

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PF Group Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, to the licensed securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form of Acceptance.



CHANCE WISE INVESTMENTS LIMITED
(Incorporated in the British Virgin Islands with limited liability)



PF Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8221)

**COMPOSITE DOCUMENT
MANDATORY UNCONDITIONAL CASH OFFER BY
WEST BULL SECURITIES LIMITED
FOR AND ON BEHALF OF CHANCE WISE INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHANCE WISE INVESTMENTS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT) OF PF GROUP HOLDINGS LIMITED**

Financial Adviser to the Offeror

VEDA | CAPITAL
智 略 資 本

Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

A letter from West Bull Securities containing, amongst other things, details of the terms and conditions of the Offer is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 22 of this Composite Document. A letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders on the Offer is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee on the Offer is set out on pages 25 to 53 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar by no later than 4:00 p.m. on Friday, 11 December 2020 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

This Composite Document will remain on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.pfs.com.hk as long as the Offer remains open.

20 November 2020

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all the time and dates contained in this Composite Document refer to Hong Kong time and dates.

| Event | Time & Date |
|--|---|
| Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement date of the Offer (<i>note 1</i>)..... | Friday, 20 November 2020 |
| Latest time and date for acceptance of the Offer (<i>notes 2&3</i>)..... | 4:00 p.m. on Friday, 11 December 2020 |
| Closing Date (<i>notes 2&4</i>)..... | Friday, 11 December 2020 |
| Announcement of the results of the Offer (<i>note 2</i>)..... | by 7:00 p.m. on Friday, 11 December 2020 |
| Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>notes 4&5</i>)..... | Tuesday, 22 December 2020 |

Notes:

1. The Offer, which is unconditional in all respects, is made on the date for posting of this Composite Document, and is open for acceptance on and from that day until 4:00 p.m. on the Closing Date.
2. The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Friday, 11 December 2020 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Friday, 11 December 2020, stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend or revise the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for placing instructions with CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptance of the Offer shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "5. Right of Withdrawal" in Appendix I to this Composite Document.
4. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in force on the Closing Date or the date for posting of remittances and it is (i) not cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the Closing Date will be postponed to 4:00 p.m. on the next Business Day and the date for posting of remittances will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the respective event will remain the same on the scheduled date according to the expected timetable.

EXPECTED TIMETABLE

5. Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be posted to the Independent Shareholders who accept the Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as practicable.

IMPORTANT NOTICES

NOTICE TO OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all Shareholders (other than itself and parties acting concert with the Offeror), including those with registered addresses outside Hong Kong. However, the making of the Offer to any persons who are not resident in Hong Kong may be prohibited or affected by the applicable laws of the relevant jurisdictions. Any Shareholders who are not resident in Hong Kong and who wish to accept the Offer should observe any applicable legal and regulatory requirements in their own jurisdictions. It is the responsibility of the Shareholders who are not resident in Hong Kong who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and regulatory and legal requirements, and the payment of any transfer or other taxes due from the Shareholders in respect of such jurisdictions) and, where necessary, seek legal advice. Acceptance of the Offer by any overseas Shareholder will constitute a warranty by such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof; (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any governmental, exchange control or other consent which may be required; and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due from the Shareholders in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. Overseas Shareholders are recommended to seek professional advice on whether to accept the Offer.

DEFINITIONS

In this Composite Document, unless the context requires otherwise, the following expressions have the following meanings:

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| “acting in concert” | has the same meaning ascribed to it in the Takeovers Code |
| “associate(s)” | has the same meaning ascribed to it in the Takeovers Code |
| “Board” | the board of Directors |
| “Business Day(s)” | a day on which the Stock Exchange is open for the transaction of business |
| “BVI” | the British Virgin Islands |
| “Cash Level” | the total amount of cash and bank balances held by the Group (excluding pledged bank deposits and cash held on behalf of customers) as at the Completion Date |
| “CCASS” | the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited |
| “Closing Date” | Friday, 11 December 2020, being the closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code |
| “Company” | PF Group Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the shares of which are listed on GEM (Stock Code: 8221) |
| “Completion” | completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement |
| “Completion Date” | 28 October 2020, the date on which the Completion takes place |
| “Composite Document” | this composite offer and response document jointly issued by the Offeror and the Company in connection with the Offer in accordance with the Takeovers Code |
| “Controlling Shareholder” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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| “Encumbrances” | encumbrances of whatsoever nature, including but not limited to any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease-back arrangement whatsoever over or in any property, assets or rights and includes any agreement for any of the same and “ Encumber ” shall be construed accordingly |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “Form of Acceptance” | the form of acceptance and transfer of Offer Shares in respect of the Offer accompanying this Composite Document |
| “GEM” | GEM operated by the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board comprising the non-executive Director, namely, Mr. Khoo Ken Wee and all the independent non-executive Directors, namely, Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew, which has been established by the Board to make a recommendation to the Independent Shareholders in relation to the terms of the Offer and its acceptance |
| “Independent Financial Adviser” or “Astrum Capital” | Astrum Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Offer |
| “Independent Shareholder(s)” | Shareholder(s) other than the Offeror and parties acting in concert with the Offeror |

DEFINITIONS

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| “Interest” | the interest in the sum of HK\$1,800,000 waived by Mr. Fok, being all the interest accrued on the debt owing by the Vendor and/or the Warrantors to Mr. Fok as at the Completion Date |
| “Joint Announcement” | the announcement dated 6 May 2020 jointly issued by the Company and the Offeror in relation to the Offer |
| “Last Trading Day” | 28 April 2020, being the last trading day of the Shares on the Stock Exchange prior to the release of the Joint Announcement |
| “Latest Practicable Date” | 17 November 2020, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein |
| “Long Stop Date” | 31 December 2020 (or such other day as the Parties may from time to time agree in writing) |
| “Mr. B Lo” | Mr. Lo Tak Wing Benson, an executive Director and the sibling of Mr. C Lo |
| “Mr. C Lo” | Mr. Lo Shiu Wing Chester, an executive Director and the sibling of Mr. B Lo |
| “Mr. Fok” | Mr. Fok Yuk Tong, a director of the Offeror who owns 30% shareholding of the Offeror and is the spouse of Ms. Hsieh |
| “Ms. Hsieh” | Ms. Hsieh Ching Chun, a director of the Offeror who owns 70% shareholding of the Offeror and is the spouse of Mr. Fok |
| “Offer” | the unconditional mandatory cash offer made by West Bull Securities for and on behalf of the Offeror for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code |
| “Offer Period” | the period commencing from 6 May 2020, being the date of the Joint Announcement, and ending on the Closing Date |
| “Offer Price” | HK\$0.0812 per Offer Share |
| “Offer Share(s)” | 499,640,000 Shares, being all the Shares in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it |

DEFINITIONS

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| “Offeror” | Chance Wise Investments Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned as to 70% by Ms. Hsieh and as to 30% by Mr. Fok |
| “Overseas Shareholder(s)” | Shareholder(s) whose address(es), as shown on the register of members of the Company, are outside Hong Kong |
| “Parties” | the parties to the Sale and Purchase Agreement |
| “PFSL” | Pacific Foundation Securities Limited, a company incorporated with limited liability in Hong Kong and an indirect wholly-owned subsidiary of the Company |
| “Registrar” | Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong |
| “Relevant Period” | the period commencing six months prior to the date of the Joint Announcement, being 6 November 2019, up to and including the Latest Practicable Date |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 28 April 2020 entered into among the Vendor, the Warrantors, the Offeror and Mr. Fok (as amended by supplemental agreements dated 5 May 2020, 7 September 2020 and 6 October 2020) for the sale and purchase of the Sale Shares |
| “Sale Shares” | 1,500,000,000 Shares, beneficially owned by the Vendor as at the date of the Sale and Purchase Agreement and representing 75% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” | has the meaning ascribed to it under the GEM Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |

DEFINITIONS

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| “Veda Capital” | Veda Capital Limited, a licensed corporation to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer |
| “Vendor” | Thoughtful Mind Limited, a company incorporated in BVI with limited liability and is owned as to 57.1% by Mr. B Lo and as to 42.9% by Mr. C Lo |
| “Warrantors” | Mr. B Lo and Mr. C Lo |
| “West Bull Securities” | West Bull Securities Limited, formerly known as RSI Securities Limited, a licensed corporation permitted to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO |
| “%” | per cent |

LETTER FROM WEST BULL SECURITIES

West Bull Securities Limited
Unit 2008, 20/F, Sunlight Tower
248 Queen's Road East
Wan Chai, Hong Kong

20 November 2020

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
WEST BULL SECURITIES LIMITED
FOR AND ON BEHALF OF CHANCE WISE INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHANCE WISE INVESTMENTS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT) OF PF GROUP HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, inter alia, the Sale and Purchase Agreement and the Offer.

Pursuant to the Sale and Purchase Agreement, inter alia, the Vendor had conditionally agreed to sell and the Offeror had conditionally agreed to purchase the Sale Shares, representing 75% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. Completion took place on 28 October 2020.

Before entering into the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 360,000 Shares. Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on the Offeror and its intention regarding the Group. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders and the "Letter from the Independent Financial Adviser" to the Independent Board Committee as contained in this Composite Document.

LETTER FROM WEST BULL SECURITIES

THE OFFER

Securities of the Company

As at the Latest Practicable Date, the Company has 2,000,000,000 Shares in issue and does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible or exchangeable into Shares.

PRINCIPAL TERMS OF THE OFFER

West Bull Securities, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share.HK\$0.0812 in cash

The Offer Price of HK\$0.0812 per Offer Share equals to the purchase price per Sale Share to be paid by the Offeror under the Sale and Purchase Agreement and having taken into account the waived Interest on a per Share basis.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto, including all rights to any dividends or other distributions declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer is unconditional in all respects when it is made and will not be conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

Comparison of value

The Offer Price of HK\$0.0812 per Offer Share represents:

- (i) a premium of approximately 2.78% over the closing price of HK\$0.079 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 84.55% over the closing price of HK\$0.044 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 63.71% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$0.0496 per Share;
- (iv) a premium of approximately 56.76% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.0518 per Share;

LETTER FROM WEST BULL SECURITIES

- (v) a premium of approximately 45.52% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0558 per Share;
- (vi) a discount of approximately 33.50% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.1221 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 31 March 2020, the date to which the latest audited consolidated financial results of the Group were made up; and
- (vii) a discount of approximately 31.65% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.1188 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 30 June 2020.

Highest and lowest Share prices

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.098 per Share on 13 February 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.044 per Share on 28 April 2020.

Value of the Offer

As at the Latest Practicable Date, there are 2,000,000,000 Shares in issue. Excluding the 1,500,360,000 Shares already owned by the Offeror and parties acting in concert with it, 499,640,000 Shares are subject to the Offer.

On the basis of the Offer Price of HK\$0.0812 per Offer Share, the Offer is valued at approximately HK\$40,570,768.

Financial resources available to the Offeror

The Offeror will finance the consideration payable under the Offer in full through its internal resources.

Veda Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

Effect of accepting the Offer

The Offer will be unconditional in all respects. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

LETTER FROM WEST BULL SECURITIES

Acceptance of the Offer by any Independent Shareholders will constitute a warranty by such Independent Shareholders to sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching or accruing thereto (including all rights to receive any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document).

The Company has declared a final dividend of HK\$0.025 per Share in the aggregate amount of HK\$50,000,000 for the year ended 31 March 2020 (the “**Final Dividend**”). The Final Dividend was paid on 28 August 2020. The Offer Price is not affected by the Final Dividend.

The Company confirms that as at the Latest Practicable Date, (a) save for the Final Dividend, it has not declared any dividend which remains unpaid and/or the record date of which falls within the Offer Period; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions until after the close of the Offer.

Independent Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser appointed by the Company in respect of the Offer.

Hong Kong stamp duty

The seller’s Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those Independent Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller’s Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days after the date on which the duly completed acceptances of the Offer and all relevant documents of title in respect of such acceptances are received by the Offeror (or its agents acting on its behalf) to render each such acceptance complete and valid pursuant to the Takeovers Code.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, West Bull Securities, Veda

LETTER FROM WEST BULL SECURITIES

Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and the beneficial owners of any Overseas Shareholders of the Offer will be deemed to constitute a representation and a warranty from such Overseas Shareholders to the Offeror that all applicable local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws and requirements. Overseas Shareholders should consult their own professional advisers if in doubt. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

INFORMATION OF THE GROUP

The Company is a Cayman Islands incorporated investment holding company. The Group is principally engaged in the provision of (i) securities dealing and brokerage service; (ii) placing and underwriting service; (iii) financing service including securities and initial public offering (IPO) margin financing and (iv) asset management services. The Group conducts its principal business activities through PFSL, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO.

