017 — Staff costs” and “Year ended 28 February 2017 as compared to 29 February 2016 — Staff costs” in this section.

During the Track Record Period, the staff cost paid to our corporate finance responsible officers and corporate finance staff represented approximately 83.6%, 86.2% and 80.9% of our total staff cost, respectively.

Based on the below factors, our Directors believe that the remuneration package offered to our staff is in line with the market rates and market practice:

- (i) the basic salaries of most of our corporate finance staff when joining our Group were higher than those offered by their preceding employers (unless their previous work nature was different from the job requirements for working with our Group);
- (ii) the turnover rate of our corporate finance staff was low during the Track Record Period. A total of 28 corporate finance staff were recruited, but only five of them resigned during the same period. Therefore, our Directors consider such low turnover rate was mainly attributable to our competitive remuneration packages offered to our staff;
- (iii) during the Track Record Period, the percentage of our staff costs over the total revenue was approximately 31.9%, 36.7% and 52.9%, respectively, which was within the range of five comparable listed companies which are principally engaged in the provision of corporate finance advisory, placing and underwriting services in Hong Kong, and with similar operating scale to our Group; and

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(iv) while some of our employees were engaged through professional human resources consultant at market rate, other employees with similar seniority were engaged with reference to the remuneration packages of such employees at the relevant periods. Further, pursuant to a discussion with a professional human resources consultant, our Directors consider that the remuneration packages of our employees are competitive and comparable to those of our competitors according to their seniority.

Administrative and other operating expenses

Our administrative and other operating expenses comprised (i) professional fees; (ii) office rent, rates and utilities; (iii) information and communications expenses; (iv) depreciation; and (v) other miscellaneous expenses.

The following is a breakdown of our administrative and other operating expenses during the Track Record Period:

	For the year ended					
	29 February 2016		28 February 2017		28 February 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Professional fees	394	22.1	392	13.4	852	9.9
Office rent, rates and utilities	440	24.6	1,210	41.2	2,129	24.8
Information and communications expenses	58	3.2	74	2.5	1,156	13.5
Depreciation	89	5.0	195	6.6	562	6.6
Miscellaneous expenses	805	45.1	1,066	36.3	3,872	45.2
	<u>1,786</u>	<u>100</u>	<u>2,937</u>	<u>100</u>	<u>8,571</u>	<u>100</u>

Professional fees

Professional fees mainly represented annual audit fee and legal and professional fee. For the three years ended 28 February 2018, our professional fees accounted for approximately 22.1%, 13.4% and 9.9% of our total administrative and other operating expenses, respectively.

Office rent, rates and utilities

Office rent, rates and utilities mainly represented the leasing of our office premises and the relevant utilities expenses such as electricity. The office rent, rates and utilities accounted for approximately 24.6%, 41.2% and 24.8% of our total administrative and other operating expenses for the three years ended 28 February 2018, respectively.

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Information and communications expenses

Information and communications expenses mainly represented service fees for telephone system, internet services, securities trading system and management information system, market information fee, and system support and maintenance fees. It accounted for approximately 3.2%, 2.5% and 13.5% of our total administrative and other operating expenses for the three years ended 28 February 2018, respectively.

Depreciation

Depreciation represented depreciation charges on our property and equipment which included (i) leasehold improvements; (ii) furniture and fixtures; (iii) computer equipment; and (iv) office equipment. It accounted for approximately 5.0%, 6.6% and 6.6% of our total administrative and other operating expenses for the three years ended 28 February 2018, respectively.

Miscellaneous expenses

Our miscellaneous expenses mainly comprised service fees, entertainment expenses, insurance expenses, printing and stationery expenses, donation, recruitment expenses and repairs and maintenance expenses. It accounted for approximately 45.1%, 36.3% and 45.2% of our total administrative and other operating expenses for the three years ended 28 February 2018, respectively.

The administrative and other operating expenses including professional fees, office rent and other miscellaneous expenses, incurred from provision of loans to individual clients by CCFI, which is the excluded business of our Group, formed part of our administrative and other operating expenses during the Track Record Period. For the three years ended 28 February 2018, the operating expenses incurred by CCFI amounted to approximately HK\$289,000, HK\$228,000 and HK\$4,000, respectively.

Finance costs

Finance costs represented interests paid for bank loan and short term advances from a broker for provision of IPO financing. For the three years ended 28 February 2018, we recorded finance costs of approximately HK\$31,000, nil and HK\$81,000, respectively.

Income tax expense

Our Company was incorporated in the Cayman Islands. Pursuant to the rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. However, we are subject to income tax on an entity basis on profits arising from Hong Kong. As our operations are based in Hong Kong, we are subject to Hong Kong profits tax at the rate of 16.5%. For the three years ended 28 February 2018, our income tax expense amounted to approximately HK\$3.1 million, HK\$3.4 million and HK\$5.4 million, respectively.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 28 February 2018 as compared to 28 February 2017

Revenue

Our total revenue for the year ended 28 February 2018 was approximately HK\$84.4 million as compared to approximately HK\$36.0 million for the year ended 28 February 2017, representing an increase of approximately HK\$48.4 million, or approximately 134.3%. The increase in our total revenue was mainly attributable to (i) increase in revenue generated from our corporate finance advisory business of approximately HK\$22.1 million; (ii) increase in revenue generated from our placing and underwriting business of approximately HK\$21.6 million; and (iii) new revenue source from our securities dealing and brokerage business, securities financing business and asset management business.

Our corporate finance advisory business recorded a significant growth in revenue of approximately 67.6%, from approximately HK\$32.7 million during the year ended 28 February 2017 to approximately HK\$54.8 million during the year ended 28 February 2018. During the year ended 28 February 2018, we were engaged in a total of 59 corporate finance advisory projects, which included 29 IPO sponsorship projects, nine financial and independent financial advisory projects and 21 compliance advisory projects, while we were engaged in a total of 36 corporate finance advisory projects, which included 18 IPO sponsorship projects, eight financial and independent financial advisory projects and 10 compliance advisory projects during the year ended 28 February 2017.

Revenue generated from provision of IPO sponsorship services, which increased from approximately HK\$27.8 million during the year ended 28 February 2017 to approximately HK\$48.9 million during the year ended 28 February 2018, was the major source of income of our corporate finance advisory business and accounted for approximately 89.2% of the revenue generated from our corporate finance advisory business during the year ended 28 February 2018. During the year ended 28 February 2018, we completed 11 IPO sponsorship projects, as compared to two IPO sponsorship projects completed during the year ended 28 February 2017.

The revenue from our placing and underwriting business increased from approximately HK\$3.3 million during the year ended 28 February 2017 to approximately HK\$25.0 million during the year ended 28 February 2018, representing a growth of approximately 650.2%. During the year ended 28 February 2018, we were engaged in 15 placing and underwriting projects while we were engaged in 10 placing and underwriting projects during the year ended 28 February 2017. Driven by our well-developed corporate finance advisory business, we undertook senior role as global coordinator or bookrunner or lead manager in 10 IPO projects under which we provided IPO sponsorship services. In addition, with the commencement of our securities dealing and brokerage business in June 2017, which offers a distribution channel for procuring investors to subscribe for the securities offered under the primary or secondary fund raising projects, the growth of our

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placing and underwriting business was further enhanced. During the year ended 28 February 2018, we were engaged as sole bookrunner and joint bookrunner in two IPO projects under which we did not provide IPO sponsorship services.

During the year ended 28 February 2018, approximately HK\$2.0 million of the revenue generated from our placing and underwriting business of approximately HK\$25.0 million was attributable to the profit arising from the stabilisation action for an IPO under which we were one of the joint global coordinators, joint bookrunners and joint lead managers.

We commenced our securities dealing and brokerage business and securities financing business in June 2017 and our asset management business in April 2017. For the year ended 28 February 2018, the revenue generated from our securities dealing and brokerage business, securities financing business and asset management business amounted to approximately HK\$4.3 million, HK\$69,000 and HK\$247,000, respectively.

Other income

The decrease of other income from approximately HK\$399,000 for the year ended 28 February 2017 to approximately HK\$44,000 for the year ended 28 February 2018 was mainly attributable to the decrease of loan interest income from provision of loans to clients by CCFI, the entire issued share capital of which was disposed of by Crystal Prospect to Mr. Chung on 15 March 2017. The reason for excluding CCFI from our Group is set out in the sections headed “History, reorganisation and corporate structure” and “Relationship with our Controlling Shareholders” in this prospectus.

Staff costs

Our staff costs increased from approximately HK\$13.2 million for the year ended 28 February 2017 to approximately HK\$44.6 million for the year ended 28 February 2018, representing an increase of approximately HK\$31.4 million or approximately 237.9%. The increase in our staff costs for the year ended 28 February 2018 was primarily attributable to (i) addition of employees; (ii) increment of basic salaries of our employees on average as compared to the previous year; and (iii) increase in bonuses paid to our employees.

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Set out below is the breakdown of our staff as at 28 February 2017 and 28 February 2018 respectively:

	<u>As at 28 February 2017</u>	<u>As at 28 February 2018</u>	<u>Change</u>
Corporate finance responsible officers	6	8	2
Corporate finance staff	10	14	4
Securities and asset management responsible officers	2	4	2
Securities and asset management staff	—	4	4
Back office staff	<u>3</u>	<u>13</u>	<u>10</u>
Total:	<u><u>21</u></u>	<u><u>43</u></u>	<u><u>22</u></u>

The total number of our staff increased from 21 as at 28 February 2017 to 43 as at 28 February 2018, representing an increase of approximately 104.8%, while our staff costs increased by approximately 237.9% from the year ended 28 February 2017 to the year ended 28 February 2018. Our staff costs (excluding bonuses) increased from approximately HK\$9.9 million for the year ended 28 February 2017 to approximately HK\$21.3 million for the year ended 28 February 2018, representing an increase of approximately 115.2%. In general, remuneration of our responsible officers attributes to a large extent to our staff costs. The significant increase in the basic salaries is primarily attributable to (i) we recruited four additional responsible officers in the year ended 28 February 2018; and (ii) the payment of full-year basic salaries in the year ended 28 February 2018 for two corporate finance responsible officers who joined us in February 2017.

The growth of our corporate finance responsible officers and staff number reflected the continuous development and fast growing of our corporate finance advisory business. As shown above, the number of corporate finance responsible officers and staff increased from six and ten as at 28 February 2017 to eight and 14 as at 28 February 2018, respectively. During the year ended 28 February 2018, the number of completed and ongoing IPO sponsorship projects were 11 and 15, respectively, as compared to two completed projects and 14 ongoing projects in the year ended 28 February 2017. During the year ended 28 February 2018, there were ten active IPO sponsorship engagements carried forward from the year ended 28 February 2017, while there were three active IPO sponsorship engagements carried forward from the year ended 29 February 2016 to the year ended 28 February 2017. While not all ongoing projects were new engagements in the year ended 28 February 2018, our ongoing projects have different timetables which require different levels of involvement from our corporate finance responsible officers and staff at different stages. As such, the increase of corporate finance responsible officers and staff in the year ended 28 February 2018 was not as significant as that in the year ended 28 February 2017.

As part of the implementation of our business strategies to establish an integrated platform for providing financial and securities services to our clients, we commenced our securities dealing and brokerage business and securities financing business through Innovax Securities in June 2017 and

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asset management business through Innovax Asset Management in April 2017. Innovax Securities was granted the licences by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in April 2017 and was admitted as the Stock Exchange Participant and a direct clearing participant of HKSCC in June 2017. Innovax Asset Management was granted the licence by the SFC to carry out Type 9 (asset management) regulated activity in April 2017. As a result of the above business development, the number of (i) responsible officers and staff for securities dealing and brokerage business and asset management business; and (ii) relevant back office staff increased significantly during the year ended 28 February 2018. As a result of the newly recruited employees during the year ended 28 February 2018, the total basic salary of whom increased our salaries and allowance by approximately HK\$7.4 million.

Having considered the employees' performance and the prevailing market level of salaries, in the year ended 28 February 2018, we made increment to our employees' basic salaries as compared to those we offered in the year ended 28 February 2017. For some of the employees, other than salary increment, we offered promotion to them given their outstanding performance. In addition, we paid bonuses to our employees, which were determined at our management's sole discretion, in a total amount of approximately HK\$23.3 million during the year ended 28 February 2018, as compared to approximately HK\$3.3 million during the year ended 28 February 2017. The significant increase in the bonuses paid to our employees during the year ended 28 February 2018 was mainly attributable to the following reasons:

- the significant increase in our revenue and profit during the year ended 28 February 2018, in particulars, our revenue from corporate finance advisory business increased from approximately HK\$32.7 million during the year ended 28 February 2017 to approximately HK\$54.8 million during the year ended 28 February 2018, as our Group completed 11 IPO sponsorship projects during the year ended 28 February 2018, compared with two completed IPO sponsorship projects during the previous financial year; and
- the increase of our staff number from 21 as at 28 February 2017 to 43 as at 28 February 2018.

Our Directors consider that our management policies with respect to career prospect and benefits extended to our employees have contributed to building a good employee relations and employee retention.

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK\$2.9 million for the year ended 28 February 2017 to approximately HK\$8.6 million for the year ended 28 February 2018, representing an increase of approximately HK\$5.7 million or approximately 191.8%. The increase was mainly attributable to an increase in (i) professional fees; (ii) office rent, rates and utilities; (iii) information and communications expenses; (iv) depreciation; and (v) miscellaneous expenses.

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The increase in our professional fees of approximately HK\$0.5 million for the year ended 28 February 2018 was primarily attributable to the increase in audit fee of approximately HK\$0.3 million and legal and professional fee of approximately HK\$0.2 million.

Due to the launch of new businesses including our securities dealing and brokerage business, securities financing business and asset management business and the increase in the number of employees during the year ended 28 February 2018, we leased additional office premises from 1 November 2016 and as such, our expenses for office rent, rates and utilities increased from approximately HK\$1.2 million for the year ended 28 February 2017 to approximately HK\$2.1 million for the year ended 28 February 2018.

During the year ended 28 February 2018, for the development of our securities dealing and brokerage business, securities financing business and asset management business, we incurred additional service fees for telephone system, internet services, securities trading system and management information system, market information fee, and system support and maintenance fees, resulting in the increase of our information and communications expenses to approximately HK\$1.2 million from approximately HK\$74,000 for the year ended 28 February 2017.

Due to the expansion of our office premises and manpower in the year ended 28 February 2018, our investment in leasehold improvements, furniture and fixtures, computer equipment and office equipment increased during the year and as such, our depreciation expenses increased to approximately HK\$562,000 for the year ended 28 February 2018 from approximately HK\$195,000 for the year ended 28 February 2017.

The increase in our miscellaneous expenses for the year ended 28 February 2018 of approximately HK\$2.8 million was mainly attributable to an increase in (i) service fee; (ii) our donation; and (iii) entertainment expenses, insurance expenses, printing and stationery expenses and repair and maintenance expenses due to the expansion of our business operations.

Among our administrative and other operating expenses, the administrative and other operating expenses incurred from provision of loans to clients by CCFI decreased from approximately HK\$228,000 for the year ended 28 February 2017 to approximately HK\$4,000 for the year ended 28 February 2018 as a result of the disposal of the entire issued share capital of CCFI by Crystal Prospect to Mr. Chung on 15 March 2017.

Finance costs

We did not incur any finance cost for the year ended 28 February 2017. The finance costs of approximately HK\$81,000 for the year ended 28 February 2018 was mainly due to the net increase in bank loans of approximately HK\$8.1 million and interests of approximately HK\$24,000 paid for short term advances from a broker for provision of IPO financing.

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Income tax expense

The income tax expense increased from approximately HK\$3.4 million for the year ended 28 February 2017 to approximately HK\$5.4 million for the year ended 28 February 2018. This increase was primarily attributable to the increase in profit before tax.

Profit for the year

As a result of the foregoing, our profit increased by approximately HK\$8.6 million, or approximately 51.0% from approximately HK\$16.8 million for the year ended 28 February 2017 to approximately HK\$25.4 million for the year ended 28 February 2018.

Year ended 28 February 2017 as compared to 29 February 2016

Revenue

Our total revenue for the year ended 28 February 2017 was approximately HK\$36.0 million as compared to approximately HK\$29.8 million for the year ended 29 February 2016, representing an increase of approximately HK\$6.2 million, or approximately 21.0%. The increase in our total revenue was mainly attributable to increase in the revenue generated from our corporate finance advisory business of approximately HK\$11.4 million, notwithstanding that our placing and underwriting business recorded a decrease in revenue of approximately HK\$5.2 million.

Our corporate finance advisory business achieved a growth in revenue of approximately 53.7%, from approximately HK\$21.3 million during the year ended 29 February 2016 to approximately HK\$32.7 million during the year ended 28 February 2017. During the year ended 28 February 2017, we were engaged in a total of 36 corporate finance advisory projects, which included 18 IPO sponsorship projects, eight financial and independent financial advisory projects and 10 compliance advisory projects, while we were engaged in a total of 20 corporate finance advisory projects, which included eight IPO sponsorship projects, five financial and independent financial advisory projects and seven compliance advisory projects during the year ended 29 February 2016.

Revenue generated from provision of IPO sponsorship services, which increased from approximately HK\$18.4 million during the year ended 29 February 2016 to approximately HK\$27.8 million during the year ended 28 February 2017, was the major source of income of our corporate finance advisory business and accounted for approximately 85.2% of the revenue generated from our corporate finance advisory business during the year ended 28 February 2017. During the year ended 29 February 2016, we completed three IPO sponsorship projects and had three IPO sponsorship projects in progress and during the year ended 28 February 2017, we completed two IPO sponsorship projects and had 14 IPO sponsorship projects in progress, nine of which were completed and listed on the Stock Exchange during the year ended 28 February 2018.

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The revenue from our placing and underwriting business decreased from approximately HK\$8.5 million during the year ended 29 February 2016 to approximately HK\$3.3 million during the year ended 28 February 2017, representing a decrease of approximately 60.9%. During the year ended 28 February 2017, we were engaged in 10 placing and underwriting projects while we were engaged in eight placing and underwriting projects during the year ended 29 February 2016. However, our aggregate underwriting commitment for IPOs and the value of securities placed by us for transactions in relation to issue of new shares by listed issuers during the year ended 28 February 2017 was approximately HK\$131.6 million, which decreased from approximately HK\$185.8 million during the year ended 29 February 2016. In addition, during the year ended 28 February 2017, under most of the placing and underwriting projects, we undertook junior role as co-manager or co-lead manager among the underwriting syndicate of IPO and as joint placing agent or sub-placing agent of secondary placing, and as a result, the portion of the placing and/or underwriting commission we shared among the syndicate in each of those projects was comparatively lower.