More details on the Group are set out in the “Letter from the Board” in this Composite Document.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror is beneficially owned as to 70% by Ms. Hsieh and as to 30% by Mr. Fok. Ms. Hsieh is the spouse of Mr. Fok. Both Ms. Hsieh and Mr. Fok are the directors of the Offeror.

Both Ms. Hsieh and Mr. Fok have been engaging in the wholesale trading and distribution of telecommunications electronic products for over 20 years. Both Ms. Hsieh and Mr. Fok do not have experience in similar business of the Group.

INTENTION OF THE OFFEROR ON THE GROUP

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a detailed review on the financial position and the operations of the Company for the purpose of formulating long-term business plans and strategies of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any asset disposal, asset acquisition, business rationalization, business divestment, fund-raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules. As at the Latest Practicable Date, the Offeror has not identified any such investment or business opportunities and does not have any intention, understanding, negotiation or arrangement in relation to (i) the downsize, cessation or disposal of the existing business of the Group; and (ii) the acquisition of any assets or business by the Group.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for the proposed changes to the Board, details of which are disclosed in the paragraph headed “Proposed changes to the Board” below); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

Proposed changes to the Board

As at the Latest Practicable Date, the Board comprised six Directors, namely Mr. B Lo and Mr. C Lo as executive Directors, Mr. Khoo Ken Wee as non-executive Director and Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew as independent non-executive Directors.

As at the Latest Practicable Date, (i) the Offeror intends to nominate Ms. Hsieh and Mr. Fok as the new Directors to the Board with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code; (ii) both Mr. B Lo and Mr. C Lo intend to resign from their roles as Directors, chairman and chief executive officer of the Company with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code; and (iii) the non-executive Director and all of the independent non-executive Directors have also indicated that they intend to resign from their roles as Directors with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code. Save as disclosed herein, the Offeror has not finalised its decisions and further changes may be proposed by the Offeror as to whom would be nominated to the final composition of the Board.

Currently, a candidate has been identified by the Offeror who has submitted his/her application to the SFC to obtain the relevant approval as a responsible officer of PFSL. Mr. B Lo and Mr. C Lo intend to resign from their current roles in PFSL after PFSL obtained the said relevant approvals from the SFC to fulfill the required number of responsible officers under the SFO. Save for Mr. B Lo, the Offeror intends to retain all the existing responsible officers of PFSL to continue to carry out the existing businesses of PFSL. Having considered the Offeror's

LETTER FROM WEST BULL SECURITIES

intention to retain its existing employees and will not introduce any major changes to the existing operations and business of the Group, the Company considers that the resignations of Mr. B Lo and Mr. C Lo will not materially affect the operations of the Company.

As at the Latest Practicable Date, the Offeror is in the process of identifying suitable candidates and further announcement(s) will be made by the Company in compliance with the requirements of the Takeovers Code and the GEM Listing Rules as and when there are changes in the composition of the Board.

Compulsory Acquisition

The Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The directors of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Immediately after the Completion, the Offeror and parties acting in concert with it will be interested in 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company. Accordingly, the minimum public float requirement of 25% as set out in Rule 11.23(7) of the GEM Listing Rules is not satisfied (i.e. at 24.98%). The Company has applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules from the Completion Date to 31 December 2020 (the “**Rule 11.23(7) Waiver**”).

It should also be noted that following the close of the Offer, the public float for the Shares may further be reduced from 24.98%. In order to satisfy the public float requirement under the GEM Listing Rules, the Offeror will enter into a placing agreement before the close of the Offer to appoint PFSL as the placing agent to place (i) a minimum of 360,000 Shares, representing approximately 0.02% of the total issued share capital of the Company as at the Latest Practicable Date, owned by the Offeror and/or parties acting in concert with it; and (ii) all the Offer Shares validly tendered for acceptance under the Offer, following the close of the Offer. These Shares will be placed to independent third parties who are (a) not the Shareholders and not connected with the Company, the Directors, the chief executive, any

LETTER FROM WEST BULL SECURITIES

substantial Shareholders or any of their respective subsidiaries or any of their respective associates; and (b) not connected with and not acting in concert with the Offeror or parties acting in concert with it following the close of the Offer.

Further announcement(s) will be made by the Company regarding (i) the grant of the Rule 11.23(7) Waiver; and (ii) restoration of the public float in the Shares, as and when appropriate in accordance with the GEM Listing Rules.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to the sub-section headed “Overseas Shareholders” in this letter and Appendix I to this Composite Document.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of the members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholders whose name appears first in the register of members of the Company. The Offeror, parties acting in concert with it, the Company, West Bull Securities, Veda Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

Disclosure in dealing

In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Company or the Offeror (within the meaning of the Takeovers Code) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

LETTER FROM WEST BULL SECURITIES

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of the stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which forms part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” to the Independent Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee as contained in this Composite Document.

Yours faithfully,
For and on behalf of
West Bull Securities Limited
Hui Suen Tak Alan
Director

LETTER FROM THE BOARD



PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8221)

Executive Directors:

Mr. Lo Tak Wing Benson (*Chairman*)
Mr. Lo Shiu Wing Chester (*Chief Executive Officer*)

Non-executive Director:

Mr. Khoo Ken Wee

Independent non-executive Directors:

Mr. Ma Wai Hung Vincent
Mr. Mok Kwai Pui Bill
Mr. Ng Shu Bun Andrew

Registered Office:

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

*Head office and principal place of
business in Hong Kong:*

11/F, New World Tower, Tower II
16–18 Queen's Road Central
Hong Kong

20 November 2020

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
WEST BULL SECURITIES LIMITED
FOR AND ON BEHALF OF CHANCE WISE INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHANCE WISE INVESTMENTS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT) OF PF GROUP HOLDINGS LIMITED**

1. INTRODUCTION

Reference is made to the Joint Announcement issued by the Offeror and the Company in relation to, inter alia, the Sale and Purchase Agreement and the Offer.

On 28 April 2020 (after trading hours), the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 1,500,000,000 Shares, for a total consideration of HK\$120,000,000 in cash, equivalent to HK\$0.08 per Sale Share, which was agreed between the Vendor and the Offeror after arm's length negotiations. Completion took place on 28 October

LETTER FROM THE BOARD

2020. The Sale Shares, being all the Shares held by the Vendor, represent 75% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. The Vendor ceased to be a Shareholder immediately after Completion.

Before entering into the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 360,000 Shares. Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company.

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offer; (ii) a letter from West Bull Securities containing, among other things, details of the Offer; (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; and (iv) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee of the Company, comprising the non-executive Director, namely, Mr. Khoo Ken Wee and all the independent non-executive Directors, namely Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew, has been established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

Astrum Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

3. PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from West Bull Securities”, West Bull Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

The Offer

For each Offer Share HK\$0.0812 in cash

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 2,000,000,000 Shares in issue and did not have any outstanding Shares, options, warrants, derivatives, other securities that are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

The Offer is unconditional in all respects when it is made and will not be conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

Further details of the Offer are set out in the “Letter from West Bull Securities” and the additional information contained in appendices to the Composite Document and the accompanying Form of Acceptance.

The Offer Price

The Offer Price of HK\$0.0812 per Offer Share represents:

- (i) a premium of approximately 2.78% over the closing price of HK\$0.079 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 84.55% over the closing price of HK\$0.044 per Share quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 63.71% over the average closing price of HK\$0.0496 per Share quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 56.76% over to the average closing price of HK\$0.0518 per Share quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 45.52% over the average closing price of approximately HK\$0.0558 per Share quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 33.50% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.1221 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 31 March 2020, the date to which the latest audited financial results of the Group were made up; and
- (vii) a discount of approximately 31.65% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.1188 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 30 June 2020.

LETTER FROM THE BOARD

Highest and lowest Share closing price

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.098 per Share on 13 February 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.044 per Share on 28 April 2020.

Value of the Offer

As at the Latest Practicable Date, there are 2,000,000,000 Shares in issue. Excluding 1,500,360,000 Shares already owned by the Offeror and parties acting in concert with it, 499,640,000 Shares are subject to the Offer.

On the basis of the Offer Price of HK\$0.0812 per Offer Share, and assuming the Offer is accepted in full on the basis that there is no change in the issued share capital of the Company up to the close of the Offer, the Offer is valued at approximately HK\$40,570,768.

4. INFORMATION OF THE GROUP

The Company is a Cayman Islands incorporated investment holding company. The Company is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering, margin financing; and (iv) asset management services. The Group's services mainly relate to equity and debt securities trading on the Stock Exchange. It also provides ancillary services in relation to securities deposited in its name. The Group conducts its principal business activities through PFSL, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO.

The following table is a summary of certain audited financial information of the Group for the three financial years ended 31 March 2018, 31 March 2019 and 31 March 2020 as extracted from the annual reports of the Company for respective financial years.

| | For the year ended 31 March | | |
|-----------------------------------|-----------------------------|---------------|----------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 83,045 | 67,596 | 30,905 |
| Profit/(Loss) before taxation | 42,239 | 26,539 | (6,216) |
| Profit/(Loss) for the year/period | <u>35,106</u> | <u>22,028</u> | <u>(6,216)</u> |

LETTER FROM THE BOARD

| | For the year ended 31 March | | |
|------------|------------------------------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net assets | <u>258,387</u> | <u>280,415</u> | <u>244,152</u> |

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediate after Completion and as at the Latest Practicable Date:

| Shareholders | Immediately prior to Completion | | Immediately after Completion and as at the Latest Practicable Date | |
|--|---------------------------------|--|---|--|
| | Number of Shares held | Percentage of approximate shareholding | Number of Shares held | Percentage of approximate shareholding |
| The Offeror and its Concert Parties | | | | |
| <i>The Offeror</i> | — | 0.00% | 1,500,000,000 | 75.00% |
| <i>Fok Kit Yee (Note 1)</i> | 360,000 | 0.02% | 360,000 | 0.02% |
| Sub-total of the Offeror and parties acting in concert with it | 360,000 | 0.02% | 1,500,360,000 | 75.02% |
| Vendor | 1,500,000,000 | 75.00% | — | 0.00% |
| Public Shareholders | <u>499,640,000*</u> | <u>24.98%</u> | <u>499,640,000*</u> | <u>24.98%</u> |
| TOTAL | <u>2,000,000,000</u> | <u>100.00%</u> | <u>2,000,000,000</u> | <u>100.00%</u> |

* Public Shareholders before the Completion include Ms. Fok Kit Yee and the Independent Shareholders with a total public shareholding of the Company at 25.00%. Public Shareholders immediately after the Completion but before the Offer will only include the Independent Shareholders and the public shareholding of the Company will decrease to approximately 24.98%.

Notes:

1. Ms. Fok Kit Yee is the daughter of Ms. Hsieh and Mr. Fok and such Shares are counted as public shareholding before Completion so that the minimum public float requirement of 25% as set out in Rule 11.23(7) of the GEM Listing Rules is maintained before Completion.
2. The Company adopted a share option scheme on 5 December 2016. As at the Latest Practicable Date, there is no outstanding share option and no share option will be granted pursuant to the share option scheme prior to the expiry of the Offer Period.

Further information of the Group has been set out in “Appendix II — Financial information of the Group” and “Appendix IV — General information of the Group” to the Composite Document.

LETTER FROM THE BOARD

5. INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from West Bull Securities” and “Appendix III — General information of the Offeror” to the Composite Document.

6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intention of the Offeror on the Group” in the “Letter from West Bull Securities” to the Composite Document. The Board is pleased to note the Offeror’s intention to continue with the existing principal activities of the Group after the close of the Offer. As at the Latest Practicable Date, no investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group, other than those conducted by the Company in its ordinary course of business and/or those which are immaterial in nature and the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for the proposed changes to the Board, details of which are disclosed in the paragraph headed “Proposed changes to the Board” in the section headed “Intention of the Offeror on the Group” in the “Letter from West Bull Securities” to the Composite Document); (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group. The Board is of the view that the Offeror’s intentions in relation to the Group and its employees are reasonable as it would ensure continuity and stability of the Group’s business operations going forward. Furthermore, such intentions of the Offeror are not expected to have a material adverse impact on the existing businesses of the Group.

7. TAXATION ADVICE

Your attention is drawn to the paragraph headed “Taxation advice” in the “Letter from West Bull Securities” to the Composite Document.

Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting or rejecting the Offer.

None of the Offeror, parties acting in concert with it, the Company, West Bull Securities, Veda Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

8. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

LETTER FROM THE BOARD

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The directors of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Immediately after the Completion, the Offeror and parties acting in concert with it will be interested in 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company. Accordingly, the minimum public float requirement of 25% as set out in Rule 11.23(7) of the GEM Listing Rules is not satisfied (i.e. at 24.98%). The Company has applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules from the Completion Date to 31 December 2020 (the “**Rule 11.23(7) Waiver**”).

It should also be noted that following the close of the Offer, the public float for the Shares may further be reduced from 24.98%. In order to satisfy the public float requirement under the GEM Listing Rules, the Offeror will enter into a placing agreement before the close of the Offer to appoint PFSL as the placing agent to place (i) a minimum of 360,000 Shares, representing approximately 0.02% of the total issued share capital of the Company as at the Latest Practicable Date, owned by the Offeror and/or parties acting in concert with it; and (ii) all the Offer Shares validly tendered for acceptance under the Offer, following the close of the Offer. These Shares will be placed to independent third parties who are (a) not the Shareholders and not connected with the Company, the Directors, the chief executive, any substantial Shareholders or any of their respective subsidiaries or any of their respective associates; and (b) not connected with the Offeror or parties acting in concert with it following the close of the Offer.

Further announcement(s) will be made by the Company regarding (i) the grant of the Rule 11.23(7) Waiver; and (ii) restoration of the public float in the Shares, as and when appropriate in accordance with the GEM Listing Rules.

9. RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 23 to 24 of the Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 25 to 53 of the Composite Document, which sets out its advice and recommendation to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

LETTER FROM THE BOARD

Taking into account the terms of the Offer and the advice from the Independent Board Committee, and the principal factors and reasons taken into account in arriving at its recommendations, the Board considers that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Board recommends the Independent Shareholders to accept the Offer.

You are also advised to read the “Letter from West Bull Securities” on pages 6 to 14 of the Composite Document, the further terms of the Offer and procedures of acceptance and settlement set out in Appendix I to the Composite Document and the accompanying Form of Acceptance in respect of the terms and acceptance and settlement procedures of the Offer.

Yours faithfully,
By order of the Board
PF Group Holdings Limited
Lo Tak Wing Benson
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8221)

20 November 2020

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
WEST BULL SECURITIES LIMITED
FOR AND ON BEHALF OF CHANCE WISE INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHANCE WISE INVESTMENTS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT) OF PF GROUP HOLDINGS LIMITED**

We refer to the composite offer and response document dated 20 November 2020 issued jointly by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Astrum Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Offer and its terms and conditions. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out on pages 25 to 53 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

We also wish to draw your attention to the “Letter from West Bull Securities” set out on pages 6 to 14 of the Composite Document which contains, inter alia, information about the Offer, the “Letter from the Board” set out on pages 15 to 22 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, for those Independent Shareholders who wish to realise part or all of their investments in the Company are reminded to carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market instead of accepting the Offer, if the net proceeds from such sale after deducting all transaction costs exceed the net amount to be received under the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
The Independent Board Committee
PF Group Holdings Limited

Mr. Khoo Ken Wee
Non-executive Director

Mr. Ma Wai Hung Vincent **Mr. Mok Kwai Pui Bill** **Mr. Ng Shu Bun Andrew**
Independent non-executive Directors



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

20 November 2020

*To the Independent Board Committee of
PF Group Holdings Limited*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
WEST BULL SECURITIES LIMITED
FOR AND ON BEHALF OF CHANCE WISE INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHANCE WISE INVESTMENTS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT) OF PF GROUP HOLDINGS LIMITED**

INTRODUCTION

*We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) of PF Group Holdings Limited (the “**Company**”) in relation to the mandatory unconditional cash offer (the “**Offer**”) for all the issued shares of the Company (other than those already owned or agreed to be acquired by Chance Wise Investments Limited (the “**Offeror**”) and parties acting in concert with it) being made by West Bull Securities Limited (“**West Bull Securities**”) for and on behalf of the Offeror. Details of the Offer are disclosed in the composite offer and response document in respect of the Offer jointly issued by the Offeror and the Company dated 20 November 2020 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.*

On 28 April 2020 (after trading hours), the Vendor and the Warrantors entered into the Sale and Purchase Agreement with the Offeror and Mr. Fok, pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 1,500,000,000 Shares, for a total consideration of HK\$120,000,000, equivalent to HK\$0.08 per Sale Share, which was agreed between the Vendor and the Offeror after arm’s length negotiations. The Sale Shares represent 75% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement. Completion took place on 28 October 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Before entering into the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 360,000 Shares, representing 0.018% of the total issued share capital of the Company. Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising the non-executive Director, namely, Mr. Khoo Ken Wee and all the independent non-executive Directors, namely, Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee in this regard. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not connected with the Company, the Offeror, the Vendor, the Warrantors, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. In the last two years prior to the commencement of the Offer Period, no engagement has been performed between us and the Company, the Offeror, the Vendor, the Warrantors, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, Ms. Hsieh, Mr. Fok, the Vendor, the Warrantors, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

*In formulating our opinion and recommendations, we have reviewed, amongst others, the Joint Announcement, the annual reports of the Company for the years ended 31 March 2019 and 31 March 2020 (the “**2018/19 Annual Report**” and “**2019/20 Annual Report**”, respectively), the interim report of the Company for the six months ended 30 September 2020 (the “**2020 Interim Report**”), and the information contained in the Composite Document. We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the business and outlook of the Group.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the information and facts provided, and the opinions expressed, by the Directors and the Management, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have sought and received confirmation from the Directors and the Management that no material facts have been omitted from the information provided and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendations as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information provided.

We have not considered the tax and regulatory implications to the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders, who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings, should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

West Bull Securities, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share..... HK\$0.0812 in cash

The Offer Price of HK\$0.0812 per Offer Share equals to the purchase price per Sale Share (i.e. HK\$0.08 per Sale Share) to be paid by the Offeror under the Sale and Purchase Agreement and having taken into account the waived Interest on a per Share basis (i.e. HK\$0.0012 per Share).

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto, including all rights to any dividends or other distributions declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

The Offer is unconditional in all respects when it is made and will not be conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

For further details of the Offer (including the terms and procedures for acceptance of the Offer), please refer to the “Letter from West Bull Securities” as set out on pages 6 to 14 of the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Offer, we have considered the following principal factors and reasons:

1. Business, financial performance and prospects of the Group

A. Business of the Group

The Company is a Cayman Islands-incorporated investment holding company. The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering (“IPO”), margin financing; and (iv) asset management services. The Group’s services mainly relate to equity and debt securities traded on the Stock Exchange in Hong Kong. It also provides ancillary services in relation to securities deposited in its name. The Group conducts its principal business activities through PFSL, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO.

B. Financial information of the Group

Set forth below are (i) the audited consolidated financial information of the Group for the three years ended 31 March 2018, 31 March 2019 and 31 March 2020 (“FY2017/18”, “FY2018/19” and “FY2019/20”, respectively) as extracted from the 2018/19 Annual Report and the 2019/20 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2019 and 30 September 2020 (“1H2019/20” and “1H2020/21”, respectively) as extracted from the 2020 Interim Report:

Table 1: Financial information of the Group

| | FY2017/18 | FY2018/19 | FY2019/20 | 1H2019/20 | 1H2020/21 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> |
| | (audited) | (audited) | (audited) | (unaudited) | (unaudited) |
| Revenue | 83,045 | 67,596 | 30,905 | 19,266 | 10,934 |
| — Commission income from securities dealing and brokerage services | 9,934 | 6,800 | 6,956 | 3,102 | 4,572 |
| — Fee and commission income from placing and underwriting activities | 60,101 | 49,028 | 10,986 | 10,413 | 363 |
| — Interest income from margin and loan financing services | 6,536 | 6,462 | 8,506 | 3,269 | 4,092 |
| — Fee income from asset management services | 1,638 | 1,446 | 662 | 639 | 907 |
| — Others (Note) | 4,836 | 3,860 | 3,795 | 1,843 | 1,000 |

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| LETTER FROM THE INDEPENDENT FINANCIAL ADVISER |
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| | FY2017/18 | FY2018/19 | FY2019/20 | 1H2019/20 | 1H2020/21 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (audited) | (audited) | (audited) | (unaudited) | (unaudited) |
| Profit/(loss) before tax | 42,239 | 26,539 | (6,216) | (314) | (6,625) |
| Profit/(loss) attributable to owners of the Company for the year/period | 35,106 | 22,028 | (6,216) | (390) | (6,625) |

Note: Other revenue includes referral fee income, handling and agency fee income, professional service fee income and loan commitment fee income.

| | As at 31 March 2018 | As at 31 March 2019 | As at 31 March 2020 | As at 30 September 2020 |
|--|------------------------------------|------------------------------------|------------------------------------|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (audited) | (audited) | (audited) | (unaudited) |
| Non-current assets | 7,577 | 6,274 | 8,474 | 6,002 |
| Current assets | 398,553 | 375,542 | 291,430 | 239,960 |
| Current (liabilities) | (147,743) | (101,401) | (54,531) | (58,462) |
| Net current assets | 250,810 | 274,141 | 236,899 | 181,498 |
| Non-current (liabilities) | — | — | (1,221) | — |
| Equity attributable to owners of the Company | 258,387 | 280,415 | 244,152 | 187,500 |

Source: the 2018/19 Annual Report, the 2019/20 Annual Report and the 2020 Interim Report

(i) *For the year ended 31 March 2019 (i.e. FY2018/19)*

In FY2018/19, the Group recorded total revenue of approximately HK\$67.6 million, representing a decline of approximately 18.6% as compared to approximately HK\$83.0 million in FY2017/18. Such deterioration was mainly attributable to (i) the decrease in fee and commission income from placing and underwriting activities of approximately HK\$11.1 million, mainly as a result of the decrease in the number of placing and underwriting engagements participated by the Group and the decrease in the average commission rate during FY2018/19; and (ii) the decrease in the commission income from securities dealing and brokerage services of approximately HK\$3.1 million. The decrease in commission income from securities dealing and brokerage services was mainly due to (a) the decrease in total transaction value of securities trading carried out by the Group on behalf of customers of approximately HK\$2.4 billion; and (b) the fact that one of the Group's clients completed a securities trading transaction of a particularly high volume in

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which the Group generated a significant amount of commission income of approximately HK\$2.9 million during FY2017/18, and no such commission income from securities trading transaction of comparable size was generated in FY2018/19.

In FY2018/19, the Group recorded profit attributable to owners of the Company of approximately HK\$22.0 million, representing a decrease of approximately 37.3% as compared to approximately HK\$35.1 million in FY2017/18. Such decrease was mainly attributable to (i) the decrease in fee and commission income from placing and underwriting activities of approximately HK\$11.1 million; (ii) the decrease in commission income from securities dealing and brokerage services of approximately HK\$3.1 million; and (iii) the increase in commission expenses of approximately HK\$5.9 million due to the increase in commission paid to sub-placing agents or sub-underwriters (which were agreed after arm's length negotiations on a case-by-case basis and hence the commission paid to sub-placing agents or sub-underwriters may not decrease due to the decrease in fee and commission income from placing and underwriting activities), which was partially offset by the decrease in the Directors' bonus of approximately HK\$5.5 million.

The total assets of the Group decreased by approximately HK\$24.3 million from approximately HK\$406.1 million as at 31 March 2018 to approximately HK\$381.8 million as at 31 March 2019. The total assets of the Group as at 31 March 2019 mainly comprised (i) bank balance — house accounts of approximately HK\$189.6 million (31 March 2018: approximately HK\$178.4 million); (ii) accounts receivable of approximately HK\$103.0 million (31 March 2018: approximately HK\$84.3 million); (iii) cash held on behalf of customers of approximately HK\$73.4 million (31 March 2018: approximately HK\$130.1 million); (iv) pledged bank deposits of approximately HK\$5.0 million (31 March 2018: approximately HK\$5.0 million); and (v) intangible asset, which represented a club membership, of approximately HK\$5.0 million (31 March 2018: approximately HK\$5.0 million).

The total liabilities of the Group decreased by approximately HK\$46.3 million from approximately HK\$147.7 million as at 31 March 2018 to approximately HK\$101.4 million as at 31 March 2019. The total liabilities of the Group as at 31 March 2019 mainly comprised (i) accounts payable arising from the business of dealing in securities to custodian and margin clients of approximately HK\$92.0 million (31 March 2018: approximately HK\$129.3 million); (ii) bank borrowings of approximately HK\$5.0 million (31 March 2018: nil); and (iii) accruals (including audit fee, staffs' and directors' bonuses and commission expenses) of approximately HK\$2.9 million (31 March 2018: approximately HK\$10.8 million).