Other income

For the year ended 28 February 2017, our other income represented the loan interest income generated from provision of loans to clients by CCFI, the excluded business of our Group, which increased from approximately HK\$61,000 for the year ended 29 February 2016 to approximately HK\$399,000 for the year ended 28 February 2017. For the year ended 28 February 2017, we no longer provided (i) consultancy services to client in relation to company secretarial matters, and (ii) services to our related parties, which generated consultancy fee income of approximately HK\$247,000 and service fee income of HK\$100,000, respectively for the year ended 29 February 2016.

Staff costs

Our staff costs increased from approximately HK\$9.5 million for the year ended 29 February 2016 to approximately HK\$13.2 million for the year ended 28 February 2017, representing an increase of approximately HK\$3.7 million or approximately 38.9%. Such increase was primarily attributable to (i) addition of employees; and (ii) increment of basic salaries of our employees on average as compared to the previous year.

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Set out below is the breakdown of our staff as at 29 February 2016 and 28 February 2017, respectively:

	<u>As at</u> <u>29 February 2016</u>	<u>As at</u> <u>28 February 2017</u>	<u>Change</u>
Corporate finance responsible officers	3	6	3
Corporate finance staff	5	10	5
Securities and asset management responsible officers	2	2	—
Securities and asset management representative	—	—	—
Back office staff	<u>2</u>	<u>3</u>	<u>1</u>
Total:	<u><u>12</u></u>	<u><u>21</u></u>	<u><u>9</u></u>

The total number of our staff increased from 12 as at 29 February 2016 to 21 as at 28 February 2017, representing an increase of 75%, while our staff costs increased by approximately 38.9% from the year ended 29 February 2016 to the year ended 28 February 2017. Our staff costs (excluding bonuses) increased from approximately HK\$5.5 million for the year ended 29 February 2016 to approximately HK\$9.9 million for the year ended 28 February 2017, representing an increase of approximately 80%.

The performance of our corporate finance advisory business in the year ended 29 February 2016 has laid a solid foundation of our business development. During the year ended 28 February 2017, the number of completed and ongoing IPO sponsorship projects were two and 14, respectively, as compared to three completed projects and three ongoing projects in the year ended 29 February 2016. During the year ended 28 February 2017, there were three active IPO sponsorship engagements carried forward from the year ended 29 February 2016 and the rest were new engagements. As the newly engaged projects were of early stage to prepare for submission of listing application, we involve more corporate finance staff to perform substantial due diligence and other preparation work. As a results of the increase in the IPO sponsorship projects, the corporate finance team expanded rapidly. As shown above, the number of corporate finance responsible officers and staff increased from three and five as at 29 February 2016 to six and ten as at 28 February 2017, respectively, in order to cope with the increasing work load and fulfil our clients' requirement, and thus, the total basic salary of whom increased our salaries and allowance and other benefits by approximately HK\$3.9 million.

Having considered the employees' performance and the prevailing market level of salaries, in the year ended 28 February 2017, we made increment to our employees' basic salaries as compared to those we offered in the year ended 29 February 2016. For some of the employees, other than salary increment, we offered promotion to them given their outstanding performance. As an incentive to our employees, we paid bonuses to our employees, which were determined at our

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management's sole discretion according to our revenue and profitability and the relevant employees' performance, in a total amount of approximately HK\$3.3 million during the year ended 28 February 2017, as compared to approximately HK\$4.0 million during the year ended 29 February 2016.

The decrease in the performance bonuses paid to our staff during the year ended 28 February 2017 was mainly attributable to the below reasons:

- during the year ended 29 February 2016, a total of three IPO sponsorship projects sponsored by us were completed and we acted as underwriter of these IPO sponsorship projects. However, during the year ended 28 February 2017, a total of two IPO sponsorship projects sponsored by us were completed, and we were the underwriter of one of these IPO sponsorship projects;
- during the period from 25 May 2016 to 31 August 2016, we had only one sponsor principal, and the situation was rectified on 1 September 2016 upon the approval of additional sponsor principal. Although the situation was rectified eventually, our Directors considered that the stability of our Group's human resources was negatively affected. As a result, our Group determined the discretionary bonus for the year ended 28 February 2017 prudently, and reserved sufficient internal resources for recruitment of additional responsible officers and/or sponsor principals in order to ensure that our Group can at all time maintain sufficient number of responsible officers and/or sponsor principals in the future; and
- as part of the implementation of our Group's business strategies to establish an integrated platform for providing financial and securities services to its clients, we commenced our securities dealing and brokerage business and securities financing business through Innovax Securities in June 2017 and asset management business through Innovax Asset Management in April 2017. To reserve sufficient internal resources to finance the establishment and operation of these new businesses, including but not limited to (i) the maintenance of minimum paid-up share capital under the FRR which was mainly financed by cash advances from Innovax Capital; (ii) the salaries of new staff; and (iii) additional rental expenses for more office spaces and information and communications expenses, our Directors determined the discretionary bonus paid to staff of Innovax Capital for the year ended 28 February 2017 prudently.

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK\$1.8 million for the year ended 29 February 2016 to approximately HK\$2.9 million for the year ended 28 February 2017, representing an increase of approximately HK\$1.1 million or approximately 64.4%. The increase in our administrative and other operating expenses was mainly due to an increase in (i) office rent, rates and utilities; (ii) depreciation; and (iii) miscellaneous expenses.

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Due to the expansion of our manpower, we leased new office premises with a larger floor area since January 2016 and relocated to this new office in February 2016. As such, our expenses for office rent, rates and utilities increased from approximately HK\$440,000 for the year ended 29 February 2016 to approximately HK\$1.2 million for the year ended 28 February 2017.

As a result of the expansion of our office premises and manpower in the year ended 28 February 2017, our investment in leasehold improvements, furniture and fixtures and computer equipment and office equipment increased during the year. As such, our depreciation expenses increased to approximately HK\$195,000 for the year ended 28 February 2017 from approximately HK\$89,000 for the year ended 29 February 2016.

The increase in our miscellaneous expenses for the year ended 28 February 2017 of approximately HK\$261,000 from approximately HK\$805,000 for the year ended 29 February 2016 was mainly attributable to an increase in (i) service fee; and (ii) insurance expenses, staff recruitment expenses, licence expenses and repair and maintenance expenses.

Among our administrative and other operating expenses, the operating expenses incurred from provision of loans to clients by CCFI, which is the excluded business of our Group, decreased slightly from approximately HK\$290,000 for the year ended 29 February 2016 to approximately HK\$228,000 for the year ended 28 February 2017.

Finance costs

The decrease in the finance costs from approximately HK\$31,000 for the year ended 29 February 2016 to nil for the year ended 28 February 2017 was mainly due to repayment of bank loan in October 2015.

Income tax expense

The income tax expense increased from approximately HK\$3.1 million for the year ended 29 February 2016 to approximately HK\$3.4 million for the year ended 28 February 2017. This increase was primarily attributable to the increase in profit before tax.

Profit for the year

As a result of the foregoing, our profit increased by approximately HK\$1.1 million, or approximately 7.1% from approximately HK\$15.7 million for the year ended 29 February 2016 to approximately HK\$16.8 million for the year ended 28 February 2017.

LIQUIDITY AND CAPITAL RESOURCES

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

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The following table summarises the movement of our cash for the year indicated:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at the beginning of year	9,374	15,110	28,838
Net cash from operating activities	12,576	14,375	30,814
Net cash used in investing activities	(585)	(570)	(227)
Net cash used in financing activities	(6,255)	(77)	(3,320)
Net increase in cash and cash equivalents	5,736	13,728	27,267
Cash and cash equivalents at the end of year	15,110	28,838	56,105

Cash flows from operating activities

During the Track Record Period, the cash inflows from our operating activities were primarily derived from the revenue generated from the provision of financial and securities services, whereas the cash outflows for our operating activities mainly comprised staff costs, and administrative and other operating expenses. Our net cash generated from operating activities primarily reflected our profit before tax, as adjusted for non-operating items, such as depreciation, interest expense and income, and loss on disposal of property and equipment, loss on disposal of a subsidiary and the effects of changes in working capital such as increase or decrease in deposit with the Stock Exchange and a clearing house, accounts receivable, accrued income, loans and other receivables, cash held on behalf of clients, accounts payable and short term advances from a broker, other payables and accruals and deferred revenue.

Cash flows from operating activities were mainly affected by the timing of settlement of trades from clients during our ordinary course of business, which also accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

For the year ended 28 February 2018, we had net cash generated from operating activities of approximately HK\$30.8 million, primarily as a result of profit before tax of approximately HK\$30.8 million, mainly and positively adjusted by (i) the loss on disposal of a subsidiary of approximately HK\$364,000; and (ii) the depreciation of approximately HK\$562,000. For the year ended 28 February 2018, our operating cash flow before movements in working capital was approximately HK\$31.8 million. Movements in working capital contributed to net cash inflow of HK\$9.0 million, which was primarily due to (i) the decrease in accrued income of approximately HK\$2.7 million as we had less corporate finance advisory work which had not been billed to our clients as at 28 February 2018 as compared to 28 February 2017; (ii) the increase in accounts

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payable and short term advances from a broker of approximately HK\$38.1 million primarily as a result of the increase in our accounts payable arising from our securities dealing and brokerage business and short term advances from a broker for our IPO financing business. Such businesses commenced in June 2017; (iii) the increase in other payables and accruals of approximately HK\$15.6 million primarily as a result of the increase in accrued bonuses as at 28 February 2018, which were determined at our management's sole discretion; and (iv) the increase in deferred revenue of approximately HK\$2.8 million as we received certain sponsor fees from our clients in advance prior to the work performed of the projects as at 28 February 2018, partially offset by (i) the increase in accounts receivable of approximately HK\$16.3 million primarily as a result of the increase in our accounts receivables arising from our IPO financing business which commenced in June 2017. Such accounts receivables were secured by refundable deposits and were repayable upon the allotment of IPO subscription; and (ii) the increase in cash held on behalf of clients of approximately HK\$33.7 million in relation to our securities dealing and brokerage business which commenced in June 2017.

For the year ended 28 February 2017, we had net cash generated from operating activities of approximately HK\$14.4 million, primarily as a result of profit before tax of approximately HK\$20.3 million, mainly and positively adjusted by the depreciation of approximately HK\$195,000. For the year ended 28 February 2017, our operating cash flow before movements in working capital was approximately HK\$20.5 million. Movements in working capital contributed to net cash outflow of approximately HK\$6.0 million, which was primarily due to (i) the increase in accounts receivable of approximately HK\$3.8 million primarily as a result of the increase in our accounts receivables arising from our corporate finance advisory business due to the increase in our revenue generated from such business during the year ended 28 February 2017; and (ii) the increase in accrued income of approximately HK\$6.1 million as we had more corporate finance advisory work which had not been billed to our clients as at 28 February 2017 as compared to 29 February 2016, partially offset by (i) the decrease in loans and other receivables of approximately HK\$1.5 million primarily as a result of the decrease in loan receivables arising from the money lending business operated by CCFI, which was disposed by our Group in March 2017, as at 28 February 2017 as compared to 29 February 2016; and (ii) the increase in other payables and accruals of approximately HK\$2.5 million primarily as a result of the increase in accrued bonuses as at 28 February 2017, which were determined at our management's sole discretion.

For the year ended 29 February 2016, we had net cash generated from operating activities of approximately HK\$12.6 million, primarily as a result of profit before tax of approximately HK\$18.8 million, positively adjusted by (i) the interest expenses of approximately HK\$31,000; (ii) the loss on disposals of property and equipment of approximately HK\$35,000; and (iii) the depreciation of approximately HK\$89,000. For the year ended 29 February 2016, our operating cash flow before movements in working capital was approximately HK\$19.0 million. Movements in working capital contributed to net cash outflow of approximately HK\$6.4 million, which was primarily due to (i) the increase in accounts receivable of approximately HK\$1.8 million primarily as a result of the increase in our accounts receivables arising from our corporate finance advisory business due to the increase in our revenue generated from such business during the year ended 29 February 2016; and (ii) the increase in loans and other receivables of approximately HK\$5.2

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million primarily as a result of the increase in loan receivables arising from the money lending business operated by CCFI, which was disposed by our Group in March 2017, as at 29 February 2016 as compared to 28 February 2015, partially offset by the increase in other payables and accruals of approximately HK\$583,000 primarily as a result of the increase in payables in relation to leasehold improvements for our new office premises.

Cash flows from investing activities

During the Track Record Period, the cash inflows from our investing activities were primarily derived from repayment from a related company, whereas the cash outflows for our investing activities were primarily attributable to the purchases of property and equipment and advance to a related company.

For the year ended 28 February 2018, we recorded net cash used in investing activities of approximately HK\$227,000 which was primarily attributable to (i) the purchases of property and equipment of approximately HK\$1.7 million; and (ii) advance to a related company of HK\$1.0 million; and (iii) net cash outflow for disposal of a subsidiary of approximately HK\$576,000, partially offset by the repayment from a related company of HK\$3.0 million.

For the year ended 28 February 2017, we recorded net cash used in investing activities of approximately HK\$570,000 which was primarily attributable to (i) the purchase of intangible asset of approximately HK\$500,000; and (ii) the purchases of property and equipment of approximately HK\$70,000.

For the year ended 29 February 2016, we recorded net cash used in investing activities of approximately HK\$585,000 which was primarily attributable to the purchases of property and equipment of approximately HK\$685,000, partially offset by the proceeds from disposal of property and equipment of approximately HK\$100,000.

Cash flows from financing activities

During the Track Record Period, the cash inflows from our financing activities mainly included bank loans raised and advance from a Director, while the cash outflows from our financing activities primarily represented repayment of bank loans and repayment to a Director.

For the year ended 28 February 2018, we had net cash used in financing activities of approximately HK\$3.3 million, which was primarily attributable to (i) the repayment of bank loans of approximately HK\$1.8 million; and (ii) the repayment to a Director of approximately HK\$11.5 million, partially offset by the bank loans raised of approximately HK\$10.0 million.

For the year ended 28 February 2017, we had net cash used in financing activities of approximately HK\$77,000, which was primarily attributable to the repayment to a Director of approximately HK\$427,000, partially offset by the advance from a Director of approximately HK\$350,000.

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For the year ended 29 February 2016, we had net cash used in financing activities of approximately HK\$6.3 million, which was primarily attributable to (i) the repayment of bank loans of approximately HK\$5.0 million; and (ii) the repayment to a Director of approximately HK\$7.1 million, partially offset by the advance from a Director of approximately HK\$5.8 million.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources, facilities available to our Group and the estimated net proceeds from the Global Offering, we have sufficient working capital and financial resources to meet our present requirements for at least 12 months from the date of this prospectus.

NET CURRENT ASSETS

The following table sets out a summary of our current assets and current liabilities as at the dates indicated:

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018	As at 31 July 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets				
Accounts receivable	1,767	5,563	34,464	6,195
Accrued income	—	6,136	3,428	400
Loans and other receivables	2,344	3,345	641	1,985
Bank balances	15,110	28,838	56,105	47,352
Cash held on behalf of clients	—	—	33,697	45,847
Tax recoverable	—	16	1,135	1,135
	<u>19,221</u>	<u>43,898</u>	<u>129,470</u>	<u>102,914</u>
Current liabilities				
Accounts payable and short term advances from a broker	—	—	50,633	46,936
Amount due to a Director	3,094	14,633	1,673	—
Amount due to immediate holding company (<i>Note</i>)	—	—	—	5,000
Other payables and accruals	685	3,168	18,765	340
Bank loans	—	—	8,130	3,995
Deferred revenue	—	85	2,890	750
Tax payable	3,096	6,495	3,006	5,160
	<u>6,875</u>	<u>24,381</u>	<u>85,097</u>	<u>62,181</u>
Net current assets	<u><u>12,346</u></u>	<u><u>19,517</u></u>	<u><u>44,373</u></u>	<u><u>40,733</u></u>

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Note: It represented the cash dividend of HK\$5 million payable to our immediate holding company. Such cash dividend will be fully repaid by our internal resources before the Listing.

During the Track Record Period, the key components of our current assets included accounts receivables, accrued income, loans and other receivables, bank balances, cash held on behalf of clients and tax recoverable, while the key components of our current liabilities included accounts payable and short term advances from a broker, other payables and accruals, deferred revenue, amount due to a Director, bank loans and tax payable.

As at 31 July 2018, we had net current asset of approximately HK\$40.7 million, representing a decrease of approximately HK\$3.7 million from approximately HK\$44.4 million as at 28 February 2018. The decrease in our net current assets was principally due to (i) the decrease in accounts receivable of approximately HK\$28.3 million; (ii) the decrease in accrued income of approximately HK\$3.0 million; and (iii) the decrease in bank balances of approximately HK\$8.8 million. Such decrease was partially offset by (i) the increase in cash held on behalf of clients of approximately HK\$12.2 million; (ii) the decrease in other payables and accruals of approximately HK\$18.4 million; and (iii) repayment of bank loans of approximately HK\$4.1 million.

As at 28 February 2018, we had net current assets of approximately HK\$44.4 million, representing an increase of approximately HK\$24.9 million from approximately HK\$19.5 million as at 28 February 2017. The increase in our net current assets was principally due to (i) the increase in accounts receivable of approximately HK\$28.9 million; (ii) the increase in our bank balances of approximately HK\$27.3 million; (iii) the increase in cash held on behalf of clients of approximately HK\$33.7 million; (iv) decrease in tax payable of approximately HK\$3.5 million; and (v) decrease in the amount due to a Director of approximately HK\$13.0 million. Such increase was partially offset by (i) increase in accounts payable and short term advances from a broker of approximately HK\$50.6 million; (ii) increase in other payables and accruals of approximately HK\$15.6 million; (iii) increase in deferred revenue of approximately HK\$2.8 million; (iv) decrease in loans and other receivables of approximately HK\$2.7 million; and (v) increase in bank loans of approximately HK\$8.1 million.