The equity attributable to owners of the Company increased from approximately HK\$258.4 million as at 31 March 2018 to approximately HK\$280.4 million as at 31 March 2019. Such increase was mainly attributable to profit attributable to owners of the Company of approximately HK\$22.0 million recorded in FY2018/19.

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(ii) For the year ended 31 March 2020 (i.e. FY2019/20)

In FY2019/20, the Group recorded total revenue of approximately HK\$30.9 million, representing a drastic decline of approximately 54.3% as compared to approximately HK\$67.6 million in FY2018/19. Such deterioration was mainly attributable to the decrease in fee and commission income from placing and underwriting activities of approximately HK\$38.0 million, which was, in turn, due to the decrease in the number of placing and underwriting engagements participated by the Group and the decrease in total transaction value of approximately HK\$0.7 billion in FY2019/20.

In FY2019/20, the Group recorded loss attributable to owners of the Company of approximately HK\$6.2 million, as compared to profit attributable to owners of the Company of approximately HK\$22.0 million in FY2018/19. Such deterioration was primarily attributable to (i) the decrease in total revenue of approximately HK\$36.7 million as mentioned above; (ii) the recognition of depreciation expenses for right-of-use assets of approximately HK\$3.5 million in FY2019/20 (FY2018/19: nil); and (iii) the increase in the Directors' bonus of approximately HK\$3.7 million, which was partially offset by (i) the decrease in commission expenses of approximately HK\$5.6 million; and (ii) the decrease in other operating expenses of approximately HK\$4.7 million.

The total assets of the Group decreased by approximately HK\$81.9 million from approximately HK\$381.8 million as at 31 March 2019 to approximately HK\$299.9 million as at 31 March 2020. The total assets of the Group as at 31 March 2020 mainly comprised (i) accounts receivable of approximately HK\$125.5 million (31 March 2019: approximately HK\$103.0 million); (ii) bank balance — house accounts of approximately HK\$107.5 million (31 March 2019: approximately HK\$189.6 million); (iii) cash held on behalf of customers of approximately HK\$45.7 million (31 March 2019: approximately HK\$73.4 million); (iv) right-of-use assets of approximately HK\$5.9 million (31 March 2019: nil); (v) pledged bank deposits of approximately HK\$5.0 million (31 March 2019: approximately HK\$5.0 million); and (vi) tax recoverables of approximately HK\$4.8 million (31 March 2019: approximately HK\$2.0 million).

The total liabilities of the Group decreased by approximately HK\$45.6 million from approximately HK\$101.4 million as at 31 March 2019 to approximately HK\$55.8 million as at 31 March 2020. The total liabilities of the Group as at 31 March 2020 mainly comprised (i) accounts payable arising from the business of dealing in securities to custodian and margin clients of approximately HK\$45.5 million (31 March 2019: approximately HK\$92.0 million); (ii) lease liabilities of approximately HK\$4.8 million (31 March 2019: nil); and (iii) accruals (including audit fee, staffs' and directors' bonuses and commission expenses) of approximately HK\$2.5 million (31 March 2019: approximately HK\$2.9 million).

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The equity attributable to owners of the Company decreased from approximately HK\$280.4 million as at 31 March 2019 to approximately HK\$244.2 million as at 31 March 2020. Such decrease was mainly attributable to (i) loss attributable to owners of the Company of approximately HK\$6.2 million recorded in FY2019/20; and (ii) dividend declared and payable of approximately HK\$30.0 million in FY2019/20.

(iii) For the six months ended 30 September 2020 (i.e. 1H2020/21)

In 1H2020/21, the Group recorded total revenue of approximately HK\$10.9 million, representing a significant decline of approximately 43.2% as compared to approximately HK\$19.3 million in 1H2019/20. Such deterioration was mainly attributable to the decrease in fee and commission income from placing and underwriting activities of approximately HK\$10.1 million, which was, in turn, due to the decrease in the number of placing and underwriting engagements participated by the Group and the decrease in total transaction value of approximately HK\$88.3 million in 1H2020/21. Such deterioration in total revenue was partially offset by the increase in commission income from securities dealing and brokerage services of approximately HK\$1.5 million.

In 1H2020/21, the Group recorded loss attributable to owners of the Company of approximately HK\$6.6 million, representing a drastic increase of approximately 16.0 times as compared to approximately HK\$0.4 million in 1H2019/20. Such deterioration was primarily attributable to (i) the increase in Directors' salaries and bonus of approximately HK\$4.7 million; and (ii) the decrease in total revenue of approximately HK\$8.3 million as mentioned above, which was partially offset by the absence of commission paid to sub-placing agents and sub-underwriters (1H2019/20: approximately HK\$5.0 million). We have enquired with the Management regarding the increase in Directors' salaries and bonus and were given to understand that a special bonus was paid to the Directors in 1H2020/21 for recognizing their tremendous business contribution and management skill provided to the Company.

The total assets of the Group decreased by approximately HK\$53.9 million from approximately HK\$299.9 million as at 31 March 2020 to approximately HK\$246.0 million as at 30 September 2020. The total assets of the Group as at 30 September 2020 mainly comprised (i) accounts receivable of approximately HK\$98.3 million (31 March 2020: approximately HK\$125.5 million); (ii) bank balance — house accounts of approximately HK\$79.6 million (31 March 2020: approximately HK\$107.5 million); (iii) cash held on behalf of customers of approximately HK\$49.3 million (31 March 2020: approximately HK\$45.7 million); (iv) pledged bank deposits of approximately HK\$5.0 million (31 March 2020: approximately HK\$5.0 million); and (v) tax recoverables of approximately HK\$4.8 million (31 March 2020: approximately HK\$4.8 million).

The total liabilities of the Group increased slightly by approximately HK\$2.7 million from approximately HK\$55.8 million as at 31 March 2020 to approximately HK\$58.5 million as at 30 September 2020. The total liabilities of the Group as at 30

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September 2020 mainly comprised (i) accounts payable arising from the business of dealing in securities to custodian and margin clients of approximately HK\$50.5 million (31 March 2020: approximately HK\$45.5 million); (ii) lease liabilities of approximately HK\$3.6 million (31 March 2020: approximately HK\$4.8 million); and (iii) accruals (including audit fee, staffs' and directors' bonuses and commission expenses) of approximately HK\$1.6 million (31 March 2020: approximately HK\$2.5 million).

The equity attributable to owners of the Company decreased from approximately HK\$244.2 million as at 31 March 2020 to approximately HK\$187.5 million as at 30 September 2020. Such decrease was mainly attributable to (i) loss attributable to owners of the Company of approximately HK\$6.6 million recorded in 1H2020/21; and (ii) final dividend for FY2019/20 declared and paid to the Shareholders of approximately HK\$50.0 million in 1H2020/21.

(iv) Analysis

As discussed above, the financial performance of the Group demonstrated a downward trend in the past few years. Such decrease was mainly due to the gradual decrease in fee and commission income from placing and underwriting activities, which was the key revenue stream of the Group contributing approximately 72.4%, approximately 72.5% and approximately 35.5% of the Group's total revenue for FY2017/18, FY2018/19 and FY2019/20, respectively. The following table sets forth (i) the number of placing and underwriting engagements completed; (ii) fee and commission income generated from placing and underwriting activities; (iii) commission expenses paid to sub-placing agents and sub-underwriters; and (iv) net commission income generated from placing and underwriting activities for the past three years ended 31 March 2020:

| | FY2017/18 | FY2018/19 | FY2019/20 |
|---|------------------|------------------|------------------|
| Number of placing and underwriting engagements completed | 44 | 24 | 8 |
| Fee and commission income generated from placing and underwriting activities (HK\$'000) | 60,101 | 49,028 | 10,986 |
| Commission expenses paid to sub-placing agents and sub-underwriters (HK\$'000) | 6,410 | 12,336 | 5,183 |
| Net commission income generated from placing and underwriting activities (HK\$'000) (Note) | 53,691 | 36,692 | 5,803 |

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Note: Net commission income generated from placing and underwriting activities is calculated by deducting commission expenses paid to sub-placing agents and sub-underwriters from fee and commission income generated from placing and underwriting activities for the relevant period.

As noted in the table above, the number of placing and underwriting engagements completed by the Group decreased from 44 for FY2017/18 to 24 for FY2018/19, and further to 8 for FY2019/20, which resulted in the significant decrease in net commission income generated from placing and underwriting activities from approximately HK\$53.7 million for FY2017/18 to approximately HK\$5.8 million FY2019/20. As advised by the Management, the IPO underwriting market has become more competitive in recent years, and therefore it is more difficult for the Group to pitch IPO underwriting deals. Having considered the facts (i) the financial performance of the Group demonstrated a downward trend in the past few years (particularly, the turnaround from net profit position in FY2018/19 to net loss position in FY2019/20); (ii) the number of placing and underwriting engagements completed by the Group decreased from 44 for FY2017/18 to 8 for FY2019/20, and net commission income generated from placing and underwriting activities of the Group dropped significantly from approximately HK\$53.7 million for FY2017/18 to approximately HK\$5.8 million FY2019/20; and (iii) the number of placing and underwriting engagements and the size of which to be secured by the Group in the coming years is uncertain, we consider that the Group's business prospect remains uncertain.

(v) Dividend payout

During FY2019/20, the Board declared a total dividends of HK\$0.040 per Share (comprising a special dividend of HK\$0.015 per Share (the “**Special Dividend**”) and a final dividend of HK\$0.025 per Share, collectively the “**FY2019/20 Dividends**”). Save for the FY2019/20 Dividends, the Board did not declare any dividend since the listing of Shares on GEM in 2017. Given that (i) save for the FY2019/20 Dividends, the Board did not declare any dividend since the listing of Shares on GEM in 2017; (ii) the proposed changes in the composition of the Board as mentioned in the paragraph headed “C. Proposed Changes to the Board” under the section headed “3. Information on the Offeror and the intention of the Offeror in relation to the Group” below; and (iii) the forthcoming challenging business environment as mentioned in the paragraph headed “C. Business prospects of the Group” below, there is no guarantee that the Company will continue to pay dividends in future and/or maintain the level of dividend payout.

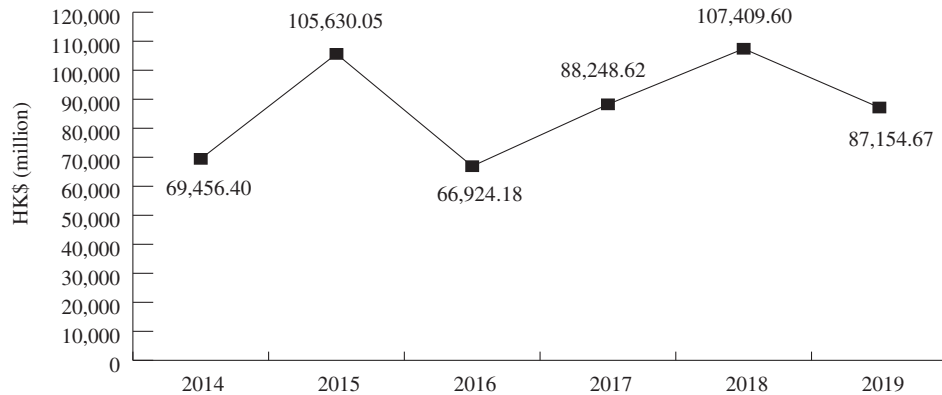
C. Business prospects of the Group

As mentioned in the Letter from the Board, the Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO, margin financing; and (iv) asset management services. The Group's services mainly relate to equity and debt securities traded on the Stock Exchange in Hong Kong. It also provides ancillary services in relation to securities deposited in its name.