As at 28 February 2017, we had net current assets of approximately HK\$19.5 million, representing an increase of approximately HK\$7.2 million from approximately HK\$12.3 million as at 29 February 2016. The increase in our net current assets was principally due to (i) the increase in our bank balances of approximately HK \$13.7 million; (ii) increase in accrued income of approximately HK\$6.1 million; and (iii) the increase in accounts receivable of approximately HK\$3.8 million. Such increase was partially offset by (i) increase in other payables and accruals of approximately HK\$2.5 million; (ii) increase in the amount due to a Director of approximately HK\$11.5 million; and (iii) increase in tax payable of approximately HK\$3.4 million.

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ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Accounts receivable

Accounts receivable mainly included (i) receivables from clients of our corporate finance advisory business; (ii) receivables from clients of our placing and underwriting business; (iii) receivables from cash clients, margin clients and clearing house which arose from the securities dealing and brokerage business; and (iv) receivables from our asset management business. The following table sets forth a breakdown of accounts receivable arising from our ordinary course of business as at 29 February 2016, 28 February 2017 and 2018:

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Accounts receivable arising from:			
— Corporate finance advisory business	1,767	5,501	7,869
— Securities dealing and brokerage business	—	—	2,009
— Securities financing business			
— Margin financing	—	—	3,875
— IPO financing	—	—	13,495
— Placing and underwriting business	—	62	6,969
— Asset management business	—	—	247
	1,767	5,563	34,464

Accounts receivable from corporate finance advisory business included service fees billed but not yet settled. We do not grant credit terms to our clients. We issue an invoice to our clients of corporate finance advisory services after a milestone specified under the engagement letter is achieved or upon completion of the transaction. Payment is required to be made within a reasonable period of time of about one to two months after issue of an invoice and is usually settled by cheques or via wire transfers.

Accounts receivable from placing and underwriting business included placing or underwriting commission billed but not yet settled. We issue debit notes for our commissions to our clients in accordance with the payment terms set out in the engagement letter or the placing and/or underwriting agreement. Our placing and underwriting commissions may be payable by our clients directly by cheques or wire transfers or by way of deduction of fees from the proceeds and payable by the sponsor or lead underwriter to us on behalf of the clients.

In addition, during the normal and ordinary course of our business, profit arising from stabilisation action generated from the stock market for IPO may be due from other securities firms who are appointed as the stabilising managers to hold such profit on behalf of the other

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underwriters who are entitled to such profit. As at 28 February 2018, accounts receivable from our placing and underwriting business of approximately HK\$2.0 million was due from Sinolink Securities. Such amount represented the profit arising from the stabilisation action generated from the stock market in relation to an IPO which was jointly underwritten by Innovax Securities and Sinolink Securities as the joint global coordinators, joint bookrunners and joint lead managers. According to the terms of the relevant underwriting agreement, Sinolink Securities, being the stabilising manager, and Innovax Securities shared equally the profit arising from the stabilisation action generated from the stock market, which was held by Sinolink Securities on behalf of Innovax Securities. Such amount was fully released by Sinolink Securities to Innovax Securities on 21 March 2018.

Accounts receivable from securities dealing and brokerage business as at the year end date represented the amount of securities purchased by our clients but not yet settled and were to be settled in T+2.

Accounts receivable arising from margin financing business are generally secured by listed equity securities. Our management ensures that the available cash balance and listed equity securities belonging to clients in which our Group holds as custodian are sufficient to cover the amounts due to our Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. As at 29 February 2016, 28 February 2017 and 2018, accounts receivable from margin clients were secured by the clients' pledged listed securities which carried a fair value of approximately nil, nil and HK\$20.8 million.

Accounts receivable arising from IPO financing business are generally secured by refundable deposits and are repayable upon the allotment of IPO subscription.

Accounts receivable arising from our asset management business represented the management fee and performance fee due from Innovax Alpha SPC. The management fee is calculated at the last valuation day of each calendar month and payable monthly in arrears. The performance fee is calculated as at the last valuation day each period of 12 months ending on 31 December in each year and payable in arrears within 30 days of the end of such period.

As at 28 February 2018, our account receivables arising from ordinary course of business amounted to approximately HK\$34.5 million. Up to 31 July 2018, approximately HK\$34.4 million, representing approximately 99.7% of the account receivables as at 28 February 2018 were subsequently settled.

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The following table sets forth an ageing analysis of the accounts receivable (excluding accounts receivable arising from our securities financing business (*Note*)) based on trade date/ invoice date as at the dates indicated:

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018
	HK\$'000	HK\$'000	HK\$'000
0–30 days	1,767	2,673	14,476
31–60 days	—	1,742	1,597
61–90 days	—	—	31
91–181 days	—	1,148	990
	<u>1,767</u>	<u>5,563</u>	<u>17,094</u>

Note: Ageing analysis in relation to our securities financing business is excluded as, in the opinion of the Directors, it does not give additional value in view of the business nature.

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

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018
	HK\$'000	HK\$'000	HK\$'000
0–30 days	1,767	2,673	12,467
31–60 days	—	1,742	1,597
61–90 days	—	—	31
91–181 days	—	1,148	990
	<u>1,767</u>	<u>5,563</u>	<u>15,085</u>

We have a policy for determining the allowance for impairment based on the evaluation of collectability and aging analysis of accounts and on management's judgement, including the current creditworthiness, collateral, subsequent settlement and the past collection history of each client.

No impairment loss had been provided for amounts that were past due as we considered that the clients of our corporate finance advisory business and placing and underwriting business are with good financial health as most of them are newly listed companies or prospective IPO candidates with sound financial background.

As at 29 February 2016, 28 February 2017 and 2018, no accounts receivable arising from securities dealing and brokerage business and securities financing business were past due and impaired.

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Accrued income

Our accrued income represented the sponsor fee income arising from our corporate finance advisory business recognised after work is performed but not yet billed to clients. As at 28 February 2017 and 2018, our accrued income amounted to approximately HK\$6.1 million and HK\$3.4 million, respectively.

Loans and other receivables

The following table sets forth a breakdown of our loans and other receivables as at the dates indicated:

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Loans and other receivables	5,361	3,826	641
Less: Non-current portion	(3,017)	(481)	—
Current portion	2,344	3,345	641

The amount of our loans and other receivables as at 29 February 2016 and 28 February 2017 mainly included receivables arising from provision of loans to clients by CCFI, which is the excluded business of our Group.

As at 29 February 2016 and 28 February 2017, receivables arising from money lending business bore fixed-rate interest of 8%–10% per annum with contractual maturity one year to two years. As at 29 February 2016 and 28 February 2017, a loan receivable of HK\$2 million was secured by corporate guarantee of the borrower and the remaining receivables were unsecured and unguaranteed. No receivable was past due as at 29 February 2016 and 28 February 2017.

As at 28 February 2017, receivable arising from money lending business of approximately HK\$816,000 was due from Mr. Poon Siu Kuen, Calvin, one of our Directors. The balance was unsecured and unguaranteed and bore fixed-rate interest of 8% per annum with contractual maturity of one year. The maximum outstanding balance due from Mr. Poon for the years ended 29 February 2016 and 28 February 2017 and the period from 1 March 2017 to 15 March 2017 (the date on which the entire issued share capital of CCFI was disposed of by Crystal Prospect to Mr. Chung) was nil, approximately HK\$816,000 and HK\$819,000, respectively.

Bank balances

Our bank balances mainly represented demand deposits at a bank which were non-interesting bearing. As at 29 February 2016, 28 February 2017 and 28 February 2018, our bank balances amounted to approximately HK\$15.1 million, HK\$28.8 million and HK\$56.1 million, respectively.

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Cash held on behalf of customers

We maintain segregated trust accounts with Authorised Institutions to hold clients' monies arising from our securities dealing and brokerage business and securities financing business. We have classified the clients' monies as cash held on behalf of clients under the current assets section of the consolidated statements of financial position and recognised the corresponding accounts payable to respective clients on the grounds that we are liable for any loss or misappropriation of clients' monies. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong). We did not have any cash held on behalf of clients as at 29 February 2016 and 28 February 2017 because we commenced our securities dealing and brokerage business and securities financing business in June 2017. As at 28 February 2018, our cash held on behalf of clients amounted to approximately HK\$33.7 million.

Tax recoverable

We recorded tax recoverable of approximately HK\$16,000 and HK\$1.1 million as at 28 February 2017 and 2018, respectively, due to payment of provision profits tax.

Accounts payable and short term advances from a broker

Accounts payable and short term advances from a broker included payables arising from our securities dealing and brokerage business and placing and underwriting business. The following table sets forth a breakdown of accounts payable arising from our ordinary course of business as at 29 February 2016, 28 February 2017 and 2018:

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Accounts payable arising from:			
— Securities dealing and brokerage services	—	—	37,791
— Placing and underwriting services	—	—	317
Short term advances from a broker	—	—	12,525
	—	—	50,633

The settlement terms of payable to broker arising from short term advances, and clearing house from the ordinary course of business of our securities dealing and brokerage business range from one to three days after the trade date of those transactions. Accounts payable from our placing and underwriting business are repayable on demand. Short term advances from a broker are repayable upon allotment of IPO subscription.

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

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Short term advances from a broker are secured by monies or securities of our 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 our Group's obligations under the relevant agreement.

During the year ended 28 February 2018, our Group has provided IPO financing to clients for subscription of shares offered under public tranche of IPOs. As at 28 February 2018, approximately HK\$12.5 million, which was non-cash in nature as it was funded by short term advances from a broker to our Group, was included in the outstanding amount of such receivable.

The accounts payable are non-interest bearing. Short term advances from a broker bear interest at fixed rate of 1.68% to 2.4% per annum determined at the inception of transactions.

As at 28 February 2018, accounts payable arising from securities dealing and brokerage business also included those payables placed in segregated trust accounts with Authorised Institutions of approximately HK\$33.7 million. There was no such accounts payable as at 29 February 2016 and 28 February 2017.

As at 28 February 2018, accounts payable arising from securities dealing and brokerage business of approximately HK\$261,000 was due to Mr. So Hin Pong, our senior management member, and approximately HK\$179,000 was due to Ms. Chau Lok Yi, our senior management member, in respect of transactions in securities undertaken for their accounts. There was no such amount as at 29 February 2016 and 28 February 2017.

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Accrued expenses	218	245	533
Accrued bonuses	—	2,831	17,210
Other payables	467	92	1,022
	685	3,168	18,765

Our other payables and accruals, which were unsecured, non-interest bearing and repayable on demand, increased by approximately 362.5% from HK\$685,000 as at 29 February 2016 to HK\$3.2 million as at 28 February 2017, and further increased by approximately 492.3% to approximately HK\$18.8 million as at 28 February 2018. This increase was primarily attributable to the increase in accrued bonuses. For the three years ended 28 February 2018, we paid bonuses to our employees, which were determined at our management's sole discretion, of approximately HK\$4.0 million, HK\$3.3 million and HK\$23.3 million, respectively.

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INDEBTEDNESS

As at 29 February 2016, 28 February 2017 and 2018 and 31 July 2018, our Group had outstanding bank loans of nil, nil, approximately HK\$8.1 million and HK\$4.0 million, respectively, which were unsecured and guaranteed by Mr. Chung. Such outstanding loan amounts were fully repaid on 6 August 2018. Our Directors confirm that there were no breach of any covenants relating to our banking facilities during the Track Record Period and up to Latest Practicable Date.

Our amounts due to a Director represented amounts due to Mr. Chung which was non-trade in nature, unsecured and unguaranteed, interest-free and repayable on demand. Our amounts due to Mr. Chung were approximately HK\$3.1 million, HK\$14.6 million, HK\$1.7 million and nil as at 29 February 2016, 28 February 2017, 28 February 2018 and 31 July 2018, respectively. Our amounts due to Mr. Chung of approximately HK\$14.6 million as at 28 February 2017 was mainly attributable to the declaration of dividends to Mr. Chung for the year ended 28 February 2017 of approximately HK\$11.6 million. All of our amounts due to Mr. Chung has been fully settled.

Our amount due to an immediate holding company represented amount due to BSI which was non-trade in nature, unsecured and unguaranteed, interest-free and repayable on demand. Our amount due to BSI were approximately nil, nil, nil and HK\$5 million as at 29 February 2016, 28 February 2017, 28 February 2018 and 31 July 2018, respectively. Our amount due to BSI represented the cash dividend of HK\$5 million payable to our immediate holding company. Such cash dividend will be fully repaid by our internal resources before the Listing.

As at 29 February 2016, 28 February 2017 and 2018 and 31 July 2018, short term advances from a broker of nil, nil, approximately HK\$12.5 million and nil, respectively, which were secured by monies or securities of our 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 our Group's obligations under the relevant agreement and unguaranteed.

As at the Latest Practicable Date, our Group had no unutilised banking facilities.

As at 31 July 2018, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities outstanding.

FINANCIAL INFORMATION

COMMITMENTS

Operating lease commitments as lessee

At the end of each of the Track Record Period, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	As at 29 February 2016	As at 28 February 2017	As at 28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,044	1,830	1,427
In the second to the fifth year inclusive	<u>1,587</u>	<u>1,427</u>	<u>—</u>
	<u>2,631</u>	<u>3,257</u>	<u>1,427</u>

Operating lease relates to office premises with lease term of two years to three years and the rentals are fixed throughout the lease term.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed in section “Financial Information — Indebtedness”, as at the Latest Practicable Date, we did not have any off-balance sheet arrangements.

KEY FINANCIAL RATIOS

	As at/year end 29 February 2016	As at/year end 28 February 2017	As at/year end 28 February 2018
Net profit margin (<i>Note 1</i>)	52.8%	46.8%	30.1%
Current ratio (<i>Note 2</i>)	2.8	1.8	1.5
Gearing ratio (<i>Note 3</i>)	0.2	0.7	0.2
Return on assets (<i>Note 4</i>)	68.5%	36.9%	19.3%
Return on equity (<i>Note 5</i>)	98.1%	79.2%	54.5%

Notes:

- Net profit margin is calculated by the total comprehensive income for the year divided by the turnover for the respective year and multiplied by 100%.
- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
- 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 each reporting period.

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4. Return on assets is calculated by the total comprehensive income for the year divided by the total assets as at the end of each reporting period and multiplied by 100%.
5. Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year end and multiplied by 100%.

Net profit margin

Our net profit margin decreased from approximately 46.8% for the year ended 28 February 2017 to approximately 30.1% for the year ended 28 February 2018. From the year ended 28 February 2017 to the year ended 28 February 2018, our revenue increased by approximately 134.3%, while our staff costs and administrative and other operating expenses increased by approximately 229.5%, resulting in a decrease of approximately 35.7% in our net profit margin. We significantly increased our staff costs and administrative and other operating expenses for the year ended 28 February 2018 to cope with (i) the fast growing business activities of our corporate finance advisory business, which had 59 engagements during the year ended 28 February 2018 as compared to 36 engagements in the year ended 28 February 2017; and (ii) the launch of new businesses including our securities dealing and brokerage business, securities financing business and asset management business. The growth in our revenue for the year ended 28 February 2018 was mainly attributable to the growth in our corporate finance advisory business and placing and underwriting business, while the new businesses including our securities dealing and brokerage business, securities financing business and asset management business only contributed, in aggregate, approximately 5.5% of our total revenue during the year.

Our net profit margin decreased from approximately 52.8% for the year ended 29 February 2016 to approximately 46.8% for the year ended 28 February 2017. From the year ended 29 February 2016 to the year ended 28 February 2017, our revenue increased by approximately 21.0%, while our staff costs and administrative and other operating expenses increased by approximately 42.9%, resulting in a decrease of approximately 11.4% in our net profit margin. The decrease was mainly due to the significant increase in our staff costs and administrative and other operating expenses for the year ended 28 February 2017 to cope with the growth of our corporate finance advisory business, which had 36 engagements during the year ended 28 February 2017 as compared to 20 engagements in the year ended 29 February 2016.

Current ratio

Our current ratio was approximately 1.8 as at 28 February 2017 and approximately 1.5 as at 28 February 2018. As at 28 February 2018, our current assets and current liabilities amounted to approximately HK\$129.5 million and HK\$85.1 million, respectively, representing an increase of approximately 195.0% and 249.0% as compared to the respective figures as at 28 February 2017, resulting in a decrease of approximately 16.7% in our current ratio for the year ended 28 February 2018. The increase in current assets was mainly due to an increase in (i) accounts receivable; (ii) our bank balances; and (iii) cash held on behalf of the clients of our securities dealing and brokerage business. The increase in current liabilities was mainly due to the increase in (i) accounts payable and short term advances from a broker; (ii) bank loans; and (iii) other payables and accruals.

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Our current ratio was approximately 2.8 as at 29 February 2016, and approximately 1.8 as at 28 February 2017. As at 28 February 2017, our current assets and current liabilities amounted to approximately HK\$43.9 million and HK\$24.4 million, respectively, representing an increase of approximately 128.4% and approximately 254.6% as compared to the respective figures as at 29 February 2016, resulting in a decrease of approximately 35.7% in our current ratio for the year ended 28 February 2017. The increase in current assets was mainly due to the increase in (i) bank balance; (ii) accounts receivable; and (iii) accrued income. The increase in current liabilities was mainly due to (i) the significant increase in the amount due to a Director of approximately 373.0% as a result of dividend declared for the year; and (ii) the increase in tax payable.

Gearing ratio

As at 29 February 2016, 28 February 2017 and 2018, our debts including payables incurred not in the ordinary course of business were approximately HK\$3.1 million, HK\$14.6 million and HK\$8.1 million, representing a gearing ratio of approximately 0.2, 0.7 and 0.2, respectively.

Return on assets

Our return on assets decreased from approximately 36.9% for the year ended 28 February 2017 to approximately 19.3% for the year ended 28 February 2018. Such decrease was due to an increase in our comprehensive income of approximately 51.0% and an increase in our total assets of approximately 188.7%. The increase in our total assets was mainly due to the increase in (i) accounts receivable; (ii) bank balances; and (iii) cash held on behalf of the clients of our securities dealing and brokerage business.

Our return on assets decreased from approximately 68.5% for the year ended 29 February 2016 to approximately 36.9% for the year ended 28 February 2017. Such decrease was due to an increase in our comprehensive income of approximately 7.1% and an increase in our total assets of approximately 99.0% for the year ended 28 February 2017. The increase in our total assets was mainly due to the increase in (i) bank balance; (ii) accounts receivable; and (iii) accrued income.

Return on equity

Our return on equity decreased from approximately 79.2% for the year ended 28 February 2017 to approximately 54.5% for the year ended 28 February 2018. Such decrease was due to an increase in our comprehensive income of approximately 51.0% and an increase in our equity of approximately 119.6%. The increase in our equity was mainly attributable to the increase in our retained profit for the year ended 28 February 2018.

Our return on equity decreased from approximately 98.1% for the year ended 29 February 2016 to approximately 79.2% for the year ended 28 February 2017. Such decrease was due to an increase in our comprehensive income of approximately 7.1% and an increase in our equity of approximately 32.6%. The increase in our equity was mainly attributable to the increase in our retained profit for the year ended 28 February 2017, net of the dividend declared for the year.

FINANCIAL INFORMATION

RELATED PARTIES TRANSACTIONS

During the Track Record Period, our Group had entered into certain related party transactions. Set out below is a summary of the nature and the transaction amount with related parties during the Track Record Period:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Service fee income from related parties:			
Profitable (Asia) Limited (<i>Notes 1 & 2</i>)	98	—	—
Master Mind Investment Holdings Limited (<i>Note 3</i>)	2	—	—
Commission income:			
Mr. Chung (director of our Company) (<i>Note 4</i>)	—	—	3
Mr. So Hin Pong (our senior management member) (<i>Note 4</i>)	—	—	1
Ms. Chau Lok Yi (our senior management member) (<i>Note 4</i>)	—	—	3
Loan interest income:			
Mr. Poon Siu Kuen, Calvin (a Director)	—	10	3
Management fee income:			
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>Note 5</i>)	—	—	211
Performance fee income:			
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>Note 5</i>)	—	—	21
Service fee expense:			
Profitable (Asia) Limited (<i>Notes 1 & 6</i>)	—	120	—

Note 1: Mr. Chung is the sole shareholder of Profitable (Asia) Limited.

Note 2: The service fee income of approximately HK\$98,000 received by our Group from Profitable (Asia) Limited during the year ended 29 February 2016 represented the rental payment for certain portion of our Group's rented premises.

Note 3: On 22 February 2016, Mr. Chung transferred the entirety of his shares in Master Mind Investment Holdings Limited to an Independent Third Party and ceased to be a shareholder.

Note 4: During the Track Record Period, our Group had provided securities dealing and brokerage services to Mr. Chung, Mr. So Hin Pong and Ms. Chau Lok Yi, the connected persons of our Company. Each of them confirms that he/she will cease to use our Group's securities dealing and brokerage services before Listing. Hence, the transactions mentioned above will not continue upon Listing and accordingly, they will not constitute continuing connected transactions under Chapter 14A of the Listing Rules. If our Group provides any new securities dealing and brokerage services to any connected persons in the future which will constitute continuing connected transactions as defined under the Listing Rules, we will comply with the relevant requirements of the Listing Rules.

Note 5: Mr. Li Lap Sun, our senior management member, has interests in the management shares and participating shares of Innovax Alpha SPC — Innovax Balanced Fund SP which is managed by Innovax Asset Management.

Note 6: The service fee expenses of approximately HK\$120,000 paid by our Group to Profitable (Asia) Limited during the year ended 28 February 2017 represented the referral fee for the introduction of three independent customers by Profitable (Asia) Limited to CCFI for the provision of loans.

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Our Directors confirm that the above related party transactions were conducted on normal commercial terms and on arm's length basis.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management objectives and policies

Our Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on our Group's operating performance. Based on these risk management objectives, our Group's risk management strategy is to identify and analyse the various risks our Group expose 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.

Our Group's major financial instruments include accounts receivable, loans and other receivables, bank balances, cash held on behalf of customers, accounts payable and short term advances from a broker, amounts due to a Director, other payables accruals and bank loans. Our Company's major financial instruments include other receivables and amount due to a subsidiary.

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.

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

As at 29 February 2016 and 28 February 2017 and 2018, the interest rate risk is considered to be limited because our exposure to interest rate risk arising from the interest-bearing assets can be offset against interest-bearing liabilities. Accordingly, no sensitivity analysis on interest rate risk was presented.

Credit risk

At the end of each reporting period, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Our Group's credit risk is primarily attributable to accounts receivable. In order to minimise the credit risk on margin financing and IPO financing, the credit committee responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that

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follow-up action is taken to recover overdue debts and receivables from margin clients with shortfalls in relation to our securities dealing and brokerage business. In addition, we review the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

As at 29 February 2016, 28 February 2017 and 2018, our Group has concentration of credit risk on accounts receivable as approximately 97%, 63% and 55% of the total accounts receivable was due from three clients.

Bank balances are placed in an authorised institution and our Directors consider the credit risk of such authorised institution is minimal.

Other than concentration of credit risk on accounts receivable and liquid funds, our Group does not have any other significant concentration of credit risk.

Liquidity risk

We are required to maintain at all times the liquid capital which is not less than the minimum requirement as set out under the FRR. Our finance and accounts department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. The monthly financial returns are submitted to our relevant responsible officers for review and approval before submission to the SFC no later than three weeks after each calendar month. Our finance and accounts department also conducts the liquid capital computation on a daily basis which is reviewed by our responsible officers to ensure that we are able to comply with the FRR requirement on an ongoing basis.

During the Track Record Period, our Group did not have any material non-compliance with the minimum liquid capital requirement as set out by the SFC.

Capital risk management

Our 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. Our Group's overall strategy remains unchanged throughout the Track Record Period.

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

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

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

Please see the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees and expenses incurred in connection with the Listing and the Global Offering. Assuming the Offer Price of HK\$1.55 per Offer Share, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised, the listing expenses to be borne by the Company are estimated to be approximately HK\$21.0 million (including a sponsor fee of HK\$2.0 million payable to Innovax Capital, which will be eliminated in our consolidated financial statements), of which approximately HK\$9.6 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing, and the remaining sum of approximately HK\$11.4 million, which cannot be so deducted, will be charged to our profit or loss. For the listing expenses of approximately HK\$11.4 million that will be charged to our profit or loss, approximately HK\$123,000 of which has been charged during the year ended 28 February 2018 and the remaining of which is expected to be charged to our profit or loss for the year ending 28 February 2019. The estimated listing expenses are subject to adjustments based on the actual amount of expenses incurred or to be incurred by our Group upon completion of the Listing. The listing expenses are non-recurring in nature.

DIVIDEND

For the years ended 29 February 2016 and 28 February 2017, we declared and paid dividend of nil and approximately HK\$11.6 million, respectively.

On 17 May 2018, we declared dividend of approximately HK\$5.0 million, which will be fully repaid by our internal resources before the Listing.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. 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. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. As at the Latest Practicable Date, our Company had not adopted any dividend policy. We do not have any pre-determined payout ratio. For further details, please refer to note 13 of the Accountants’ Report set out in Appendix I to this prospectus.

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DISTRIBUTABLE RESERVES

As at 28 February 2018, our Company had no reserves available for distribution to our Shareholders.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Set out below is the summary of our recent development during the period between 1 March 2018 and the Latest Practicable Date:

Corporate finance advisory business

- we completed one transaction, submitted eight listing applications on behalf of our clients and engaged in eight new transactions as sponsor;
- we completed two transactions and engaged in two ongoing new transactions as financial adviser; we completed three transactions and engaged in two ongoing new transactions as independent financial adviser; and
- we engaged in one new transaction as compliance adviser.

Placing and underwriting business

- we completed one transaction as lead manager and one transaction as co-lead manager for two IPOs.

Securities dealing and brokerage business

- our commission income generated from securities dealing and brokerage business was approximately HK\$691,000 during the five months ended 31 July 2018.

Asset management business

- as at 31 July 2018, the AUM of Innovax Balanced Fund SP was approximately US\$5.6 million (equivalent to approximately HK\$43.6 million) and the AUM of the discretionary account managed by us was approximately HK\$2.9 million.

As disclosed in the paragraph headed “Listing expenses” in this section, our net profit for the year ending 28 February 2019 is expected to be materially and adversely affected by the estimated expenses in relation to the Listing. Therefore, prospective investors are specifically warned that given the aforesaid listing expenses, our financial performance for the year ending 28 February 2019 may not be comparable to that of the previous financial years.

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Our Directors have confirmed that save as disclosed above, since 28 February 2018, the end of the period reported in the Accountants' Report as set out in Appendix I to this prospectus and up to the date of this prospectus, there had been no material adverse change in our financial or trading position, and there had been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon the Listing.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our business strategies are set out in the section headed “Business — Business strategies” of this prospectus. We believe that the Listing of our Shares on the Stock Exchange will enable us to implement those business strategies including (i) continuing to strengthen our corporate finance advisory business and placing and underwriting business; (ii) developing our securities dealing and brokerage business and securities financing business; (iii) developing our asset management business; and (iv) further enhancing our risk management, internal control and IT capabilities. Besides, we believe that the Listing is beneficial to our Group and our Shareholders as a whole because of the following reasons:

- Our placing and underwriting business and securities financing business are capital intensive in nature and the Listing can increase our capital base.
- With the increase of our capital base and a listing status on the Stock Exchange, our creditability can be enhanced so that we can obtain more credit facilities at a lower cost of funding from Authorised Institutions for our business operations, especially our placing and underwriting and securities financing business. Since the commencement of our securities financing business up to 28 February 2018, we provided margin financing to our clients through our internal resources and provided IPO financing to our clients through our internal resources and short term advances from a broker as we encountered difficulties in obtaining financing facilities granted by Authorised Institutions for our securities financing business. As at the Latest Practicable Date, we did not have any financing facilities from Authorised Institution for our securities financing business.
- A listing status on the Stock Exchange can enhance our corporate profile, business reputation and brand awareness.
- Our Company could establish an efficient and sustainable fund-raising platform through the Listing, thereby enabling us to gain direct access to the capital market for equity and/or debt financing at a lower cost of funding to fund our existing operations and future expansion, which could be instrumental to our expansion and improve our operating and financial performance for maximising Shareholders’ return.
- With the listing status on the Stock Exchange, it would allow us to attract and retain experienced and qualified employees. For example, we may offer our share options under the Share Option Scheme to our employees as incentives. With the continuous growth of our business, trading prices of our Shares are expected to reflect the intrinsic value of our Company and benefit the participants of the Share Option Scheme.

Throughout the preparation for the Listing, we have strengthened our corporate governance as well as our internal control systems. These will facilitate the healthy development our Group particularly in the complicated regulatory industry environment of the financial and securities services industry in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.55 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting professional fees, underwriting commissions and other fees and expenses payable by us in connection with the Listing and the Global Offering) will be approximately HK\$134.0 million. We intend to apply such net proceeds in the following manner:

- (i) approximately HK\$67.0 million, representing approximately 50.0% of the net proceeds from the Global Offering will be used for increasing our capital for the expansion of our placing and underwriting business, among which, (i) approximately HK\$60.3 million, representing 45% of the net proceeds, will be used to expand our placing and underwriting service for IPO sponsorship projects sponsored by us; and (ii) approximately HK\$6.7 million, representing approximately 5% of the net proceeds, will be used to expand our placing and underwriting service for (a) IPO sponsorship projects sponsored by other sponsors; or (b) non-IPO fund raising transactions.

The amount of underwriting commitment that we may undertake depends on the availability of our capital resources and is constrained by the minimum liquid capital requirement under the FRR. According to the FRR, the amount of any net underwriting commitment is included in the calculation of ranking liabilities, and the net underwriting commitment means the total costs of subscribing for or purchasing securities underwritten or sub-underwritten by a licensed corporation other than (a) securities which are sub-underwritten; and (b) securities which are the subject of a legally binding contract for the subscription for or purchase of such securities, through or from that licensed corporation by another person. During the Track Record Period, our Group's ability to underwrite was limited by our liquid capital and as such, we were not capable of undertaking a higher percentage of underwriting commitment and did not have a leading role among the underwriting syndicates in respect of different arrangement of the issue including but not limited to allotment and allocation of shares, price determination and stabilisation in most of the IPO projects. The net proceeds from the Global Offering will increase our Group's liquid capital so that we will be able to (a) take up a senior role such as global co-ordinator and/or bookrunner among the underwriting syndicates and a leading role with a higher percentage of underwriting commitment to lead the underwriting syndicates, or take up the role as a sole underwriter of a fund raising project; (b) take up underwriting commitment of projects with a larger fund raising scale; (c) expand our placing and underwriting business by taking up more placing and underwriting opportunities at one time; and (d) comply with the liquid capital requirement under the FRR at the same time without relying on sub-underwriters when the underwriting agreement is entered into.

FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period, we were able to secure an underwriting role for most of our IPO sponsorship projects, and our Directors are confident that we are able to secure an underwriting role for the IPO sponsorship projects sponsored by our Group.

Given our past track record in the placing and underwriting business and our fast growing and well-developed corporate finance advisory business, we expect there will be an increasing and robust demand for our placing and underwriting services and we intend to further expand our placing and underwriting business by participating in more placing and underwriting transactions. As at the Latest Practicable Date, our Group was engaged in 27 IPO sponsorship projects, for which, subject to the market conditions, we preliminary expect to offer underwriting services. The fund raising size of these IPO sponsorship projects is expected to range from approximately HK\$50 million to approximately HK\$350 million. Other than participating in underwriting exercises for our IPO sponsorship projects, we will explore business opportunities for acting as underwriter for IPOs which are sponsored by other sponsor firms, and for other non-IPO fund raising transactions, such as rights issues and open offers of listed companies on the Stock Exchange, and bond issues. To capture such business opportunities from time to time, our Group needs to earmark sufficient financial resources before committing to any underwriting obligations under these transactions;

- (ii) approximately HK\$26.8 million, representing approximately 20.0% of the net proceeds from the Global Offering will be used for increasing our capital for the expansion of our securities financing business. The expansion of our securities financing business depends on the availability of our capital resources and is limited by our liquid capital and our level of bank borrowings from time to time subject to the minimum liquid capital requirement under the FRR. Coupled with the expansion of our securities financing services, our securities dealing and brokerage business is expected to be more active as clients are facilitated to purchase securities on a margin basis and are required to trade through their accounts with our Group when utilising our securities financing services. As at 28 February 2018, our Group had 335 active accounts which include 323 cash accounts and 12 margin accounts. The aggregate annual transaction value of our active accounts amounted to approximately nil, nil and HK\$645 million for the years ended 29 February 2016, 28 February 2017 and 2018, respectively. The net proceeds from the Global Offering will enable our Group to have sufficient fund for offering margin financing service to our existing cash clients, who are the potential clients for our securities financing business. According to the latest progress reports for new listing applicants (Main Board and GEM) published by the Stock Exchange, there were 152 active Main Board listing applications under processing as at 31 July 2018 and there were 43 active GEM listing applications under processing as at 30 June 2018. The Directors therefore foresee that the robust IPO market will stimulate the demand for our securities financing service which was underserved by us due to the limitation of our insufficient capital resources during the Track Record Period. We intend to increase our

FUTURE PLANS AND USE OF PROCEEDS

Group's financial resources to provide IPO loans to our clients to fulfil their needs for subscribing shares offered under public tranche of IPOs sponsored by our Group or other sponsors, and increase the profitability of our Group's securities financing business;

- (iii) approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering will be used for enhancing and developing our corporate finance advisory business by attracting more talents and expanding our corporate finance team. We intend to recruit 12 new staff, including three responsible officers/sponsor principals and nine licensed representatives ranging from director grade with corporate finance and IPO sponsorship experience to executive grade with corporate finance, legal or accounting experience after the Listing. We target to achieve such recruitment plan by the end of the year ending 29 February 2020 and apply the net proceeds from the Global Offering of approximately HK\$13.4 million for the period after the Listing up to the end of the year ending 28 February 2021;
- (iv) approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering will be used for expanding our asset management business. Approximately HK\$4.7 million, representing approximately 3.5% of the net proceeds from the Global Offering, will be used to attract more talents and expand our asset management team, and approximately HK\$8.7 million, representing approximately 6.5% of the net proceeds from the Global Offering, will be used to increase seed money to establish new funds. We intend to expand our asset management team by recruiting seven new staff, including three responsible officers, with over five years of industry experience, as portfolio managers and four licensed representatives, with over two years of industry experience, as analysts after the Listing. We target to achieve such recruitment plan by the end of the year ending 29 February 2020 and apply the net proceeds from the Global Offering of approximately HK\$4.7 million for the period after the Listing up to the end of the year ending 28 February 2021; and
- (v) approximately HK\$13.4 million, representing approximately 10.0% of the net proceeds from the Global Offering will be used for our working capital requirement and general corporate purposes.

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK\$24.1 million.

Assuming that the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and commission and estimated expenses payable by us, will be approximately (i) HK\$26.0 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.8 per Offer Share; (ii) HK\$22.4 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$1.55 per Offer Share; and (iii) HK\$18.8 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$1.3 per Offer Share.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds will be used in the same proportions as disclosed above irrespective of: (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

If there is any material change to the use of proceeds as disclosed above after the Listing, we will make the appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised financial institutions in Hong Kong.