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In this regard, we have conducted research on the Hong Kong stock market through public domains. Set out below is the diagram showing the average daily turnover value on the Stock Exchange from 2014 to 2019:

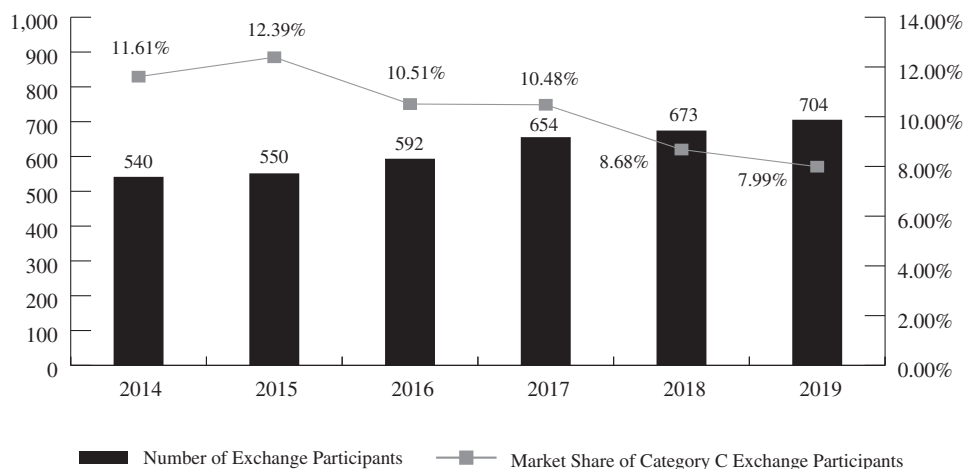
Chart 1: Average daily turnover value on the Stock Exchange from 2014 to 2019



Source: HKEX Fact Books

As shown in Chart 1 above, the average daily turnover value on the Stock Exchange fluctuated within the range of approximately HK\$66,924.18 million to approximately HK\$107,409.60 million during the period from 2014 to 2019. According to the latest HKEX Monthly Market Highlights published by the Stock Exchange, the average daily turnover value for the eight months ended 31 August 2020 amounted to approximately HK\$126,124 million, representing a significant increase of approximately 36.5% as compared to approximately HK\$92,431 million for the same period in 2019. However, it is still uncertain as to whether the growth in the average daily turnover value can be sustained given the fluctuations in the average daily turnover value in the past few years. Such fluctuations may contribute to an unstable revenue source to the Group's securities dealing and brokerage services segment. In addition to the change in the average daily turnover value on the Stock Exchange, the competition among market players is considered to be another crucial factor in determining the prospect of the Group.

Chart 2: Number of Exchange Participants and the market share of Category C Exchange Participants from 2014 to 2019



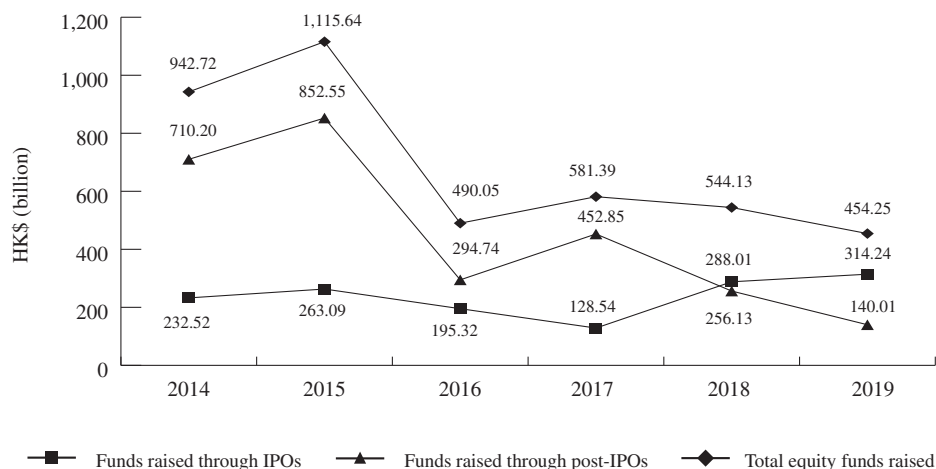
Source: HKEX Fact Books

As shown in Chart 2 above, the number of Exchange Participants who may trade on or through the Stock Exchange increased steadily from 540 as at 31 December 2014 to 704 as at 31 December 2019, representing a compound annual growth rate of approximately 5.4%. According to the Stock Exchange Participants' Market Share Report, the market share of the Category C Exchange Participants (which categorised brokers who are Stock Exchange participants that ranked below 65th in term of their turnover value of securities trading on the Stock Exchange (including PFSL)) demonstrated a downward trend, which declined from approximately 11.61% for the year ended 31 December 2014 to approximately 7.99% for the year ended 31 December 2019. According to the HKEX Fact Book 2019, the market was dominated by the top 14 Exchange Participants with approximately 58.0% of the total market share for the year ended 31 December 2019 while the average market share per each Category C Exchange Participant was only approximately 0.01% of the total market share for the year ended 31 December 2019. Given the growing number of Exchange Participants, coupled with the diminishing market share of Category C Exchange Participants, competition is considered to be highly fierce in the securities dealing and brokerage services industry.

Apart from providing securities dealing and brokerage services, the Group also acted as underwriter or placing agent for companies listed or to be listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issue, open offer or placing of new or existing shares or bonds. Thus, the prospect of the Group is highly dependent on the amount of funds raised on the Stock Exchange.

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Chart 3: Total amount of equity funds raised on the Stock Exchange from 2014 to 2019



Source: HKEX Fact Books

As shown in Chart 3 above, the total amount of equity funds raised, comprising the amount of funds raised through IPOs and post-IPOs, showed a general downward trend from 2014 to 2019. The amount of funds raised through IPOs first decreased from approximately HK\$232.52 billion in 2014 to approximately HK\$128.54 billion in 2017 and then increased to approximately HK\$314.24 billion in 2019. In spite of the satisfactory growth in the amount of funds raised through IPOs, the amount of funds raised through post-IPOs slumped from approximately HK\$710.20 billion in 2014 to approximately HK\$140.01 billion in 2019, resulting in a decline in the total amount of equity funds raised from approximately HK\$942.72 billion in 2014 to approximately HK\$454.25 billion in 2019. The continuous decline in total amount of equity funds raised would potentially bring detrimental impacts to the Group's placing and underwriting services segment, which is the largest segment contributing approximately 35.5% to the Group's total revenue in FY2019/20. In line with the diminishing amount of equity funds raised on the Stock Exchange, the Group's total transaction value in placing and underwriting services decreased by approximately HK\$0.7 billion from FY2018/19 to FY2019/20, causing the Group's revenue from this segment to shrink by approximately 77.6% in FY2019/20 as compared to FY2018/19. If such declining trend persists, it may exert undue pressure on the Group's performance.

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In addition, amid the ongoing outbreak of the Coronavirus pandemic (the “COVID-19”) since late 2019, the global economy has been severely hampered by the halt in business and economic activities, which led to the global economic slowdown and recession. According to the Half-yearly Economic Report 2020 published by the Hong Kong Government, Hong Kong’s real gross domestic product contracted by approximately 9.0% in the second quarter of 2020 as compared to the corresponding period in 2019 while the seasonally adjusted unemployment rate surged from approximately 4.2% in the first quarter of 2020 to approximately 6.2% in the second quarter of 2020, which is the highest rate in more than 15 years. Under the unprecedented challenges imposed by the pandemic, the cautious market sentiment would undoubtedly cast a shadow on Hong Kong’s stock market and be a stumbling block to the growth of the industry.

Having considered (i) the fluctuations in the average daily turnover value on the Stock Exchange; (ii) the market share of a Category C Exchange Participant (as which PFSL is categorised) in term of the total turnover value of securities trading on the Stock Exchange demonstrated a downward trend in the past few years; (iii) the continuous decline in the total amount of equity funds raised on the Stock Exchange; and (iv) the unforeseeable uncertainties that COVID-19 may bring to the global economy and Hong Kong’s stock market, we are of the view that the prospects and future performance of the Group remains uncertain.

2. Principal terms of the Offer

West Bull Securities, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share..... HK\$0.0812 in cash

The Offer Price of HK\$0.0812 per Offer Share equals to the purchase price per Sale Share (i.e. HK\$0.08 per Sale Share) to be paid by the Offeror under the Sale and Purchase Agreement and having taken into account the waived Interest on a per Share basis (i.e. HK\$0.0012 per Share).

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto, including all rights to any dividends or other distributions declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

The Offer is unconditional in all respects when it is made and will not be conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

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The Offer Price of HK\$0.0812 per Offer Share represents:

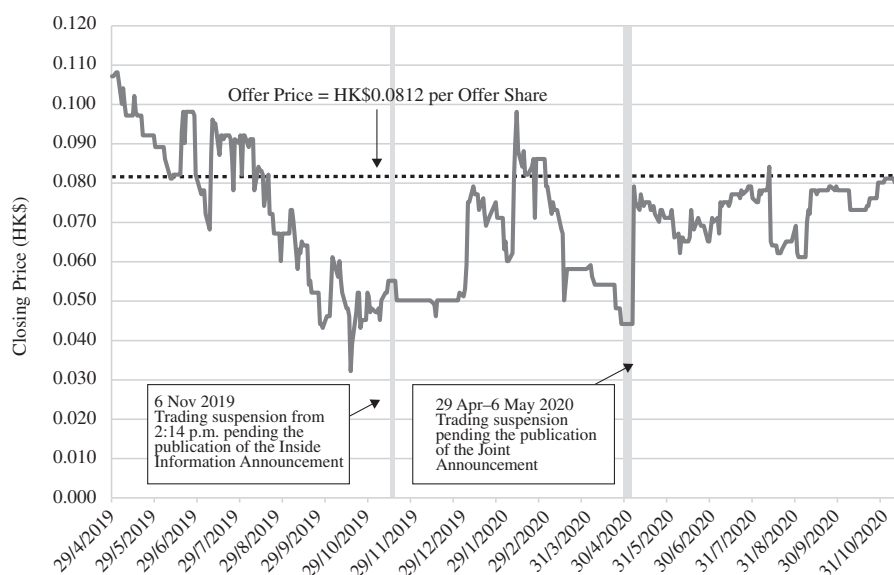
- (i) a premium of approximately 84.55% over the closing price of HK\$0.044 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 63.71% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$0.0496 per Share (the “**5-day Average Price**”);
- (iii) a premium of approximately 56.76% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.0518 per Share (the “**10-day Average Price**”);
- (iv) a premium of approximately 45.52% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0558 per Share (the “**30-day Average Price**”);
- (v) a discount of approximately 33.50% to the audited consolidated net asset value attributable to the Shareholders (the “**NAV**”) of approximately HK\$0.1221 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 31 March 2020, the date to which the latest audited consolidated financial results of the Group were made up;
- (vi) a discount of approximately 13.39% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0938 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 30 September 2020; and
- (vii) a premium of approximately 2.78% over the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A. Historical price performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 29 April 2019, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”), which we consider to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares:

Chart 4: Share price performance during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Trading in the Shares was halted with effect from 2:14 p.m. on 6 November 2019 at the request of the Company pending the issue and publication of an inside information announcement (the “**Inside Information Announcement**”), and was resumed on 7 November 2019.
2. Trading in the Shares was suspended from 29 April 2020 to 6 May 2020 pending the publication of the Joint Announcement.

As illustrated in Chart 4 above, during the Review Period, the closing price of the Shares ranged from the lowest closing price of HK\$0.032 per Share as recorded on 17 October 2019 to the highest closing price of HK\$0.108 per Share as recorded on 2 May 2019 and 3 May 2019, with an average price of approximately HK\$0.071 per Share. The Offer Price represents (i) a premium of approximately 153.8% over the lowest closing price of the Shares; (ii) a discount of approximately 24.8% to the highest closing price of the Shares; and (iii) a premium of approximately 14.9% over the average closing price of the Shares during the Review Period, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the period from 29 April 2019 to 17 October 2019, the closing price of the Shares exhibited a downward trend which declined from the highest point of HK\$0.108 per Share on 2 May 2019 and 3 May 2019 to the lowest point of HK\$0.032 on 17 October 2019. We have discussed with the Management regarding the downward trend of the Share price and were advised that save for (i) the profit warning announcement of the Company published on 6 June 2019; (ii) the annual results announcement of the Company for FY2018/19 published on 21 June 2019; (iii) the profit warning announcement of the Company published on 26 July 2019; and (iv) the first quarterly results announcement of the Company for the three months ended 30 June 2019 published on 8 August 2019, they are not aware of other particular reason that led to the decline in the price of the Shares.

After reaching the lowest point, the closing price of the Shares increased to HK\$0.048 per Share on 6 November 2019. At the request of the Company, trading in the Shares was suspended from 2:14 p.m. on 6 November 2019 pending the publication of the Inside Information Announcement regarding the execution of a search warrant by officers of the Independent Commission Against Corruption (“**ICAC**”) at the Company’s head office in Hong Kong (the “**ICAC Search**”). Trading in the Shares was resumed on 7 November 2019. The closing price of the Shares then remained relatively stable until it rebounded from HK\$0.062 per Share on 10 February 2020 to a relatively high level at HK\$0.098 per Share on 13 February 2020. We discussed with the Management regarding the surge of the share price and were advised that save for the third quarterly results announcement of the Company for the nine months ended 31 December 2019 published on 7 February 2020, they are not aware of other particular reason that led to the surge in the price of the Shares. Subsequently, the closing price of the Shares declined to HK\$0.044 per Share on the Last Trading Day (i.e. 28 April 2020). We have discussed with the Management regarding the fluctuation of the share price, they are not aware of any particular reason that led to the fluctuation of the price of the Shares.

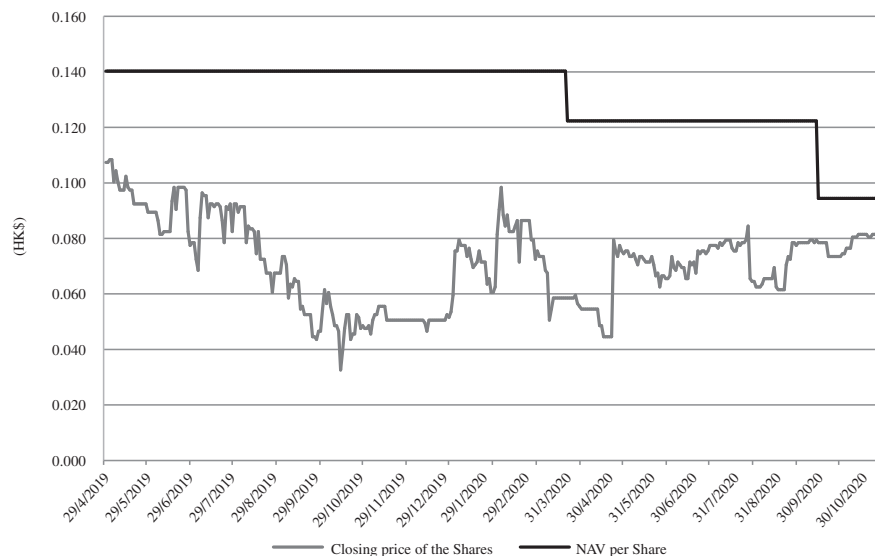
At the request of the Company, trading in the Shares was suspended from 29 April 2020 to 6 May 2020 pending the publication of the Joint Announcement. Following the resumption of trading, the closing price of the Shares increased by approximately 79.5% to HK\$0.079 per Share on 7 May 2020 (being the first trading day after the publication of the Joint Announcement) as compared to that of HK\$0.044 per Share on the Last Trading Day. We consider that such rise in the closing price of the Shares may be associated with the Offer as the Offer Price of HK\$0.0812 per Offer Share represents a premium of approximately 84.55% over the closing price of the Shares on the Last Trading Day. The closing price of the Shares then fluctuated within the range of HK\$0.061 per Share to HK\$0.084 per Share during the period commencing from 7 May 2020 to the Latest Practicable Date (the “**Post-announcement Period**”). We noted that the closing price of the Shares traded within a relatively small range throughout the Post-announcement Period and traded over the Offer Price on 12 August 2020. We have enquired with the Management and were advised that save for the potential effect from the Offer, they are not aware of other particular reason that led to the change in the price of the Shares (particularly, the trading of Shares above the Offer Price on 12 August 2020). As at the Latest Practicable Date, the price of the Shares was closed at HK\$0.079 per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the ICAC Search, we have further enquired with the Management and were given to understand that the Company was only asked for providing assistance in an investigation conducted by ICAC. Save for the ICAC Search conducted on 6 November 2019, ICAC did not conduct any follow-up search and/or action since the date of the ICAC Search and up to the Latest Practicable Date. The Management is of the view that the ICAC Search did not have any material adverse impact on the operation and financial position of the Group. However, given the Company has not been formally informed by ICAC that the relevant investigation has been completed and no further action will be taken by ICAC against the Group, we consider that it remains uncertain as to whether any follow-up search and/or action will be taken by ICAC in future, and that the follow-up search and/or action to be taken, if any, might bring negative impact on the operation and financial performance of the Group in future.

In addition, we noted that the Offer Price represents a discount of approximately 33.50% to the NAV per Share as at 31 March 2020 and a discount of approximately 13.39% to the NAV per Share as at 30 September 2020. The following chart depicts the closing price of the Shares and the NAV per Share during the Review Period:

Chart 5: Closing price of the Share versus NAV per Share during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: The NAV per Share is calculated by dividing the equity attributable to owners of the Company as extracted from the then latest published financial reports of the Company by the total number of issued Shares as at the relevant date.

Having considered that the Shares were traded at a discount with a range of approximately 13.60% to approximately 77.14% to the NAV per Share throughout the Review Period. Such persistent discount throughout the Review Period indicates that the NAV per Share was unable to reflect true value of the Company while the current market price reflects the fair value of the Company and trading price acceptable by the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Offer Price and that the discount of the Offer Price to the NAV per Share is justifiable.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date.

B. Historical trading volume of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Table 2: Trading volume of the Shares during the Review Period

| Month/period | Total trading volume <i>(No. of Shares)</i> | No. of trading days | Average daily trading volume <i>(No. of Shares)</i> | Percentage of the average daily trading volume to the total number of issued Shares <i>(Note 3)</i> | Percentage of the average daily trading volume to the number of issued Shares held by public Shareholders <i>(Note 4)</i> |
|--|---|------------------------|--|--|---|
| April 2019 (From 29 April 2019) | 1,540,000 | 2 | 770,000 | 0.039% | 0.154% |
| May 2019 | 21,840,000 | 21 | 1,040,000 | 0.052% | 0.208% |
| June 2019 | 9,020,000 | 19 | 474,737 | 0.024% | 0.095% |
| July 2019 | 33,060,000 | 22 | 1,502,727 | 0.075% | 0.301% |
| August 2019 | 26,170,000 | 22 | 1,189,545 | 0.059% | 0.238% |
| September 2019 | 54,327,000 | 21 | 2,587,000 | 0.129% | 0.518% |
| October 2019 | 69,360,000 | 21 | 3,302,857 | 0.165% | 0.661% |
| November 2019 <i>(Note 1)</i> | 8,640,000 | 21 | 411,429 | 0.021% | 0.082% |
| December 2019 | 4,840,000 | 20 | 242,000 | 0.012% | 0.048% |
| January 2020 | 52,500,000 | 20 | 2,625,000 | 0.131% | 0.525% |
| February 2020 | 24,720,000 | 20 | 1,236,000 | 0.062% | 0.247% |
| March 2020 | 10,520,000 | 22 | 478,182 | 0.024% | 0.096% |
| April 2020 <i>(Note 2)</i> | 2,640,000 | 18 | 146,667 | 0.007% | 0.029% |
| May 2020 <i>(Note 2)</i> | 48,500,000 | 17 | 2,852,941 | 0.143% | 0.571% |
| June 2020 | 13,180,000 | 21 | 627,619 | 0.031% | 0.126% |
| July 2020 | 28,970,000 | 22 | 1,316,818 | 0.066% | 0.264% |
| August 2020 | 17,640,000 | 21 | 840,000 | 0.042% | 0.168% |
| September 2020 | 41,640,000 | 22 | 1,892,727 | 0.095% | 0.379% |
| October 2020 | 33,320,000 | 18 | 1,851,111 | 0.093% | 0.370% |
| November 2020 <i>(up to the Latest Practicable Date)</i> | 32,360,000 | 12 | 2,696,667 | 0.135% | 0.540% |

Source: the website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. Trading in the Shares was suspended from 2:14 p.m. on 6 November 2019 pending the publication of the Inside Information Announcement and was resumed on 7 November 2019.
2. Trading in the Shares was suspended from 29 April 2020 to 6 May 2020 pending the publication of the Joint Announcement.
3. The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Latest Practicable Date (i.e. 2,000,000,000 Shares).
4. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by public Shareholders as at the Latest Practicable Date (i.e. 499,640,000 Shares).

As illustrated in Table 2 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 146,667 Shares to approximately 3,302,857 Shares, representing approximately 0.007% to approximately 0.165% of the total number of issued Shares as at the Latest Practicable Date, or approximately 0.029% to approximately 0.661% of the total number of issued Shares held by public Shareholders as at the Latest Practicable Date.

During the period from 29 April 2019 until the publication of the Joint Announcement (the “**Pre-announcement Period**”), we noted that the average daily trading volume of the Shares in September 2019, October 2019 and January 2020 was relatively high. We have discussed with the Management regarding the relatively high trading volume of the Shares and were advised that save for the profit warning announcements of the Company published on 28 October 2019 and 24 January 2020, they are not aware of other particular reason that led to the relatively high trading volume of the Shares.

Save for the particularly high daily trading volume of the Shares in September 2019, October 2019 and January 2020 as discussed above, the average daily trading volume of the Shares was relatively thin during the Pre-announcement Period. On 7 May 2020 (being the first trading day after the publication of the Joint Announcement), the trading volume of the Shares surged to approximately 19.4 million and the average daily trading volumes increased from approximately 1.3 million Shares during the Pre-announcement Period to approximately 2.9 million Shares during the period from 7 May 2020 to 31 May 2020. We believe that the increase in trading volume of the Shares during the period from 7 May 2020 to 31 May 2020 was likely to be due to the market reaction to the announcement of the Offer. The average daily trading volume of the Shares then resumed to the relatively thin level of approximately 1.3 million Shares during the period from 1 June 2020 and up to 31 October 2020.

We noted that the average daily trading volume of the Shares from 1 November 2020 and up to the Latest Practicable Date increased to a relatively high level of approximately 2.7 million. We have discussed with the Management regarding the relatively high trading volume of the Shares and were advised that save for (i) the profit warning announcement of the Company published on 4 November 2020; and (ii) the interim results announcement of the Company for 1H2020/21 published on 13 November 2020, they are not aware of other particular reason that led to the relatively high trading volume of the Shares in the said period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Therefore, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to.

C. Comparison with other comparable companies

In assessing the fairness and reasonableness of the Offer Price, we attempted to compare the Offer Price against the market valuation of other comparable companies using the price-to-earnings ratio (“**PE ratio**”), the price-to-book ratio (“**PB ratio**”) and the enterprise value to earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) ratio (“**EV/EBITDA ratio**”), which are commonly used valuation multiples. However, since the Company recorded a loss attributable to owners of the Company of approximately HK\$6.2 million and negative EBITDA of approximately HK\$2.1 million in FY2019/20, the assessment of the fairness and reasonableness of the Offer Price by using the implied PE ratio and EV/EBITDA ratio are infeasible. We consider the PB ratio to be an appropriate indicator of the fair values of the comparable companies as the PB ratio is commonly used in valuation of capital intensive businesses, including financial companies with a significant amount of financial assets in the books and accounts.

Given that (i) over 75% of the Group’s revenue for FY2019/20 was generated from securities dealing and brokerage services, placing and underwriting services, margin financing services and asset management services (the “**Relevant Business**”) in Hong Kong; and (ii) the market capitalization of the Company was HK\$158 million as at the Latest Practicable Date, we identified companies listed on the Stock Exchange based on the criteria that (i) over 75% of the revenue for the latest full financial year was generated from the Relevant Business in Hong Kong; and (ii) market capitalization of which is less than HK\$500 million as at the Latest Practicable Date. We have identified an exhaustive list of 5 companies (the “**Comparable Companies**”) which met our above-mentioned selection criteria.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3: Details of the Comparable Companies

| Company name (Stock code) | Principal activities | Market capitalization as at the Latest Practicable Date <i>(HK\$'000)</i> | Net assets attributable to equity holders based on the latest published financial statements prior to the Latest Practicable Date <i>(Note 1)</i> <i>(HK\$'000)</i> | PB ratio <i>(times)</i> |
|--|--|---|---|----------------------------|
| Cinda International Holdings Limited (111) | Engaged in the provision of financial services | 250,070 | 910,054 | 0.27 |
| Pinestone Capital Limited (804) | Engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services | 360,951 | 219,151 | 1.65 <i>(Note 2)</i> |
| Fu Shek Financial Holdings Limited (2263) | Engaged in the provision of securities dealing and brokerage services, placing and underwriting services, securities margin financing services and investment advisory services in Hong Kong | 149,000 | 316,466 | 0.47 |
| Astrum Financial Holdings Limited (8333) | Engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services | 90,400 | 179,133 | 0.50 |

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| Company name (Stock code) | Principal activities | Market capitalization as at the Latest Practicable Date <i>(HK\$'000)</i> | Net assets attributable to equity holders based on the latest published financial statements prior to the Latest Practicable Date <i>(Note 1)</i> <i>(HK\$'000)</i> | PB ratio <i>(times)</i> |
|---|--|---|---|----------------------------|
| Victory Securities (Holdings) Company Limited (8540) | Engaged in the provision of a wide range of securities broking and related financial services to clients including (i) securities, futures broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) assets management services; (iv) financial advisory services; and (v) insurance consultancy services | 264,055 | 210,418 | 1.25 |
| | | | Maximum: 1.65 Minimum: 0.27 Average: 0.83 Median: 0.50 Standard Deviation: 0.59 | |
| | | | Excluding outlier <i>(Note 2)</i> Maximum: 1.25 Minimum: 0.27 Average: 0.63 Median: 0.49 | |
| The Company | | 162,400 <i>(Note 3)</i> | 187,500 | 0.87 |

Sources: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies

Notes:

1. Based on the figures of the respective Comparable Companies as published in the latest published annual reports or interim reports.
2. We note that the PB ratio of Pinestone Capital Limited (stock code: 804) (“**Pinestone Capital**”) exceeds one standard deviation from the average of those of Comparable Companies. We have reviewed the closing price of the shares of Pinestone Capital (the “**PS Shares**”) and noted that the closing price of the PS Shares decreased significantly from HK\$0.177 on 21 September 2020

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to HK\$0.090 on 25 September 2020 and fluctuated within a relatively narrow range of HK\$0.080 to HK\$0.102 from 28 September 2020 to the Latest Practicable Date. In view of the significant decrease in the closing price of the PS Shares within a short period of time in late September 2020, we consider that the prevailing market price of the PS Shares may not reflect the true value of Pinestone Capital, and accordingly, the PB ratio of Pinestone Capital might be distorted. We consider that the PB ratio of Pinestone Capital is an outlier and was excluded from our analysis for the PB ratios represented by the Comparable Companies.