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HONG KONG UNDERWRITERS

Innovax Securities Limited
Sinolink Securities (Hong Kong) Company Limited
BMI Securities Limited
Marketsense Securities Limited
Telecom Digital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 30 August 2018. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 10,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

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Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing a change or development, or any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets, and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands and the BVI (collectively, the “**Relevant Jurisdictions**”, each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of infectious disease, economic sanctions, in or affecting any Relevant Jurisdiction; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
 - (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock

UNDERWRITING

- Exchange, or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of exchange controls), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
 - (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or
 - (viii) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
 - (ix) a demand by any tax authority for payment for any tax liability for any member of our Group; or
 - (x) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (xi) the chairman or chief executive officer of our Company vacating his office; or
 - (xii) an authority or a political body or organisation in an jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or
 - (xiii) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
 - (xiv) a demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable to its stated maturity; or

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- (xv) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of our respective obligations or non-compliance with the applicable laws and regulations (however caused and whether or not the subject of any insurance or claim against any person); or
 - (xvi) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (the “**Covenantors**”); or
 - (xvii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including our Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
 - (xviii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
 - (xix) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
 - (xx) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or
 - (xxi) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus,
- and which, individually or in aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),
- (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the business, financial or prospect of our Company or our subsidiaries as a whole; or
 - (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or

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- (C) makes, may make or will or is likely to make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (iii) that any of the warranties given by our Company or the Covenantors as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
 - (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or
 - (v) that any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Hong Kong Underwriters or the International Underwriters); or
 - (vi) that any material adverse change or prospective material adverse change in the business, financial position or prospects of our Company and/or our subsidiaries as a whole, whether or not arising in the ordinary course of business, as determined by the Joint Global Coordinators in their sole and absolute discretion; or

UNDERWRITING

- (vii) that our Company withdraws this prospectus and/or the Application Forms; or
- (viii) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) that any of the experts described in the section headed “Statutory and general information — D. Other information — 8. Consents of experts” in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (including warrants or other convertible securities) (whether or not a class already listed) may be issued, allotted or formed the subject of any agreement to such an issue by our Company within six months from the date on which our Shares first commence dealing on the Stock Exchange (whether or not such issue of our Shares or securities will be completed within six months from the commencement of dealing), except (a) pursuant to the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme; or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except pursuant to the Capitalisation Issue, the Global Offering, the Stock Borrowing Agreement, the Over-allotment Option and the grant of options or exercise of options to be granted under the Share Option Scheme, he/it will not and will procure that the registered holder(s) of the Shares controlled by him/it will not:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding in our Company is made in the Prospectus (the “**Reference Date**”) and ending on the date which is six months from the Listing Date (the “**End Date**”), dispose of, nor enter into any agreement to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a

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pledge or a charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner (“**Relevant Securities**”); or

- (b) in the period of six months from the End Date, dispose of, nor enter into any agreement to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that he/it would cease to be the controlling shareholder of our Company.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further irrevocably and unconditionally undertaken to the Stock Exchange and our Company that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, he/it shall:

- (a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (a) and (b) above by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), *inter alia*, pursuant to the Hong Kong Underwriting Agreement, that, and our Controlling Shareholders further undertake to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise permitted under the Listing Rules, and provided that the below restrictions shall not apply to any pledge or charge of Shares by any of our Controlling Shareholders in favour of any

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authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the six months immediately following the Listing Date (the “**First Six-Month Period**”):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein or any voting right or any right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the Repurchase Mandate; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto; or
- (iii) enter into any transaction with the same economic effect as any forgoing transaction described in (i) and (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii) above;

whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of shares capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), and our Company has further agreed that, in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) pursuant to the Hong Kong Underwriting Agreement, that except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the

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arrangement under the Stock Borrowing Agreement, he/it will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules:

- (i) at any time during the First Six-Month Period, offer, pledge, charge (other than any pledge or charge of the issued share capital of our Company after the consummation of the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Rule 10.07(2) of the Listing Rules), sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him/it or any voting right or any other right attaching thereto (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or other such securities, in cash or otherwise or offer or to agree to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; or
- (ii) at any time during the Second Six-Month Period expires enter into any of the transactions described in (i) above if, immediately following such transaction, he/it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; and
- (iii) in the event of a disposal by him/it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

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Indemnity

Our Company and each of our Controlling Shareholders have agreed to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any material breach by our Company, or our Controlling Shareholders of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, our Controlling Shareholders and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally, but not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraphs headed “Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Company” and “Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by our Company” in this section.

Under the International Underwriting Agreement, our Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 15,000,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued or sold at the Offer Price and used to cover over-allocation, if any, in the International Offering.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in the paragraphs headed “Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholders” and “Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by our Controlling Shareholders” in this section.

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Underwriting commissions and expenses

The Hong Kong Underwriters will receive a gross commission of 3.75% of the aggregate Offer Price payable for our Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering.

The aggregate commissions together with listing fees, SFC transaction levy and Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated amount to HK\$21.0 million (assuming an Offer Price of HK\$1.55, which is the midpoint of the indicative range of the Offer Price and that the Over-allotment Option is not exercised) in total and are payable by us.

The commission and expenses were determined after arm's length negotiations between the Company and the Hong Kong Underwriters.

INDEPENDENCE OF THE JOINT SPONSORS

Sinolink Securities satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Innovax Capital is a subsidiary of our Company and as such it is not independent of our Company.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange)

UNDERWRITING

which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure and conditions of the Global Offering” in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Innovax Capital and Sinolink Securities are the Joint Sponsors for the listing of the Shares on the Stock Exchange. Innovax Securities and Sinolink Securities are the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers of the Global Offering.

The Global Offering comprises (subject to reallocation and the Over-allotment Option):

- the Hong Kong Public Offering of 10,000,000 Shares, subject to reallocation as mentioned below, for subscription by the public in Hong Kong as described in the paragraph headed “Hong Kong Public Offering” in this section below; and
- the International Offering of 90,000,000 Shares, subject to reallocation and the Over-allotment Option as mentioned below, outside the United States in reliance on Regulation S of the U.S. Securities Act as described in the paragraph headed “International Offering” in this section below.

Up to 15,000,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in the paragraph headed “Over-allotment Option and Stock Borrowing Agreement” in this section below.

Investors may apply for our Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our International Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject: (a) applications in the Hong Kong Public Offering from investors who have applied for Offer Shares under the International Offering; and (b) applications or indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The International Offering will involve selective marketing of our International Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act. The International Underwriters are soliciting from prospective investors indications of interest in acquiring our International Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Global Offering respectively may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as set out in the paragraph headed “Over-allotment Option and Stock Borrowing Agreement” in this section below. References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.8 per Offer Share and is expected to be not less than HK\$1.3 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$1.8 per Hong Kong Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,636.28 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.8, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. For further details, please refer to the section headed “How to apply for our Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 5 September 2018 and in any event, no later than Tuesday, 11 September 2018.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on Tuesday, 11 September 2018, the Global Offering will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the indicative Offer Price range and/or the number of Hong Kong Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of our Company (www.innovax.hk) and the website of the Stock Exchange (www.hkexnews.hk) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of the Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Offering, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, 13 September 2018 on the website of our Company (www.innovax.hk) and the website of the Stock Exchange (www.hkexnews.hk).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** Service, will be made available through a variety of channels as described in the section headed "How to apply for our Hong Kong Offer Shares — 11. Publication of results" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional upon, among other things:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Capitalisation Issue and the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed on or around the Price Determination Date;
- (c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and
- (d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the next business day following such lapse on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.innovax.hk. In the event of such lapse, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for our Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 13 September 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 14 September 2018 provided that: (a) the Global Offering has become unconditional in all respects; and (b) the right of

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

termination as described in “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of shares certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Hong Kong Public Offering and the International Offering are subject to the conditions set out in the paragraph headed “Conditions of the Global Offering” in this section. The Hong Kong Underwriting Agreement and the International Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 10,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering, the number of Hong Kong Offer Shares will represent 2.5% of our Company’s enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised. Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed “Conditions of the Global Offering” in this section above. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and individual investors. Professional investors generally include brokers, dealers companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided into two pools (subject to adjustment of odd lot size): pool A and pool B.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Pool A will comprise 5,000,000 Hong Kong Offer Shares and pool B will comprise 5,000,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of HK\$5 million or below will fall into pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of over HK\$5 million and up to the total value of pool B will fall into pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 5,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares shall be subject to reallocation on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate to satisfy demand under the International Offering;
 - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 20,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 30,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 40,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).
- (b) where the International Offer Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Share available under the Hong Kong Public Offering will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

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In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 20,000,000 Offer Shares).

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

In the event of a reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances under paragraphs (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.3 per Offer Share) stated in this prospectus.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.8 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK\$3,636.28 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in "Price determination of the Global Offering" in this section below, is less than the maximum price of HK\$1.8 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to the section headed "How to apply for our Hong Kong Offer Shares" in this prospectus for further details.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

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INTERNATIONAL OFFERING

The International Offering is expected to be fully underwritten by the International Underwriters on a several basis. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription by our Company under the International Offering will be 90,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of International Offer Shares will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised. The International Offering is subject to the same conditions set out in the paragraph headed "Conditions of the Global Offering" in this section above.

Allocation

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The International Offer Shares will be allocated in accordance with the book-building process described in the paragraph headed "Pricing and allocation" in this section above, and is based on several factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

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OVER-ALLOTMENT OPTION AND STOCK BORROWING AGREEMENT

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters). Pursuant to the Over-allotment Option, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) have the right, exercisable at anytime for up to 30 days after the last day of lodging application under the Hong Kong Public Offering, to require our Company to issue and allot up to 15,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately following the completion of the Capitalisation Issue and the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

In order to facilitate the settlement of over-allocations under the International Offering, the Stabilising Manager (or any person acting for it) may, at its option, cover such over-allocations by borrowing Shares from BSI under the stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with BSI, our Controlling Shareholder, whereby the Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- (a) such stock borrowing arrangement with BSI will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (b) the maximum number of Shares to be borrowed from BSI under the Stock Borrowing Agreement will be limited to 15,000,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from BSI must be returned to it or its nominees (as the case may be) no later than the third business day following the earlier of:
 - (i) the last day on which the Over-allotment Option may be exercised;
 - (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been issued and allotted; or

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- (iii) such earlier time as may be agreed in writing between BSI and the Stabilising Manager;
- (d) the stock borrowing arrangement will be carried out in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to BSI by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price in Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is carried out is not permitted to exceed the Offer Price.

We have appointed Sinolink Securities as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or carry out transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and expected to end on the 30th day from the last day for lodging of applications under the Hong Kong Public Offering.

Any market purchases of the Shares will be carried out in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity must cease within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 15,000,000 Shares in aggregate, which represents 15% of the Shares initially available under the Global Offering.

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The types of stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (c) purchasing, or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (e) selling, or agreeing to sell, the Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising actions in Hong Kong during the stabilisation period. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;
- (c) stabilising action cannot be used to support the price of the Shares for longer than the stabilising period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day from the last date for lodging applications under the Hong Kong Public Offering. After this date, no further stabilising action may be taken and therefore the demand for the Shares as well as the price of the Shares may fall;
- (d) there is no assurance that the price of the Shares will stay at or above the Offer Price either during or after the stabilising period by taking any stabilising action; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (e) stabilising bids may be made or transactions carried out in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions carried out at a price below the price paid by applicants or investors for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

OVER-ALLOCATION

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by, among other methods, exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations with the International Offering, the Stabilising Manager may borrow up to 15,000,000 Shares from BSI, equivalent to the maximum number of Shares to be issued on the full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposits, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Stock Exchange Participants is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangement and how such arrangements will affect their rights and interests.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

DEALINGS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Friday, 14 September 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 14 September 2018. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 2680.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk;
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our company, the Joint Global Coordinators, **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for our Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our company and/or any of its subsidiaries;
- a Director or chief executive officer of our company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our company or will become a core connected person of our company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 31 August 2018 until 12:00 noon on Wednesday, 5 September 2018 from:

- (i) the following address of the Hong Kong Underwriters:

Innovax Securities Limited	Unit A-C, 20th floor, Neich Tower 128 Gloucester Road Wanchai Hong Kong
Sinolink Securities (Hong Kong) Company Limited	Units 2503, 2505–06, 25/F. Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
BMI Securities Limited	Suites 909–916 Shui On Centre 6–8 Harbour Road Wan Chai Hong Kong
Marketsense Securities Limited	Unit 7801–7803, 78/F The Center 99 Queen's Road Central Hong Kong
Telecom Digital Securities Limited	Units 3608–12, Tower 2 Metroplaza 223 Hing Fong Road Kwai Fong New Territories Hong Kong

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

(ii) any of the following branches of **Bank of China (Hong Kong) Limited**:

<u>Region</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	409 Hennessy Road Branch	409–415 Hennessy Road, Wan Chai, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Waterloo Road Branch	Shop A2, Man Kee Mansion, 86 Waterloo Road, Kowloon
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Citywalk Branch	Shop 65 & 67–69 G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 31 August 2018 until 12:00 noon on Wednesday, 5 September 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — INNOVAX HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times.

Friday, 31 August 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 1 September 2018	—	9:00 a.m. to 1:00 p.m.
Monday, 3 September 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 4 September 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 5 September 2018	—	9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 5 September 2018, the last application day or such later time as set forth in the paragraph headed "— 10. Effect of bad weather on the opening of the Application Lists" in this section.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, agents, employees, advisers, representatives and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective directors, officers, agents, employees, advisers and representatives any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective directors, officers, agents, employees, advisers and representatives will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that our Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for our Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept our Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "— collection in person" section in this prospectus to collect share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of our Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “— 2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for our Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to **HK eIPO White Form** service at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 31 August 2018 until 11:30 a.m. on Wednesday, 5 September 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 September 2018 or such later time under the paragraph headed “— 10. Effect of bad weather on the opening of the Application Lists” in this section.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for our Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for our Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for our Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that our Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept our Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of our Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of our Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;
 - agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for our Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Time for inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates⁽¹⁾:

- Friday, 31 August 2018 — 9:00 a.m. to 8:30 p.m.
- Saturday, 1 September 2018 — 8:00 a.m. to 1:00 p.m.
- Monday, 3 September 2018 — 8:00 a.m. to 8:30 p.m.
- Tuesday, 4 September 2018 — 8:00 a.m. to 8:30 p.m.
- Wednesday, 5 September 2018 — 8:00 a.m. to 12:00 noon

Note (1): The times in this paragraph are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 31 August 2018 until 12:00 noon on Wednesday, 5 September 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 5 September 2018, the last application day or such later time as set forth in the paragraph headed “— 10. Effect of bad weather on the opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for our Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Personal Data

The section of the Application Form headed “— Personal data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, agents, employees, advisers and representatives about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of our Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 September 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for our Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- *control the composition of the board of directors of the company;*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

9. HOW MUCH ARE OUR HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Stock Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 September 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Wednesday, 5 September 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of our Hong Kong Offer Shares on Thursday, 13 September 2018 on our company’s website at www.innovax.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.innovax.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 13 September 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 13 September 2018 to 12:00 midnight on Wednesday, 19 September 2018;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 13 September 2018 to Tuesday, 18 September 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 13 September 2018 to Monday, 17 September 2018 at all the receiving bank’s designated branches.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase our Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which our Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of our Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.8 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and conditions of the Global Offering — Conditions of the Hong Kong Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 13 September 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to collection in person as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all our Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for our Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 13 September 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 14 September 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 13 September 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for collection in person, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for collection in person, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 13 September 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 13 September 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 13 September 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 September 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of our Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 13 September 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 13 September 2018 by ordinary post at your own risk.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 13 September 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 13 September 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 September 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 13 September 2018 Immediately following the credit of our Hong Kong Offer Shares to your

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 13 September 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Stock Exchange Participants is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-50 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this Prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INNOVAX HOLDINGS LIMITED AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED AND INNOVAX CAPITAL LIMITED****INTRODUCTION**

We report on the historical financial information of Innovax Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-50 which comprises the consolidated statements of financial position of the Group as at 29 February 2016, 28 February 2017 and 2018, the statements of financial position of the Company as at 28 February 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 29 February 2016, 28 February 2017 and 28 February 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-50 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 August 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessment, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 29 February 2016, 28 February 2017 and 2018, of the Company's financial position as at 28 February 2017 and 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiaries and states no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong Dollar ("HK\$"), and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended		
		29 February	28 February	28 February
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Revenue				
Corporate finance advisory services	6	21,271	32,684	54,794
Placing and underwriting services	6	8,497	3,326	24,951
Securities dealing and brokerage services	6	—	—	4,313
Securities financing services	6	—	—	69
Asset management services	6	—	—	247
Total revenue		29,768	36,010	84,374
Other income	7	413	399	44
Other losses	8	(35)	(1)	(366)
		<u>30,146</u>	<u>36,408</u>	<u>84,052</u>
Administrative and operating expenses		1,786	2,937	8,571
Staff costs	9	9,504	13,200	44,605
Finance costs	10	31	—	81
Total expenses		<u>11,321</u>	<u>16,137</u>	<u>53,257</u>
Profit before tax	11	18,825	20,271	30,795
Income tax expense	12	(3,098)	(3,424)	(5,364)
Profit and total comprehensive income for the year		<u><u>15,727</u></u>	<u><u>16,847</u></u>	<u><u>25,431</u></u>
Earnings per share				
Basic (HK cents)	14	<u><u>5.24</u></u>	<u><u>5.62</u></u>	<u><u>8.48</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at		
		29 February	28 February	28 February
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property and equipment	15	711	585	1,672
Intangible asset	16	—	500	500
Deposits with the Stock Exchange and a clearing house		—	205	205
Loans and other receivables	19	3,017	481	—
		<u>3,728</u>	<u>1,771</u>	<u>2,377</u>
Current assets				
Accounts receivable	17	1,767	5,563	34,464
Accrued income	18	—	6,136	3,428
Loans and other receivables	19	2,344	3,345	641
Tax recoverable		—	16	1,135
Bank balances	20	15,110	28,838	56,105
Cash held on behalf of customers	21	—	—	33,697
		<u>19,221</u>	<u>43,898</u>	<u>129,470</u>
Total current assets		<u>19,221</u>	<u>43,898</u>	<u>129,470</u>
Total assets		<u>22,949</u>	<u>45,669</u>	<u>131,847</u>
Current liabilities				
Accounts payable and short term advances from a broker	22	—	—	50,633
Amounts due to a director	23	3,094	14,633	1,673
Other payables and accruals	24	685	3,168	18,765
Bank loans	26	—	—	8,130
Deferred revenue	28	—	85	2,890
Tax payable		3,096	6,495	3,006
		<u>6,875</u>	<u>24,381</u>	<u>85,097</u>
Total current liabilities		<u>6,875</u>	<u>24,381</u>	<u>85,097</u>

		As at		
	<i>NOTES</i>	<u>29 February 2016</u>	<u>28 February 2017</u>	<u>28 February 2018</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Net current assets		<u>12,346</u>	<u>19,517</u>	<u>44,373</u>
Total assets less current liabilities		<u><u>16,074</u></u>	<u><u>21,288</u></u>	<u><u>46,750</u></u>
Equity				
Share capital	29	1	1	1
Retained profits		<u>16,033</u>	<u>21,264</u>	<u>46,695</u>
Total equity		<u>16,034</u>	<u>21,265</u>	<u>46,696</u>
Non-current liability				
Deferred tax liabilities	30	<u>40</u>	<u>23</u>	<u>54</u>
Total non-current liabilities and equity		<u><u>16,074</u></u>	<u><u>21,288</u></u>	<u><u>46,750</u></u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at	
		28 February	28 February
		2017	2018
		HK\$'000	HK\$'000
Non-current assets			
Investment in a subsidiary		—	1
Current assets			
Other receivables		—	41
		—	42
Current liability			
Amount due to a subsidiary	25	—	194
Net current liabilities		—	(153)
Total assets less current liability		—	(152)
Equity			
Share capital	29	—	1
Accumulated losses	32	—	(153)
		—	(152)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Retained profits</u>	<u>Total equity</u>
	HK\$'000	HK\$'000	HK\$'000
	<i>(note 29)</i>		
At 1 March 2015	1	306	307
Profit and total comprehensive income for the year	<u>—</u>	<u>15,727</u>	<u>15,727</u>
At 29 February 2016	<u>1</u>	<u>16,033</u>	<u>16,034</u>
Profit and total comprehensive income for the year	—	16,847	16,847
Dividend <i>(note 13)</i>	—	(11,616)	(11,616)
Issue of shares by the Company <i>(note)</i>	<u>—</u>	<u>—</u>	<u>—</u>
At 28 February 2017	<u>1</u>	<u>21,264</u>	<u>21,265</u>
Profit and total comprehensive income for the year	—	25,431	25,431
Effect of reorganisation	(1)	—	(1)
Share repurchased and cancelled	—*	—	—*
Issue of shares by the Company	<u>1</u>	<u>—</u>	<u>1</u>
At 28 February 2018	<u><u>1</u></u>	<u><u>46,695</u></u>	<u><u>46,696</u></u>

Note: Ordinary shares issued for 1 share at par value of US\$1.

*: Less than HK\$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the year ended		
		29 February 2016	28 February 2017	28 February 2018
		HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES				
Profit before tax		18,825	20,271	30,795
Adjustments for:				
Interest expenses	10	31	—	81
Loss on disposal of a subsidiary	39	—	—	364
Loss on disposals of property and equipment	8	35	1	2
Depreciation	15	89	195	562
Operating cash flows before movements in working capital		18,980	20,467	31,804
Increase in deposit with the Stock Exchange and a clearing house		—	(205)	—
Increase in accounts receivable		(1,767)	(3,796)	(16,376)
(Increase) decrease in accrued income		—	(6,136)	2,708
(Increase) decrease in loans and other receivables		(5,189)	1,535	(115)
Increase in cash held on behalf of customers		—	—	(33,697)
Increase in accounts payable and short term advances from a broker		—	—	38,108
Increase in other payables and accruals		583	2,483	15,615
Increase in deferred revenue		—	85	2,805
Cash generated from operations		12,607	14,433	40,852
Income tax paid		—	(58)	(9,957)
Interests paid		(31)	—	(81)
NET CASH FROM OPERATING ACTIVITIES		12,576	14,375	30,814
INVESTING ACTIVITIES				
Purchases of property and equipment	15	(685)	(70)	(1,651)
Proceeds from disposal of property and equipment		100	—	—
Purchase of intangible asset	16	—	(500)	—
Advance to a related company		—	—	(1,000)
Repayment from a related company		—	—	3,000
Net cash outflow from disposal of a subsidiary	39	—	—	(576)
NET CASH USED IN INVESTING ACTIVITIES		(585)	(570)	(227)

	<i>Notes</i>	For the year ended		
		29 February	28 February	28 February
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES				
Bank loans raised	27	—	—	9,956
Repayment of bank loans	27	(5,000)	—	(1,826)
Advance from a director	27	5,816	350	—
Repayment to a director	27	(7,071)	(427)	(11,450)
NET CASH USED IN FINANCING ACTIVITIES		<u>(6,255)</u>	<u>(77)</u>	<u>(3,320)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,736	13,728	27,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>9,374</u>	<u>15,110</u>	<u>28,838</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>15,110</u></u>	<u><u>28,838</u></u>	<u><u>56,105</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 14 June 2016. The immediate holding company is Billion Shine International Investment Limited (“BSI”), a limited liability company incorporated in the British Virgin Islands (“BVI”), which is wholly-owned by Mr. Chung Chi Man (“Mr. Chung”) who is the founder of the Group. The address of the Company’s registered office and the principal place of business is disclosed in the section headed “Corporate information” in the Prospectus.

The Company is an investment holding company and its subsidiaries are principally engaged in financial services as disclosed in note 6 to the Historical Financial Information.

No statutory financial statements were issued for the Company as the Company is incorporated in the jurisdiction where there are no statutory audit requirements.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the conventions applicable for group reorganisation (details are set out below).

The operating subsidiaries of the Group, namely Innovax Securities Limited (“ISL”), Innovax Capital Limited (“ICL”), Innovax Asset Management Limited (“IAML”) and China Capital Finance International Holdings Limited (“CCFI”) (disposed of on 15 March 2017, details refer to note 39) were wholly owned by Crystal Prospect Limited (“Crystal Prospect”), a company incorporated in the BVI and wholly-owned by Mr. Chung, since their incorporation.

For the purpose of the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the companies comprising the Group underwent the group reorganisation (“Reorganisation”) as described below:

- (i) On 14 June 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of United States Dollar (“US\$”) 50,000 divided into 50,000 ordinary shares of US\$1 each with one subscriber share allotted and issued at par to the initial subscriber, which was transferred to Mr. Chung on the same day.
- (ii) On 28 April 2017, BSI was incorporated as a limited liability company in BVI by issuing 100 shares of US\$1.00 each to Mr. Chung.
- (iii) On 11 January 2018, BSI acquired the entire issued share capital of the Company from Mr. Chung and in consideration and exchange, BSI allotted and issued 10 shares of BSI to Mr. Chung on the same day. Thereafter, the Company became a direct wholly-owned subsidiary of BSI.
- (iv) On 11 January 2018, Mr. Chung transferred the entirety of his shares in Crystal Prospect 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. Crystal Prospect became a direct wholly-owned subsidiary of the Company.

The Group resulting from the Reorganisation, which involves interspersing the Company and BSI between Crystal Prospect and Mr. Chung, has always been and continues to be controlled by Mr. Chung before and after the Reorganisation and is therefore regarded as a continuing entity throughout the Track Record Period, regardless of the actual date when they legally form part of a group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period.

The consolidated statements of financial position at 29 February 2016 and 28 February 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the current group structure had been in existence at those dates taking into account their respective dates of incorporation, where applicable.

3. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 March 2017 throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC)-Int") 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts" ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and Hong Kong Accounting Standard ("HKAS") 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As Part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 28 February 2018, the directors of the Company anticipate the following impact on initial application of HKFRS 9:

Classification and Measurement

All financial assets and liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening retained profits at 1 March 2018, with no restatement to prior periods. The management of the Group does not intend to restate comparative information for the application of HKFRS 9 when preparing the consolidated financial statements of the Group for the year/period beginning on 1 March 2018. The management of the Group intends to apply HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 ie. 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).

The Group expects to apply the simplified approach to recognise lifetime expected credit loss for its accounts receivable. Based on the assessment by the management of the Group, the application of the expected credit loss model is not likely to have material impact on the Group's future financial statements.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group provides various types of financial services. Revenue comprises primarily corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management. As regards the corporate finance advisory service revenue, the management of the Group has assessed that as performance obligation is satisfied over time, the revenue should be recognised over time during the course of the work by the Group. The input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under HKFRS 15.

The directors of the Company have assessed the impact on application of HKFRS 15 and does not anticipate a material impact on revenue from corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services and asset management. However, application of HKFRS 15 may have impact on the timing on revenue recognition from performance fee income.

The management of the Group intends to apply the limited retrospective method for revenue recognition with cumulative effect of initial application adjusted in the opening retained profits as at 1 March 2018. The management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the management of the Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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. 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.

In contrast to lessee accounting, 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.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 28 February 2018, the Group has non-cancellable operating lease commitments of approximately HK\$1,427,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will 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 unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK\$481,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Based on the facts and circumstances as at 28 February 2018, the management of the Company does not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as discussed above, the management of the Group anticipates that the adoption of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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 the Historical Financial Information 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”.

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 entity 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 principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where 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.

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.

Investment in a subsidiary

Investment in a subsidiary is included in the Company’s statement of financial position at cost less accumulated impairment losses, if any.

Revenue recognition

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.

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.

Leasing*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.

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' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information 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 investment in a subsidiary, 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 investment is 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 each 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.

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.

Property and equipment

Property and equipment are stated in the consolidated statements 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 property and equipment 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 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.

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 instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees 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.

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, loans and other receivables, bank balances and cash held on behalf of customers) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

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.

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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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 expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

The Group derecognises a financial asset 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 to another party. 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group currently has a legal enforceable right to set off the recognised amounts; and (ii) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the consolidated financial statements that cannot be measured accurately. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Impairment of accounts receivable arising from corporate finance advisory services business and placing and underwriting services

The Group reviews its accounts receivable arising from the business of provisions of corporate finance advisory services and placing and underwriting services to assess impairment on a periodic basis. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In determining whether an impairment loss for accounts receivable arising from the corporate finance advisory services business and placing and underwriting services should be recognised in profit or loss, the Group reviews the current credit worthiness of the counterparties. A considerable amount of judgement is required in assessing the ultimate realisation of these accounts receivable, including the past collection history of each account, if any.

The carrying amounts of accounts receivable arising from the businesses of provisions of corporate finance advisory services and placing and underwriting services are HK\$1,767,000, HK\$5,563,000 and HK\$14,838,000 as at 29 February 2016, 28 February 2017 and 2018, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group to external customers.

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.

For the year ended 29 February 2016 and 28 February 2017, the 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. No further analysis of this single segment is presented.

For the year ended 28 February 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.

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

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Corporate finance advisory services			
Sponsor fee income	18,430	27,841	48,854
Advisory fee income-financial and independent financial advisory	1,780	1,910	1,580
Advisory fee income-compliance advisory	<u>1,061</u>	<u>2,933</u>	<u>4,360</u>
	<u>21,271</u>	<u>32,684</u>	<u>54,794</u>
Placing and underwriting services			
Underwriting fee income	<u>8,497</u>	<u>3,326</u>	<u>24,951</u>
Securities dealing and brokerage services			
Commission income — Hong Kong equities	N/A*	N/A*	460
Commission income — Subscription of initial public offering (“IPO”) and placing	<u>N/A*</u>	<u>N/A*</u>	<u>3,853</u>
	<u>N/A*</u>	<u>N/A*</u>	<u>4,313</u>
Securities financing services			
Interest income — Margin clients	N/A*	N/A*	52
Interest income — Cash clients	<u>N/A*</u>	<u>N/A*</u>	<u>17</u>
	<u>N/A*</u>	<u>N/A*</u>	<u>69</u>
Asset management services			
Management fee income	N/A*	N/A*	226
Performance fee income	<u>N/A*</u>	<u>N/A*</u>	<u>21</u>
	<u>N/A*</u>	<u>N/A*</u>	<u>247</u>
Total	<u><u>29,768</u></u>	<u><u>36,010</u></u>	<u><u>84,374</u></u>

*: Denotes services which the Group has not yet commenced during the year ended 29 February 2016 and 28 February 2017.

Geographical information

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.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	For the year ended		
	29 February	28 February	28 February
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Customer A ³	6,375	N/A ¹	N/A ¹
Customer B ³	4,791	N/A ¹	N/A ¹
Customer C ³	4,300	N/A ²	N/A ²
Customer D ⁴	3,000	N/A ²	N/A ²
Customer E ³	N/A ²	6,472	N/A ¹
Customer F ⁵	N/A ¹	5,250	N/A ¹

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group

² No revenue attributed from the relevant customer

³ Revenue from corporate finance advisory services and placing and underwriting services

⁴ Revenue from placing and underwriting services

⁵ Revenue from corporate finance advisory services

7. OTHER INCOME

	For the year ended		
	29 February	28 February	28 February
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Loan interest income	61	399	15
Consultancy fee income	247	—	—
Service fee income (<i>note 35</i>)	100	—	—
Others	5	—	29
	<u>413</u>	<u>399</u>	<u>44</u>

8. OTHER LOSSES

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Loss on disposal of a subsidiary (<i>note 39</i>)	—	—	364
Loss on disposals of property and equipment	35	1	2
	<u>35</u>	<u>1</u>	<u>366</u>

9. STAFF COSTS

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments (<i>note 33</i>)	3,417	2,521	6,466
Other staffs			
— Salaries and allowance	3,581	7,661	18,343
— Bonuses	2,367	2,783	19,252
— Contributions to MPF Scheme	139	235	544
	<u>9,504</u>	<u>13,200</u>	<u>44,605</u>

10. FINANCE COSTS

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Interest expenses — bank loans	31	—	57
Interest expenses — brokers	—	—	24
	<u>31</u>	<u>—</u>	<u>81</u>

11. PROFIT BEFORE TAX

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:			
Auditor's remuneration	126	231	520
Depreciation	89	195	562
Operating lease rentals in respect of rented premises			
— Minimum lease payments	411	1,130	1,740
Listing expenses	—	—	123
	<u> </u>	<u> </u>	<u> </u>

12. INCOME TAX EXPENSE

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax			
Current tax	3,078	3,461	5,333
Overprovision in respect of prior years	(20)	(20)	—
Deferred tax charge (credit) (<i>note 30</i>)	40	(17)	31
	<u> </u>	<u> </u>	<u> </u>
	<u>3,098</u>	<u>3,424</u>	<u>5,364</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

The income tax expense for the year can be reconciled to the profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	<u>18,825</u>	<u>20,271</u>	<u>30,795</u>
Tax at Hong Kong Profit tax at 16.5%	3,106	3,345	5,081
Tax effect of expenses not deductible for tax purpose	20	32	154
Tax effect of income not taxable for tax purpose	(56)	(33)	(93)
Overprovision in respect of prior years	(20)	(20)	—
Tax effect of tax loss not recognised	74	100	224
Utilisation of tax losses previously not recognised	(33)	—	(2)
Others	7	—	—
	<u> </u>	<u> </u>	<u> </u>
Income tax expense for the year	<u>3,098</u>	<u>3,424</u>	<u>5,364</u>

The Group has estimated tax losses of approximately HK\$448,000, HK\$1,052,000 and HK\$2,400,000 as at 29 February 2016, 28 February 2017 and 2018 respectively that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams of respective entities. The estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

13. DIVIDEND

During the year ended 28 February 2017, Crystal Prospect declared dividend of HK\$11,616,000 to Mr. Chung.

The rate of dividend of shares ranking for the above dividend is not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the consolidated profit of HK\$15,727,000, HK\$16,847,000 and HK\$25,431,000 for years ended 29 February 2016, 28 February 2017 and 2018 respectively, and a number of 300,000,000 shares during each year in the Track Record Period on the assumption that the Reorganisation and Capitalisation Issue as described in Appendix IV to this prospectus has been effective on 1 March 2015.

No diluted earnings per share is presented as there were no potential dilutive shares during the Track Record Period.

15. PROPERTY AND EQUIPMENT

	<u>Computer equipment</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvement</u>	<u>Office equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 March 2015	64	270	—	—	334
Additions	50	240	395	—	685
Disposals/written-off	—	(269)	—	—	(269)
At 29 February 2016	114	241	395	—	750
Additions	51	19	—	—	70
Disposals/written-off	—	(1)	—	—	(1)
At 28 February 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
Accumulated depreciation					
At 1 March 2015	16	68	—	—	84
Charge for the year	21	68	—	—	89
Disposals/written off	—	(134)	—	—	(134)
At 29 February 2016	37	2	—	—	39
Charge for the year	34	62	99	—	195
At 28 February 2017	71	64	99	—	234
Charge for the year	122	96	326	18	562
At 28 February 2018	193	160	425	18	796
Net carrying amount					
At 29 February 2016	77	239	395	—	711
At 28 February 2017	94	195	296	—	585
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 equipment	25%
Furniture and fixtures	25%
Leasehold improvement	Over shorter of the lease terms and 25%
Office equipment	25%

16. INTANGIBLE ASSET

	Stock Exchange trading rights HK\$'000
COST	
At 1 March 2015 and 29 February 2016	—
Additions	<u>500</u>
At 28 February 2017 and 2018	<u><u>500</u></u>

Intangible asset with no legal life are 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.

For the purpose of impairment testing on the intangible asset held by the Company, the recoverable amounts have been determined based on fair value less costs of disposal. For the year ended 28 February 2017 and 2018, no impairment loss for intangible asset is recognised.

17. ACCOUNTS RECEIVABLE

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Accounts receivable arising from:			
— Corporate finance advisory services	1,767	5,501	7,869
— Securities dealing and brokerage services	—	—	2,009
— Securities financing services			
— Margin financing	—	—	3,875
— IPO financing	—	—	13,495
— Placing and underwriting services	—	62	6,969
— Asset management business	—	—	247
	<u>1,767</u>	<u>5,563</u>	<u>34,464</u>

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

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

Accounts receivable arising from margin financing business are generally secured by listed equity securities. The management of the Group ensures that the available cash balance and listed equity securities belonging to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. As at 29 February 2016, 28 February 2017 and 2018, accounts receivable from margin clients were secured by the clients' pledged listed securities which carried a fair value of approximately nil, nil and HK\$20,770,000.

Accounts receivable arising from IPO financing business are generally secured by securities, receivables 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. Such amounts are repayable upon the allotment of IPO subscription.

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

	<u>As at</u>		
	<u>29 February 2016</u>	<u>28 February 2017</u>	<u>28 February 2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
0–30 days	1,767	2,673	14,476
31–60 days	—	1,742	1,597
61–90 days	—	—	31
91–181 days	—	1,148	990
	<u>1,767</u>	<u>5,563</u>	<u>17,094</u>

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

Included in the amount of HK\$1,767,000, HK\$5,563,000 and HK\$17,094,000, approximately HK\$1,767,000, HK\$5,563,000 and HK\$15,085,000 are past due but not impaired as at 29 February 2016, 28 February 2017 and 2018, respectively, aging analysis of which are as follows:

	<u>As at</u>		
	<u>29 February 2016</u>	<u>28 February 2017</u>	<u>28 February 2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
0–30 days	1,767	2,673	12,467
31–60 days	—	1,742	1,597
61–90 days	—	—	31
91–181 days	—	1,148	990
	<u>1,767</u>	<u>5,563</u>	<u>15,085</u>

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.

As at 29 February 2016, 28 February 2017 and 2018, no accounts receivable arising from securities dealing and brokerage services and securities financing services were past due and impaired.

The Group has a policy for determining the allowance for impairment based on the evaluation of collectability and aging analysis of accounts and on management's judgement, including the current creditworthiness, collateral, subsequent settlement and the past collection history of each client.

Accordingly, the directors of the Company believe that no allowance for impairment is required.

18. ACCRUED INCOME

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

19. LOANS AND OTHER RECEIVABLES

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Loans and other receivables	5,361	3,826	641
Less: Non-current portion	<u>(3,017)</u>	<u>(481)</u>	<u>—</u>
Current portion	<u>2,344</u>	<u>3,345</u>	<u>641</u>

Included in the amount of loans and other receivables are loan receivables arising from money lending business of HK\$4,627,000, HK\$3,323,000 and nil in 29 February 2016, 28 February 2017 and 2018, respectively.

As at 29 February 2016 and 28 February 2017, receivables arising from money lending business bore fixed-rate interest of 8%-10% per annum with contractual maturity 1 year to 2 years. As at 29 February 2016 and 28 February 2017, a loan receivable of HK\$2,000,000 was secured by corporate guarantee of the borrower and the remaining receivables were unsecured and unguaranteed. No receivable was past due at the end of each reporting period.

As at 28 February 2017, receivable arising from money lending business of approximately HK\$816,000 was due from Mr. Poon Siu Kuen, Calvin (director of the Company). The balance was unsecured and unguaranteed and bore fixed-rate interest of 8% per annum with contractual maturity of 1 year. The maximum outstanding balance for the year ended 29 February 2016, 28 February 2017 and 2018 were nil, HK\$816,000 and HK\$819,000 respectively.

20. BANK BALANCES

Bank balances mainly represent demand deposits placed at a bank which are non-interest bearing.

21. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised 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 statements of financial position and recognised the corresponding accounts payable (note 22) 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.

22. ACCOUNTS PAYABLE AND SHORT TERM ADVANCES FROM A BROKER

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Accounts payable arising from:			
— Securities dealing and brokerage services	—	—	37,791
— Placing and underwriting services	—	—	317
Short term advances from a broker	—	—	12,525
	<u>—</u>	<u>—</u>	<u>50,633</u>

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.

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.

During the year ended 28 February 2018, the Group has provided IPO financing for customers in relation to subscription of new shares in IPOs. As of 28 February 2018, included in the outstanding amount of such receivable, HK\$12,525,000 of which was non-cash in nature as it was funded directly from a broker in the form of short term advances from such broker to the Group.

The accounts payable are non-interest bearing. Short term advances from a broker bears interest at fixed rate of 1.68% to 2.4% per annum determined at the inception of transactions,

As at 28 February 2018, accounts payable of securities dealing and brokerage services also include those payables placed in segregated accounts with authorised institutions of HK\$33,697,000. There was no such accounts payable as at 29 February 2016 and 28 February 2017.

As at 28 February 2018, accounts payable of securities dealing and brokerage services of HK\$261,000 is due to Mr. So Hin Pong (director of the Company) and HK\$179,000 is due to Ms. Chau Lok Yi (key management personnel of the Group) in respect of transactions in securities undertaken for their accounts. There was no such amounts as at 29 February 2016 and 28 February 2017.

23. AMOUNTS DUE TO A DIRECTOR/AMOUNT DUE FROM A RELATED COMPANY**Amounts due to a director**

The amounts due to a director are non-trade nature, unsecured, interest-free and repayable on demand.

As at 28 February 2017, included in the amounts due to a director of HK\$14,633,000 was HK\$11,616,000 which represented the dividend payable to him.

The amounts due to a director of HK\$1,673,000 as at 28 February 2018 was subsequently settled.

Amount due from a related company

	As at			
	1 March 2015	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CCFI, a former subsidiary now wholly-owned by Mr. Chung	N/A	N/A	N/A	—

The maximum amount outstanding from CCFI for the period from 16 March 2017 (the date which CCFI was disposed of to Mr. Chung) to 28 February 2018 was HK\$2,950,000.

24. OTHER PAYABLES AND ACCRUALS

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Accrued expenses	218	245	533
Accrued bonus	—	2,831	17,210
Other payables	467	92	1,022
	<u>685</u>	<u>3,168</u>	<u>18,765</u>

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

25. AMOUNT DUE TO A SUBSIDIARY

	As at	
	28 February 2017	28 February 2018
	HK\$'000	HK\$'000
Amount due to a subsidiary		
— Crystal Prospect	—	194

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

26. BANK LOANS

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Unsecured and guaranteed	—	—	8,130

The bank loans are repayable on demand. The loans are unsecured and guaranteed by Mr. Chung (director of the Company) of HK\$10 million. The bank loans are bearing interest at Hong Kong Dollar Best Lending Rate minus 1.5% to 2% per annum.

27. 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 statements of cash flows as cash flows from financing activities.

	Short term advances from a broker	Amounts due to a director	Bank loans
	HK\$'000	HK\$'000	HK\$'000
At 1 March 2015	—	4,349	5,000
Financing cash flows	—	(1,255)	(5,000)
At 29 February 2016	—	3,094	—
Financing cash flows	—	(77)	—
Dividend declared to Mr. Chung	—	11,616	—
At 28 February 2017	—	14,633	—
Financing cash flows	—	(11,450)	8,130
Disposal of a subsidiary (note 39)	—	(1,510)	—
Non-cash funding from a broker (note 22)	12,525	—	—
At 28 February 2018	<u>12,525</u>	<u>1,673</u>	<u>8,130</u>

28. DEFERRED REVENUE

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Sponsor fee	—	—	2,378
Advisory fee	—	85	512
	<u>—</u>	<u>85</u>	<u>2,890</u>

Sponsor fee income is generally paid in advance prior to the beginning of each project and is initially recorded as deferred revenue in the consolidated statements of financial position. The portion of income received from the clients but not yet earned is recorded as deferred revenue in the consolidation 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 each reporting date.

29. SHARE CAPITAL**The Group**

The issued share capital as at 1 March 2015 and 29 February 2016 represented the share capital of Crystal Prospect.

The share capital as at 28 February 2017 represented the aggregated share capital of Crystal Prospect and the Company.

The share capital as at 28 February 2018 represented the share capital of the Company.

The Company

	Par value	Number of shares	Nominal amount	
			US\$'000	HK\$'000
Ordinary shares				
Authorised:				
— At date of incorporation on 14 June 2016	US\$1	50,000	50	—
At 28 February 2017	US\$1	50,000	50	—
— Cancellation (<i>note ii</i>)	US\$1	(50,000)	(50)	—
— Increase (<i>note ii</i>)	HK\$0.01	38,000,000	—	380
At 28 February 2018	HK\$0.01	38,000,000	—	380
Issued and fully paid:				
— At date of incorporation on 14 June 2016 (<i>note i</i>)	US\$1	1	—*	—
At 28 February 2017	US\$1	1	—*	—
— Share repurchased and cancelled (<i>note ii</i>)	US\$1	(1)	—*	—
— Issuance of ordinary shares on 30 June 2017 (<i>note ii</i>)	HK\$0.01	1	—	—*
— Issuance of ordinary shares on 11 January 2018 (<i>note iii</i>)	HK\$0.01	79,999	—	1
At 28 February 2018	HK\$0.01	80,000	—	1

Notes:

- (i) On 14 June 2016, the Company allotted and issued 1 share to the initial subscriber at nominal value of US\$1, which was in turn transferred to Mr. Chung.
- (ii) On 30 June 2017, the authorised share capital of the Company was increased by HK\$380,000 by the creation of 38,000,000 ordinary shares of a nominal value of HK0.01 each, following which the Company issued fully paid 1 share of nominal value of HK\$0.01 to Mr. Chung. On the same day, 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.
- (iii) On 11 January 2018, Mr. Chung transferred the entirety of his shares in Crystal Prospect 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.

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

30. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group and movements therein during the Track Record Period.

	Temporary difference on accelerated tax depreciation
	HK\$'000
At 1 March 2015	—
Charged to profit or loss for the year	<u>40</u>
At 29 February 2016	40
Credit to profit or loss for the year	<u>(17)</u>
At 28 February 2017	23
Charged to profit or loss for the year	<u>31</u>
At 28 February 2018	<u><u>54</u></u>

31. OPERATING LEASE COMMITMENT

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

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,044	1,830	1,427
In the second to fifth year inclusive	<u>1,587</u>	<u>1,427</u>	<u>—</u>
	<u><u>2,631</u></u>	<u><u>3,257</u></u>	<u><u>1,427</u></u>

Operating leases payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

32. ACCUMULATED LOSSES OF THE COMPANY

The movements of accumulated losses of the Company are set out below:

	As at	
	28 February 2017	28 February 2018
	HK\$'000	HK\$'000
At beginning of the period/year	—	—
Loss and total comprehensive expense for the period/year	—	(153)
At end of the period/year	—	(153)

33. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Mr. Chung and Mr. Poon Siu Kuen, Calvin were appointed as executive directors of the Company on 14 June 2016 and 4 May 2018 respectively. Mr. Lo Wai Kwan, Dr. Wu Kwun Hing and Mr. Choi Wai Ping were appointed as independent non-executive director of the Company on 24 August 2018. Mr. Poon Siu Kuen, Calvin was acted as chief executive of the Company.

The emoluments of the directors and chief executive of the Company (including emoluments for services as director/employees of the group entities prior to becoming the directors of the Company) by the Group during the Track Record Period are set out below:

For the year ended 29 February 2016

Name	Directors' fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chung	—	300	13	180	493
Mr. Poon Siu Kuen, Calvin	—	1,440	18	1,440	2,898
Dr. Wu Kwan Hing	—	12	1	—	13
Mr. Lo Wai Kwan	—	12	1	—	13
	—	1,764	33	1,620	3,417

For the year ended 28 February 2017

Name	Directors' fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chung	—	480	18	132	630
Mr. Poon Siu Kuen, Calvin	—	1,440	18	396	1,854
Dr. Wu Kwan Hing	—	12	1	—	13
Mr. Lo Wai Kwan	—	12	1	—	13
Mr. Choi Wai Ping	—	11	—	—	11
	—	1,955	38	528	2,521
	—	1,955	38	528	2,521

For the year ended 28 February 2018

Name	Directors' fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chung	—	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
	—	2,376	38	4,052	6,466

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

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

During the Track Record Period, no director or chief executive of the Company waived any emoluments and no emoluments were paid by the Company to any of the director or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

34. HIGHEST PAID INDIVIDUALS

The five highest paid individuals included Mr. Poon Siu Kuen, Calvin whose emoluments were included in note 33 for the Track Record Period. The emoluments of the remaining four individuals for the Track Record Period are as follows:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Basic salaries and allowances	2,309	2,928	3,930
Bonuses	1,800	1,056	9,355
Contributions to MPF Scheme	60	72	72
	<u>4,169</u>	<u>4,056</u>	<u>13,357</u>

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

The emoluments of the highest paid individuals of the Group fall within the following bands:

	For the year ended		
	29 February 2016	28 February 2017	28 February 2018
	No. of employees	No. of employees	No. of employees
Emolument bands			
— Nil–HK\$1,000,000	2	2	—
— HK\$1,000,001–HK\$1,500,000	2	2	—
— HK\$1,500,001–HK\$2,000,000	—	—	—
— HK\$2,500,001–HK\$3,000,000	—	—	1
— HK\$3,000,001–HK\$3,500,000	—	—	1
— HK\$3,500,001–HK\$4,000,000	—	—	2
	<u>4</u>	<u>4</u>	<u>4</u>

35. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:

	<u>For the year ended</u>		
	<u>29 February</u>	<u>28 February</u>	<u>28 February</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Service fee income from related parties:			
Profitable (Asia) Limited (<i>note 1</i>)	98	—	—
Master Mind Investment Holdings Limited (<i>note 2</i>)	2	—	—
Commission income			
Mr. Chung (director of the Company)	—	—	3
Mr. So Hin Pong (key management personnel of the Group)	—	—	1
Ms. Chau Lok Yi (key management personnel of the Group)	—	—	3
Loan interest income			
Mr. Poon Siu Kuen, Calvin (director of the Company)	—	10	3
Management fee income			
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>note 3</i>)	—	—	211
Performance fee income			
Innovax Alpha SPC — Innovax Balanced Fund SP (<i>note 3</i>)	—	—	21
Service fee expense			
Profitable (Asia) Limited (<i>note 1</i>)	—	120	—
	<u>—</u>	<u>120</u>	<u>—</u>

Note 1: Mr. Chung is the sole shareholder of Profitable (Asia) Limited.

Note 2: On 22 February 2016, Mr. Chung transferred the entirety of his shares in Master Mind Investment Holdings Limited to an Independent Third Party and ceased to be a shareholder.

Note 3: 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 IAML.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year is as follows:

	<u>For the year ended</u>		
	<u>29 February</u>	<u>28 February</u>	<u>28 February</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Short-term benefits	4,917	3,783	12,484
Post-employment benefits	72	65	101
	<u>4,989</u>	<u>3,848</u>	<u>12,585</u>

36. RETIREMENT BENEFIT SCHEME

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.

The contribution paid and payable to the scheme by the Group are disclosed in note 9.

37. 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 Track Record 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 retained profits).

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. The Regulated Subsidiaries have no non-compliance with the liquid capital requirements imposed by the SF(FR)R throughout the Track Record Period.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at		
	29 February 2016	28 February 2017	28 February 2018
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Accounts receivable	1,767	5,563	34,464
Loans and other receivables	5,039	3,337	564
Bank balances	15,110	28,838	56,105
Cash held on behalf of customers	—	—	33,697
	<u>21,916</u>	<u>37,738</u>	<u>124,830</u>
Financial liabilities			
Accounts payable and short term advances from a broker	—	—	50,633
Amounts due to a director	3,094	14,633	1,673
Other payables	467	92	1,022
Bank loans	—	—	8,130
	<u>3,561</u>	<u>14,725</u>	<u>61,458</u>

The Company

	As at	
	28 February 2017	28 February 2018
	HK\$'000	HK\$'000
Financial assets		
Other receivables	—	41
Financial liabilities		
Amount due to a subsidiary	—	194

Financial risk management objectives and policies

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 Group's major financial instruments include accounts receivable, loans and other receivables, bank balances, cash held on behalf of customers, accounts payable, amounts due to a director, other payables and short term advances from a broker and bank loans. The Company's major financial instruments include other receivables and amount due to a subsidiary.

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 accounts receivable and accounts payable arising from securities dealing and brokerage services, short term advances from a broker and other receivables arising from money-lending business, and cash flow interest rate risk in relation to variable-rate short-term bank loans.

As at 29 February 2016 and 28 February 2017 and 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

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to accounts receivable. In order to minimise the credit risk on margin financing and IPO financing, the credit committee 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 reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 29 February 2016, 28 February 2017 and 2018, the Group has concentration of credit risk on accounts receivable as 97%, 63% and 55% of the total accounts receivable was due from three customers.

Bank balances are placed in an authorised institution and the directors of the Company consider the credit risk of such authorised institution is minimal.

Other than concentration of credit risk on accounts receivable and liquid funds, the Group does not have any other significant concentration of credit risk.

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.

THE GROUP

	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000
At 29 February 2016			
Non-derivative financial liabilities			
Amounts due to a director	3,094	3,094	3,094
Other payables	467	467	467
	<u>3,561</u>	<u>3,561</u>	<u>3,561</u>
	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000
At 28 February 2017			
Non-derivative financial liabilities			
Amounts due to a director	14,633	14,633	14,633
Other payables	92	92	92
	<u>14,725</u>	<u>14,725</u>	<u>14,725</u>
	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	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
	<u>61,458</u>	<u>61,458</u>	<u>61,458</u>

THE COMPANY

	<u>On demand or less than 1 month</u>	<u>Total undiscounted cash flows</u>	<u>Carrying amount</u>
	HK\$'000	HK\$'000	HK\$'000
At 28 February 2018			
Non-derivative financial liabilities			
Amount due to a subsidiary	194	194	194
	<u>194</u>	<u>194</u>	<u>194</u>

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 statements of financial position approximate their fair values.

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 statements 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 statements 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 statements of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 29 February 2016 and 28 February 2017, the Group was not subject to any enforceable master netting arrangement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statements of financial position.

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

At 28 February 2018						
Type of financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statements of financial assets	Net amounts of financial assets offset in the consolidated statements of financial liabilities	Related amounts not set off in the consolidated statements of financial position		Net amount	
	Gross amounts of recognised financial assets	Net amounts of financial liabilities	Financial instruments	Collateral received		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amount receivables arising from the business of dealing in securities	21,705	(2,326)	19,379	(2,009)	7,540	

At 28 February 2018						
Type of financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statements of financial liabilities	Net amounts of financial liabilities offset in the consolidated statements of financial assets	Related amounts not set off in the consolidated statements of financial position		Net amount	
	Gross amounts of recognised financial liabilities	Net amounts of financial assets	Financial instruments	Collateral pledged		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amount payables arising from the business of dealing in securities	52,642	(2,326)	50,316	(2,009)	48,307	

39. DISPOSAL OF A SUBSIDIARY

On 15 March 2017, Crystal Prospect disposed of the entire equity interests in 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:

	<u>HK\$'000</u>
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	<u>(2,000)</u>
Net assets disposed of	<u><u>364</u></u>
Loss on disposal of a subsidiary:	
Consideration received	—
Net assets disposed of	<u>(364)</u>
Loss on disposal	<u><u>(364)</u></u>
Net cash outflow arising on disposal:	
Cash consideration	—
Less: bank balances and cash disposed of	<u>(576)</u>
	<u><u>(576)</u></u>

Included in the Group's profit for the year were loss of HK\$419,000 and HK\$20,000 during the years ended 29 February 2016 and 28 February 2017 respectively and profit of HK\$10,000 during the year ended 28 February 2018, attributable to CCFI.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries are set out below:

Name	Place and date of incorporation	Principal activities and place of operation	Class of shares held/paid up issued share capital	Effective interest held as at				Date of this report	Notes
				29 February 2016	28 February 2017	28 February 2018			
Directly held									
Crystal Prospect Limited	BVI 15 October 2013	Investment holding in Hong Kong	Ordinary shares/ US\$100	100%	100%	100%	100%	a	
Indirectly held									
Innovax Securities Limited	Hong Kong 12 July 2016	Provision of brokerage and securities margin financing services in Hong Kong	Ordinary shares/ HK\$10,000,000	N/A	100%	100%	100%	c	
Innovax Capital Limited	Hong Kong 9 June 2014	Provision of corporate finance and advisory services in Hong Kong	Ordinary shares/ HK\$10,000,000	100%	100%	100%	100%	b	
Innovax Asset Management Limited	Hong Kong 22 August 2016	Provision of asset management services to clients in Hong Kong	Ordinary shares/ HK\$2,000,000	N/A	100%	100%	100%	c	
China Capital Finance International Holdings Limited	Hong Kong 29 November 2013	Provision of money lending services in Hong Kong	Ordinary shares/ HK\$100	100%	100%	—	—	d	

Notes:

- (a) No statutory audited financial statements have been prepared for Crystal Prospect since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of ICL for the years ended 29 February 2016, 28 February 2017 and 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by us.
- (c) The statutory financial statements of ISL and IAML for the year ended 28 February 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by us. The statutory financial statements for period ended 28 February 2017, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by Lee, Au & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong.
- (d) The statutory financial statements of CCFI for the years ended 31 December 2015, 2016 and 2017, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by Edward M.H. Lau & Co. Certified Public Accountants (Practising), a firm of certified public accountants registered in Hong Kong.

41. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the consolidated financial statements, subsequent events of the Group and detailed as below.

On 17 May 2018, the Company declared a dividend of HK\$5,000,000 to BSI.

On 24 August 2018, written resolutions of the sole shareholder were passed to approve the matters as follows:

- (a) 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;
- (b) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "D. Other information — 1. Share Option Scheme" in Appendix IV to the Prospectus; and
- (c) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$2,999,200 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 299,920,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 24 August 2018.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 28 February 2018.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 28 February 2018 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group as at 28 February 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 28 February 2018 or any future dates following the Global Offering.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 28 February 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group as at 28 February 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on Offer Price of HK\$1.3 per Offer Share	<u>46,196</u>	<u>111,972</u>	<u>158,168</u>	<u>0.40</u>
Based on Offer Price of HK\$1.8 per Offer Share	<u>46,196</u>	<u>160,097</u>	<u>206,293</u>	<u>0.52</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 28 February 2018 are based on audited consolidated net assets of the Group as at 28 February 2018 amounted to HK\$46,696,000 with an adjustment for the intangible assets as of 28 February 2018 of HK\$500,000, extracted from the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

- (2) The estimated net proceeds from the Global Offering are based on 100,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$1.3 and HK\$1.8 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses to be incurred by the Group since 1 March 2018.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and shares options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchase Shares referred to in the section headed “Share capital — Issuing Mandate” or the section headed “Share capital — Repurchase Mandate” in this prospectus.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that 400,000,000 Shares, representing the aggregation of 80,000 existing Shares, Capitalisation Issue of 299,920,000 Shares and 100,000,000 new Shares to be issued pursuant to the Global Offering, were in issue assuming that the Capitalisation Issue and the Global Offering had been completed on 28 February 2018 and it does not take into account of any share which may be issued upon the exercise of the Over-Allotment Option, or any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchase Shares referred to in the section headed “Share capital — Issuing Mandate” or the section headed “Share capital — Repurchase Mandate” in this prospectus.
- (4) Assuming the dividend of HK\$5,000,000 declared on 17 May 2018 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would have been HK\$0.38 and HK\$0.50 at the Offer Price of HK\$1.3 and HK\$1.8 per Offer Share, respectively, which is calculated based on the consolidated net tangible assets of the Group of HK\$41,196,000 after taking into the consideration of the declaration of dividends of HK\$5,000,000.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 28 February 2018.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF INNOVAX HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Innovax Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 28 February 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 August 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at 28 February 2018 as if the Global Offering had taken place at 28 February 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended 28 February 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the

unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Second Amended and Restated Memorandum of Association (the “Memorandum”) and its Second Amended and Restated Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 August 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then 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. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the

opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director,

officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or

their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum

or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of

the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any

branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company

is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its

discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to registrar of companies and available for public inspection in Hong Kong — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 14 June 2016. Its registered address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 31 July 2017 and our principal place of business in Hong Kong is at Unit A-C, 20th Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Chung who resides at Flat B, 9/F, Dragon Villa, Tsing Ha Lane, Tuen Mun, New Territories, Hong Kong has been appointed as the authorised representative for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Since our Company was incorporated in the Cayman Islands, the Group's operation is subject to the relevant laws and regulations of the Cayman Islands as well as our Company's constitution which comprises the Memorandum of Association and the Articles of Association. A summary of certain parts of the Group's constitution and certain relevant aspects of Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company**(a) *Changes in authorised share capital and issued share capital***

As at the date of incorporation of our Company on 14 June 2017, its authorised share capital was US\$50,000 divided into 50,000 ordinary shares having a par value of US\$1.00 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

- (i) As at the date of incorporation, one subscriber share in our Company of US\$1.00 each was issued and allotted as fully paid to the initial subscriber at par. On the same day, the said subscriber's share was transferred to Mr. Chung for cash at par and the share transfer was legally completed on that day.
- (ii) On 30 June 2017, the authorised share capital of our Company was changed from US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each to HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, our Company repurchased the issued share of US\$1.00 each from Mr. Chung, and issued and allotted one Share of HK\$0.01 each to Mr. Chung.
- (iii) On 11 January 2018, Mr. Chung transferred one Share at par to BSI and a further 79,999 Shares were issued and allotted at par to BSI.

- (iv) On 24 August 2018, our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each.

Immediately following completion of the Capitalisation Issue and the Global Offering but taking no account any Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed “Further information about our Company — 3. Resolutions in writing of the sole Shareholder passed on 24 August 2018” and “Further information about our Company — 4. Corporate reorganisation” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the sole Shareholder passed on 24 August 2018

By resolutions in writing of the sole Shareholder passed on 24 August 2018, among other things:

- (a) our Company conditionally approved and adopted the Memorandum with immediate effect and the Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000 Shares by the creation of 962,000,000 new Shares to rank *pari passu* with the then existing Shares in all respects;
- (c) conditional on (aa) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the entering into of the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd)

the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

- (i) the Hong Kong Public Offering by the Company of 10,000,000 Shares (subject to reallocation) and the International Offering by the Company of 90,000,000 Shares (subject to reallocation and the Over-allotment Option), in each case at the Offer Price upon the terms and conditions as set out in the Prospectus and the Application Forms, were approved and the Directors were unconditionally authorised to effect the same and to allot and issue new Shares pursuant to the Global Offering;
- (ii) the granting of the Over-allotment Option by the Company to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters pursuant to which the Joint Global Coordinators may require the Company to allot and issue up to an aggregate of 15,000,000 additional new Shares (the “**Over-allotment Shares**”) at the Offer Price to cover over-allocation in the International Offering were approved and the Directors were authorised to effect the same and to allot and issue such Over-allotment Shares upon the exercise of the Over-allotment Option;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph headed “D. Other information — 1. Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to issue, allot and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$2,999,200 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,920,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company at the close of business on the day prior to the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then shareholdings in our Company and so that the Shares to be issued and allotted pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation and to issue and allot Shares pursuant thereto;

- (v) a general unconditional mandate was given to the Directors to exercise all powers of our Company to issue, allot and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the issue and allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Global Offering, Shares with the total number of issued Shares not exceeding 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the exercise of the Options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with the total number of issued Shares of not exceeding 10% of the aggregate number of issued Shares immediately following the completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the exercise of the Options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vii) the extension of the general mandate to issue, allot and deal with Shares pursuant to paragraph (v) above to include the number of issued Shares which may be repurchased pursuant to paragraph (vi) above.

4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group’s structure in preparation for the Listing. For more details regarding the Reorganisation, please refer to the section headed “History, reorganisation and corporate structure” in this prospectus.

5. Changes in share capital of the subsidiaries

Save as disclosed in the section headed “History, reorganisation and corporate structure” in this prospectus, no other alterations in the share capital of each of our Company’s subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Particulars of the Group’s subsidiaries

The Group comprises our Company and its four constituent members. Please see note 40 to the Accountants’ Report set out in Appendix I to this prospectus for a summary of the corporate information of these companies.

7. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval.

Pursuant to resolutions in writing passed by the sole Shareholder on 24 August 2018, our Directors have been granted the Repurchase Mandate. See “3. Resolutions in writing of the sole Shareholder passed on 24 August 2018” above.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of our Company’s share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(e) *Share of Capital*

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(f) *General*

Neither the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a

whitewash waiver is obtained. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:


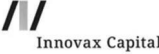




- (1) an instrument in relation to a transfer of shares dated 11 January 2018 entered into between Chung Chi Man as transferor and Innovax Holdings Limited as transferee regarding the transfer of 100 shares of Crystal Prospect Limited in consideration for the allotment and issue of 79,999 shares in the share capital of Innovax Holdings Limited at par to Billion Shine International Investment Limited;
- (2) an instrument of transfer dated 11 January 2018 entered into between Chung Chi Man as transferor and Billion Shine International Investment Limited as transferee regarding the transfer of one share of Innovax Holdings Limited in consideration for the allotment and issue of 10 shares in the share capital of Billion Shine International Investment Limited at par to Chung Chi Man;
- (3) the Deed of Non-competition;
- (4) the Deed of Indemnity; and
- (5) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of the Group


As at the Latest Practicable Date, the Group has registered or has applied for the registration of the following intellectual property right which are material in relation to its business.

Trademarks

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following trademarks:

No.	Trade Mark	Place of registration	Class	Registration number	Duration of validity	Registered owner
1.	A.  B. 	Hong Kong	35, 36	303703996	4 March 2016 – 3 March 2026	Innovax Capital
2.	A.  B. 	Hong Kong	35, 36	304198861	6 July 2017 – 5 July 2027	Innovax Capital
3.	A.  B. 	Hong Kong	35, 36	304200065	7 July 2017 — 6 July 2027	Innovax Capital

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks:

No.	Trade Mark	Place of application	Class	Application number	Date of application
1.		Hong Kong	35, 36	304198852	6 July 2017

Domain names

As at the Latest Practicable Date, the Group maintained the following domain name registration:

No.	Domain name	Date of registration	Expiry date	Registered owner
1.	www.innovax.hk	15 September 2014	15 September 2023	Innovax Capital

3. Connected transactions and related party transactions

Save as disclosed in the sections headed “Connected transaction”, “Financial information” and in the note 35 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company had not engaged in any other material connected transactions or related party transactions.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Particulars of Directors’ service contracts*

Executive Directors

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other. The current basic annual salaries of the executive Directors are as follows:

Name	Approximately annual salary (HK\$)
Mr. Chung	720,000
Mr. Poon	1,920,000

Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date unless terminated by not less than three months’ notice in writing served by the independent non-executive Director concerned or our Company expiring at the end of the initial term or at any time thereafter. Each of Mr. Lo Wai Kwan, Dr. Wu Kwun Hing, Mr. Choi Wai Ping, Ms. Chan Ka Lai, Vanessa and Mr. Cheung Kwok Kwan *JP* is entitled to a director’s fee of HK\$120,000, HK\$120,000, HK\$120,000, HK\$120,000 and HK\$500,000 per annum, respectively. Save for Directors’ fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors' remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by the Group to the Directors, in their respective directorship positions only, in each of the three years ended 29 February 2016, 28 February 2017 and 28 February 2018 were approximately HK\$3,417,000, HK\$2,521,000 and HK\$6,466,000, respectively. None of the Directors, in their position as directors of the Group, had received any emoluments or benefits in kind from us during the Track Record Period.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus and share-based payment) payable by the Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 28 February 2019 are expected to be approximately HK\$3.6 million.
- (iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended 28 February 2018 (i) as an inducement to join or upon joining the Group or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (iv) There had been no arrangements under which a Director waived or agreed to waive any emoluments for each of the three years ended 29 February 2016, 28 February 2017 and 28 February 2018.

(c) *Interests and short positions of Directors and chief executive in the Shares, underlying Shares or debentures of our Company and its associated corporations following the Global Offering*

Immediately following completion of the Capitalisation Issue and the Global Offering but taking no account any Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

(i) *Interest in Shares of our Company*

<u>Name of Director</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding (Note 2)</u>
Mr. Chung	Interest of a controlled corporation	300,000,000 Shares (L) (Note 3)	75%

Notes:

- The letter "L" denotes to the person with long position in the Shares.
- The calculation is based on the total number of 300,000,000 Shares in issue after completion of the Global Offering.
- Mr. Chung and 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.

(ii) *Interest in Shares of associated corporation of our Company*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Mr. Chung	BSI	Beneficial owner	110 shares (L)	100%

Note:

- The letter "L" denotes to the person with long position in the shares.

2. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of members of the Group:

<u>Name of Shareholder</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
BSI	Beneficial owner	300,000,000 Shares (L) (Note 2)	75%

Notes:

1. The letter "L" denotes to the person with long position in the Shares.
2. The calculation is based on the total number of 300,000,000 Shares in issue after completion of the Global Offering.
3. Mr. Chung and 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. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or their associates were engaged in any dealings with the Group during the two years preceding the date of this prospectus;
- (b) and taking no account of any Shares which may be taken up or acquired under the Global Offering or any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Capitalisation Issue and the Global Offering will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

- (c) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (d) none of the Directors nor the experts listed in the referred to in “D. Other Information — 7. Qualifications of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (e) none of the Directors nor any of the parties listed in the referred to in “D. Other Information — 7. Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of the Group; and
- (f) save in connection with the Underwriting Agreements, none of the parties listed in the referred to in “D. Other Information — 7. Qualifications of experts” below:
 - (i) is interested legally or beneficially in any securities of any member of the Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provision of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) 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.

(b) Who may join

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Company or any of its subsidiaries.

(collectively, the “**Eligible Participants**”)

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an

integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

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 immediately following completion of the Global Offering and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company, where applicable). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our 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. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company to the Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) 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;
- (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.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board determines to grant options to a substantial shareholder or any independent non-executive Director or any of their respective associates (as defined in the Listing Rules) which will result in the Shares issued and to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, such further grant of options shall be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) *Restrictions on the times of grant of Options*

For so long as the Shares are listed on the Stock Exchange, the Board shall not make any grant of options after inside information has come to its knowledge until the Board has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules),

and ending on the actual date of publication of the results for such year, half year, quarterly or interim period (as the case may be).

Where the grant of Options is to a Director:

- (i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme).

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination

by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, his option to the extent not already exercised on the date of such cessation (which date shall be the last actual working day with the Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty or he has become insolvent, bankrupt or has made arrangements with creditors, his option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes) and such offer becomes or is declared unconditional during the option period of the relevant option, the

grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that the amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules. If the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

(t) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

2. Estate duty, tax and other indemnity

The Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 9(2) above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;
- (b) tax liabilities (including all fines, penalties, losses, damages, fees, costs, charges, expenses, interests and demands incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (WUMP) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional; and
- (d) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings and actions (including without limitation any legal costs) which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group and become payable arising in connection with any non-compliance of any legal and/or regulatory requirements of any jurisdiction on or before the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 28 February 2018;

- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 March 2018 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 March 2018; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 28 February 2018 or pursuant to any statement of intention made in the prospectus;
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the Listing Date with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 28 February 2018 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to us that they will indemnify and at all times keeps the Group fully indemnified, on a joint and several basis, from (i) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of the Group may incur or suffer arising from or in connection with the implementation of our Reorganisation; and (ii) any loss of economic benefits and any loss suffered by our Group if any part of the government grants received by our Group prior to the Listing is required to be returned to the local government.

3. Litigation

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of the Group.

4. Preliminary expenses

The preliminary expenses incurred by our Company in relation to the incorporation of our Company were approximately HK\$33,000 and were paid by us.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Sinolink Securities (Hong Kong) Company Limited is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. Innovax Capital Limited is a wholly-owned subsidiary of our Company and therefore is not independent from our Company under Rule 3A.07 of the Listing Rules. The Joint Sponsors' fee amounts to HK\$4.5 million (excluding disbursements) and are payable by our Company.

7. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Sinolink Securities (Hong Kong) Company Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
Innovax Capital Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

8. Consents of experts

Each of Sinolink Securities (Hong Kong) Company Limited, Innovax Capital Limited, Deloitte Touche Tohmatsu and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Miscellaneous

- (a) Save as disclosed herein:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ab) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and
 - (ac) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of its subsidiaries; and
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
 - (iii) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.
- (b) Save as otherwise disclosed in this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 28 February 2018 (being the date to which the latest audited consolidated financial statements of the Group were made up).
- (c) The Directors further confirm that there has been no interruption in the business of the Group which may have or have had a significant effect on its financial position within the 12-month period preceding to the Latest Practicable Date.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of each of the material contracts referred to in the sectioned headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the sectioned headed “Statutory and general information — D. Other information — 8. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Mayer Brown JSM at 16th–19th Floors, Prince’s Building, 10 Chater Road, Central Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the accountants’ report from Deloitte Touche Tohmatsu, the text of which is set out in the section headed “Accountants’ Report” in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended 29 February 2016 and 28 February 2017 and 2018;
- (d) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which is set out in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Law referred to in the section headed “Summary of the constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus;
- (f) the material contracts referred to in the section headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (g) the written consents referred to in the section headed “Statutory and general information — D. Other information — 8. Consents of experts” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG**

- (h) the service contracts and appointment letters referred to in the section headed “Statutory and general information — C. Further information about Directors and substantial shareholders — 1.(a) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (i) the Companies Law; and
- (j) the Share Option Scheme.

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INNOVAX HOLDINGS LIMITED