3. The market capitalization of the Company is calculated based on the Offer Price and the number of issued Shares (i.e. 2,000,000,000 Shares) as at the Latest Practicable Date.

As set out in Table 3 above, the PB ratios of the Comparable Companies (excluding outlier) ranged from approximately 0.27 times to approximately 1.25 times with an average of approximately 0.63 times and a median of approximately 0.49 times. The PB ratio of the Company implied by the Offer Price of approximately 0.87 times is within the range and higher than the average and median of the PB ratios of the Comparable Companies (excluding outlier).

D. Conclusion

Having considered the factors set out in the above paragraphs, in particular:

- (i) the Offer Price represents (a) a premium of approximately 2.78% over the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (b) a significant premium (i.e. over 45%) over the closing price of the Shares on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price;
- (ii) the PB ratio of the Company implied by the Offer Price of approximately 0.87 times is within the range and higher than the average and median of the PB ratios of the Comparable Companies (excluding outlier);
- (iii) save for the particularly high average daily trading volume of the Shares in October 2019, November 2019, January 2020, May 2020 and November 2020, the trading volume of Shares was low during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price; and
- (iv) there are uncertainties in the future performance of the Group as discussed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group”,

we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Information on the Offeror and the intention of the Offeror in relation to the Group

A. Information on the Offeror

As stated in the “Letter from West Bull Securities” contained in the Composite Document, the Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror is beneficially owned as to 70% by Ms. Hsieh and as to 30% by Mr. Fok. Ms. Hsieh is the spouse of Mr. Fok. Both Ms. Hsieh and Mr. Fok are the directors of the Offeror.

Both Ms. Hsieh and Mr. Fok have been engaging in the wholesale trading and distribution of telecommunications electronic products for over 20 years. Both Ms. Hsieh and Mr. Fok do not have experience in similar business of the Group.

B. Intention of the Offeror on the Group

As stated in the “Letter from West Bull Securities” contained in the Composite Document, following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a detailed review on the financial position and the operations of the Company for the purpose of formulating long-term business plans and strategies of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any asset disposal, asset acquisition, business rationalization, business divestment, fund-raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules. As at the Latest Practicable Date, the Offeror had not identified any such investment or business opportunities and did not have any intention, understanding, negotiation or arrangement in relation to (i) the downsize, cessation or disposal of the existing business of the Group; and (ii) the acquisition of any assets or business into the Group.

As at the Latest Practicable Date, the Offeror had no intention to (i) discontinue the employment of any employees of the Group (save for the proposed changes to the Board, details of which are disclosed in the paragraph headed “Proposed changes to the Board” below); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

Having considered the facts that (i) the Offeror had not laid down any detailed business plan of the Group as at the Latest Practicable Date; and (ii) the prospect for the securities industry in Hong Kong, in which the Group is engaged, will remain challenging (please refer to our analysis as disclosed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group” above for further details), we are of the opinion that there remains uncertain in the future performance of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. Proposed Changes to the Board

As stated in the “Letter from West Bull Securities” contained in the Composite Document, as at the Latest Practicable Date, the Board comprised six Directors, namely Mr. B Lo and Mr. C Lo as executive Directors, Mr. Khoo Ken Wee as non-executive Director and Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew as independent non-executive Directors.

As at the Latest Practicable Date, (i) the Offeror intended to nominate Ms. Hsieh and Mr. Fok as the new Directors to the Board with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code; (ii) both Mr. B Lo and Mr. C Lo intended to resign from their roles as Directors, chairman and chief executive officer of the Company with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code; and (iii) the non-executive Director and all of the independent non-executive Directors had also indicated that they intend to resign from their roles as Directors with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code. Save as disclosed herein, the Offeror had not finalised its decisions and further changes may be proposed by the Offeror as to whom would be nominated to the final composition of the Board.

As advised by the Company and the Offeror, a candidate has been identified by the Offeror who had submitted his application to the SFC to obtain the relevant approval as a responsible officer of PFSL (the “**Proposed New RO-A**”). Such candidate has over 24 years of experience in the financial services industry and is a CFA Charterholder. In addition, the SFC approved the application by a representative of PFSL, who joined PFSL in August 2020 and has over 20 years of experience in the financial services industry, to act as a responsible officer of PFSL (the “**New RO-B**”, and together with the Proposed New RO-A, the “**New ROs**”), effective on 10 November 2020. Once the Proposed New RO-A is approved by the SFC, Mr. B Lo intends to resign from his current roles as director and responsible officer in PFSL and Mr. C Lo intends to resign from his current role as director in PFSL. Save for Mr. B Lo, the Offeror intends to retain all four existing responsible officers of PFSL (including the New RO-B) to continue to carry out the existing businesses of PFSL. We have enquired the Management regarding the Group’s future management and operation and were given to understand that the placing and underwriting engagements (one of the major sources of income of the Group in the past few years) were mainly sourced by Mr. B Lo through his personal connections. The Management is of the view that the New ROs could fill up the current roles of Mr. B Lo and Mr. C Lo as they possess extensive experience in the financial services industry.

Notwithstanding that the New ROs possess extensive experience in the financial services industry, having considered the fact that (i) the placing and underwriting engagements (one of the Group’s major sources of income in the past few years) were mainly sourced by Mr. B Lo (who intends to resign from his current roles as director and responsible officer of PFSL) through his personal connections; (ii) the ability of the New ROs in deal sourcing in the placing and underwriting segment is uncertain; (iii) both Ms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hsieh and Mr. Fok have no experience in running similar business of the Group and will not introduce any major changes to the existing operations and business of the Group, we are of the view that the future performance of the Group is uncertain.

As at the Latest Practicable Date, the Offeror is in the process of identifying suitable candidates and further announcement(s) will be made by the Company in compliance with the requirements of the Takeovers Code and the GEM Listing Rules as and when there are changes in the composition of the Board.

D. Maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

As stated in the “Letter from West Bull Securities” contained in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The directors of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Immediately after Completion, the Offeror and parties acting in concert with it will be interested in 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company. Accordingly, the minimum public float requirement of 25% as set out in Rule 11.23(7) of the GEM Listing Rules is not satisfied (i.e. at 24.98%). The Company has applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules from the Completion Date to 31 December 2020.

It should also be noted that following the close of the Offer, the public float for the Shares may further be reduced from 24.98%. In order to satisfy the public float requirement under the GEM Listing Rules, the Offeror will enter into a placing agreement before the close of the Offer to appoint PFSL as the placing agent to place (i) a minimum of 360,000 Shares, representing approximately 0.02% of the total issued share capital of the Company as at the Latest Practicable Date, owned by the Offeror and/or parties acting in concert with it; and (ii) all the Offer Shares validly tendered for acceptance under the Offer, following the close of the Offer. These Shares will be placed to independent third parties who are (a) not the Shareholders and not connected with the Company, the Directors, the chief executive, any substantial Shareholders or any of their respective subsidiaries or any of their respective associates; and (b) not connected with and not acting in concert with the Offeror or parties acting in concert with it following the close of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Taking into consideration the above-mentioned principal factors and reasons, in particular the following:

- (i) the downward trend of the financial performance of the Group in the past few years (particularly, the turnaround from net profit position in FY2018/19 to net loss position in FY2019/20) as discussed in the paragraph headed “B. Financial information of the Group” under the section headed “1. Business, financial performance and prospects of the Group” above;
- (ii) there is no guarantee that the Company will continue to pay dividends in future and/or maintain the level of dividend payout as discussed in the paragraph headed “B. Financial information of the Group — (v) Dividend payout” under the section headed “1. Business, financial performance and prospects of the Group”;
- (iii) there are uncertainties in the future performance of the Group as discussed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group”;
- (iv) the Offer Price represents (a) a premium of approximately 2.78% over the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (b) a significant premium (i.e. over 45%) over the closing price of the Shares on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price;
- (v) the PB ratio of the Company implied by the Offer Price of approximately 0.87 times is within the range and higher than the average and median of PB ratios of the Comparable Companies (excluding outlier); and
- (vi) save for the particularly high average daily trading volume of the Shares in October 2019, November 2019, January 2020, May 2020 and November 2020, the trading volume of Shares was low during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price.

We consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Offer are strongly reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer after having regard to the market price and the liquidity of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For those Independent Shareholders who are attracted by and confident in the future prospects of the Group, given the background and future intention of the Offeror as detailed in the “Letter from West Bull Securities” contained in the Composite Document and notwithstanding that no detailed business plan has been laid down by the Offeror, they may consider to retain their Shares in full or in part. We would like to remind the Independent Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Offer, they should carefully consider the potential difficulties they may encounter in disposing of their investments in the Shares at the Offer Price after the close of the Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period. The Independent Shareholders are strongly advised that the decision to realise or to continue to hold their investments in the Shares is subject to individual circumstances and investment objectives.

The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer, details of which are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Alfred Wong**
Managing Director *Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Mr. Alfred Wong is a licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in the corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong in an envelope marked “PF Group Holdings Limited — Offer” to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received

by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Share(s), the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to West Bull Securities Limited and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar together with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant document(s) as required under this paragraph have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Share(s); or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which are not taken into account under another subparagraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller's Hong Kong ad valorem stamp duty payable by the relevant Independent Shareholders in connection with the acceptance of the Offer at the rate of 0.1% of (i) the market value of the Offer Shares subject to such acceptance; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is unconditional in all respects.
- (b) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offer, at least fourteen (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. ANNOUNCEMENTS

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

Such announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired by the Offeror or parties acting in concert with it during the Offer Period.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold. The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required by the Takeovers Code and the GEM Listing Rules, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the GEM website (www.hkgem.com) and the website of Company (www.pfs.com.hk) and made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules, where appropriate.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their respective behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “3. Announcements” in this Appendix, pursuant to Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met.

In such case, when the Independent Shareholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares lodged with the Form(s) of Acceptance to the relevant Independent Shareholders at their own risk.

6. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Offer Shares tendered under the Offer (less seller's Hong Kong ad valorem stamp duty payable by him/her/it) will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save in respect of the payment of seller's Hong Kong ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

7. OVERSEAS SHAREHOLDERS

The making of the Offer to any Overseas Shareholders may be prohibited or affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and legal and regulatory requirements, and the payment of any issue, transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and the beneficial owners of any Overseas Shareholders of the Offer will be deemed to constitute a representation and a warranty from such Overseas Shareholders to the Offeror that all applicable local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws and requirements. Overseas Shareholders should consult their own professional advisers if in doubt. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

8. HONG KONG STAMP DUTY AND TAX IMPLICATIONS

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those Independent Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, West Bull Securities, Veda Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

9. GENERAL

- (a) All communications, notices, Forms of Acceptance, certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror and parties acting in concert with it, the Company, West Bull Securities, Veda Capital, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person or persons to the Offeror and West Bull Securities that the Offer Shares tendered under the Offer (together with all rights attaching to them as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid by the Company on or after the date on which the Offer is made, i.e. the date of this Composite Document) are sold by such person or persons free from all Encumbrances, rights of pre-emption and any other third party rights of any nature.

- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror and West Bull Securities that the number of Offer Shares in respect of which it has indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (e) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (f) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (g) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (h) Due execution of the Form of Acceptance will constitute an irrevocable instruction and authority to the Offeror and/or West Bull Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person has accepted the Offer including, but not limited to the insertion of a date in the Form of Acceptance where the Form of Acceptance is undated.
- (i) Due execution of the Form of Acceptance will constitute an appointment of the Offeror and/or West Bull Securities by the person accepting the Offer as his/her/its attorney in respect of all the Share(s) to which the Form of Acceptance relates, such power of attorney shall take effect from the date thereof and thereafter be irrevocable.
- (j) The Offer is made in accordance with the Takeovers Code.
- (k) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror or West Bull Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

- (l) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the accompanying Form of Acceptance shall not be construed as any legal or business advice given by the Offeror and parties acting in concert with it, West Bull Securities, Veda Capital, the Company, Astrum Capital, the Registrar, or their respective ultimate beneficial owners, directors, officers, agents, professional advisers or associates or any other persons involved in the offer. The Independent Shareholders should consult their own professional advisers for professional advice.
- (m) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.
- (n) References to the Offer in this Composite Document and the accompanying Form of Acceptance shall include any extension and/or revision thereof.
- (o) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 March 2018, 2019 and 2020 and the unaudited condensed consolidated financial results of the Group for the six months ended 30 September 2020, which are extracted from the annual reports of the Company for the three years ended 31 March 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 September 2020 (the “2020 Interim Report”).

Results summary

| | For the year ended 31 March | | | For the six months ended 30 September | |
|--|-----------------------------|-----------|-----------|---------------------------------------|-------------|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (audited) | (audited) | (audited) | (unaudited) | (unaudited) |
| Revenue | | | | | |
| Commission income from securities dealing and brokerage services | 9,934 | 6,800 | 6,956 | 3,102 | 4,572 |
| Fee and commission income from placing and underwriting activities | 60,101 | 49,028 | 10,986 | 10,413 | 363 |
| Interest income from margin and loan financing | 6,536 | 6,462 | 8,506 | 3,269 | 4,092 |
| Fee income from asset management services | 1,638 | 1,446 | 662 | 639 | 907 |
| Others | 4,836 | 3,860 | 3,795 | 1,843 | 1,000 |
| Total revenue | 83,045 | 67,596 | 30,905 | 19,266 | 10,934 |
| Bank interest income | 22 | 77 | 346 | 152 | 256 |
| Other gains and losses | 1,744 | 717 | 739 | 231 | 1,401 |
| Commission expenses | 84,811 | 68,390 | 31,990 | 19,649 | 12,591 |
| Depreciation expenses for property and equipment | (8,620) | (14,323) | (8,717) | (6,721) | (1,332) |
| Depreciation expenses for right-of-use assets | (254) | (270) | (251) | (125) | (110) |
| Staff costs | — | — | (3,545) | (1,176) | (2,363) |
| Other operating expenses | (18,548) | (12,134) | (15,023) | (6,044) | (10,447) |
| Finance costs | (15,150) | (15,112) | (10,396) | (5,763) | (4,877) |
| Finance costs | — | (12) | (274) | (134) | (87) |
| Profit/(loss) before tax | 42,239 | 26,539 | (6,216) | (314) | (6,625) |
| Income tax expense | (7,133) | (4,511) | — | (76) | — |
| Profit/(loss) for the year/period attributable to | | | | | |
| Owners of the Company | 35,106 | 22,028 | (6,216) | (390) | (6,625) |
| Non-controlling interests | — | — | — | — | — |

| | For the year ended 31 March | | | For the six months ended 30 September | |
|--|-----------------------------|-----------|-----------|---------------------------------------|-------------|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (audited) | (audited) | (audited) | (unaudited) | (unaudited) |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Fair value loss on financial assets measured at fair value through other comprehensive income | — | — | (47) | — | (27) |
| Other comprehensive loss for the year/period | — | — | (47) | — | (27) |
| Total comprehensive income/(loss) for the year/period attributable to Owners of the Company | 35,106 | 22,028 | (6,263) | (390) | (6,652) |
| Non-controlling interests | — | — | — | — | — |
| Basic and diluted earning/(loss) per share attributable to owners of the Company (HK cents) | 1.76 | 1.10 | (0.31) | (0.02) | (0.33) |

Note:

Dividends

The special dividend in respect of the year ended 31 March 2020 of HK\$0.015 cents (2019: HK\$nil) per ordinary share, in aggregate amount of HK\$30,000,000 (2019: HK\$nil) has been declared and paid to the ordinary shareholders of the Company on 12 February 2020.

The final dividend for the year ended 31 March 2020 of HK\$0.025 (2019: HK\$nil) per ordinary share, in aggregate amount of HK\$50,000,000 (2019: HK\$nil) has been declared by the approval of the Company's shareholders at the annual general meeting of the Company on 10 August 2020 and paid to the ordinary shareholders of the Company on 28 August 2020.

Save for the increase in loss attributable to the owners of the Company for the six months ended 30 September 2020 as disclosed in paragraph 3 headed "Material change" in this Appendix, the Group did not have any item of any income or expense which was material during the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020.

The auditor of the Company, HLB Hodgson Impey Cheng Limited, did not issue any modified opinion, emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the two years ended 31 March 2019 and 2020. The auditor of the Company, Deloitte Touche Tohmatsu, did not issue any modified opinion, emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the year ended 31 March 2018.

2. FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer in this Composite Document the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and any other primary statements as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Financial Statements**”); and (ii) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 (the “**2020 Interim Financial Statements**”), together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out from page 51 to page 111 in the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”) which was published on 30 June 2020. The 2020 Annual Report was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pfs.com.hk), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063002702.pdf>

http://www.pfs.com.hk/new/file.php?_file=report/14/pdf_1/5efb5260bd723.pdf

The 2020 Interim Financial Statements are set out from page 2 to page 22 in the 2020 Interim Report which was published on 13 November 2020. The 2020 Interim Report was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pfs.com.hk), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1113/2020111301730.pdf>

http://www.pfs.com.hk/new/file.php?_file=report/17/pdf_1/5faea86905761.pdf

The 2020 Financial Statements and the 2020 Interim Financial Statements are incorporated by reference into this Composite Document and form part of this Composite Document. For details of the significant accounting policies (and accompanying notes) which are of major relevance for the interpretation of the 2020 Financial Statements and the 2020 Interim Financial Statements, please refer to paragraph headed “4. Significant accounting policies” in this Appendix.

3. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group for the period commencing since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

As disclosed in the interim report of the Company for 1H2020/21, the Group recorded loss attributable to owners of the Company of approximately HK\$6.6 million for 1H2020/21, representing a drastic increase of approximately 16.0 times as compared to the loss of approximately HK\$0.4 million for the six months ended 30 September 2019 (“1H2019/20”). Such deterioration was primarily attributable to (i) the increase in Directors’ salaries and bonus of approximately HK\$4.7 million; and (ii) the decrease in total revenue of approximately HK\$8.3 million, which was partially offset by the absence of commission paid to sub-placing agents and sub-underwriters (1H2019/20: approximately HK\$5.0 million).

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies (and accompanying notes) which are of major relevance for the interpretation of the financial statements of the Group for the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020 are set out in the following documents issued by the Company:

- (a) the annual report of the Company for the year ended 31 March 2018 published on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0628/gln20180628175.pdf>) from pages 64 to 71;
- (b) the annual report of the Company for the year ended 31 March 2019 published on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0627/gln20190627285.pdf>) from pages 66 to 81;
- (c) the 2020 Annual Report published on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063002702.pdf>) from pages 60 to 76; and
- (d) the 2020 Interim Report published on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1113/2020111301730.pdf>) from pages 6 to 8.

There was no change in the Group’s accounting policy during the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

5. INDEBTEDNESS

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, details of the Group's indebtedness are as follows:

Statement of indebtedness

Lease liabilities

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 30 September 2020, the Group had lease liabilities of approximately HK\$3,631,000 which were secured by rental deposits and unguaranteed.

Save as disclosed herein and apart from intra-group liabilities, normal trade and other payables in the ordinary course of business, the Group did not, as at the close of business on 30 September 2020, have any outstanding loan, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees, or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors, directors of PFSL and directors of the Vendor and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (a) the last day on which trading took place on the Stock Exchange in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

| Date | Closing price per Share (HK\$) |
|-------------------------|--------------------------------------|
| 29 November 2019 | 0.050 |
| 31 December 2019 | 0.050 |
| 31 January 2020 | 0.071 |
| 28 February 2020 | 0.086 |
| 31 March 2020 | 0.058 |
| 28 April 2020 | 0.044 |
| Last Trading Day | 0.044 |
| 29 May 2020 | 0.071 |
| 30 June 2020 | 0.065 |
| 31 July 2020 | 0.076 |
| 31 August 2020 | 0.069 |
| 30 September 2020 | 0.078 |
| 30 October 2020 | 0.080 |
| Latest Practicable Date | 0.079 |

During the Relevant Period:

- (i) the highest closing prices of the Shares as quoted on the Stock Exchange was HK\$0.098 on 13 February 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.044 per Share on 28 April 2020.

3. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

Save for the acquisition of the Sale Shares and 360,000 Shares acquired by parties acting in concert with the Offeror on 12 February 2020, none of the Offeror, its ultimate beneficial owners, nor parties acting in concert with any of them have dealt in any Shares, options, derivatives, warrants or other securities convertible into or carrying right to subscribe for Shares during the Relevant Period.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 1,500,360,000 Shares, representing approximately 75.02% of the total issued share capital of the Company. Save as disclosed above, as at the Latest Practicable Date, the Offeror and parties acting in concert with it do not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Save as disclosed above (the aggregate of 1,500,360,000 Shares), the Offeror confirms that, as at the Latest Practicable Date:

- (a) the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept or reject the Offer;
- (b) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them;
- (c) there are no conditions to which the Offer are subject;
- (d) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (e) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (f) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or its associates or any party acting in concert with the Offeror and any other person;
- (g) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (h) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them has borrowed or lent;

- (i) no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (j) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (k) there is no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror, Ms. Hsieh, Mr. Fok and/or parties acting in concert with any of them and any Directors, recent Directors, and Shareholders or recent Shareholders (including the Vendor and parties acting in concert with it) having any connection with or dependence upon the Sale and Purchase Agreement and/or the Offer;
- (l) save for the Sale Shares held by the Offeror, there is no shareholding in the Company in which the directors of the Offeror are interested;
- (m) other than the consideration under the Sale and Purchase Agreement, there is no other consideration, in whatever form, which has been or will be paid by the Offeror, Ms. Hsieh, Mr. Fok and/or parties acting in concert with any of them, their respective nominees and/or representatives to each of the Vendor, its ultimate beneficial owners and/or parties acting in concert with any of them, their respective nominees and/or representatives in connection with the Sale and Purchase Agreement or otherwise;
- (n) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or parties acting in concert with it on the one hand, and the Vendor or parties acting in concert with it on the other hand; and
- (o) there is no understanding, arrangement or agreement or special deal between any Shareholders (including the Vendor or parties acting in concert with it); and (a) the Offeror or parties acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

4. QUALIFICATION AND CONSENT OF EXPERTS

Table below sets out the names and the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

| Name | Qualification |
|-----------------------------|--|
| West Bull Securities | a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO |

Veda Capital a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the text of its letters, reports or opinions, as the case may be, and references to its name in the form and context in which they respectively appear.

5. MISCELLANEOUS

As at the Latest Practicable Date,

- (i) the Offeror is wholly and beneficially owned as to 70% by Ms. Hsieh and as to 30% by Mr. Fok and the correspondence address of Ms. Hsieh, Mr. Fok and the Offeror are at Rooms 803–806, 8/F., Millennium City 2, 378 Kwun Tong Road, Kowloon, Hong Kong;
- (ii) the registered office of West Bull Securities is at Unit 2008, 20/F, Sunlight Tower, 248 Queen’s Road East, Wan Chai, Hong Kong;
- (iii) the registered office of Veda Capital is at Suites 1001–02, 10/F., 299 QRC, 287–299 Queen’s Road Central, Hong Kong; and
- (iv) the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text thereof in the case of inconsistency.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<https://www.pfs.com.hk>); and (iii) at the principal place of business of the Company at 11/F, New World Tower, Tower II, 16-18 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from West Bull Securities, the text of which is set out in this Composite Document; and
- (iii) the written consents as referred to in the section headed “Qualification and Consent of Experts” in this appendix.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror or the directors of the Offeror or the parties acting in concert with the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

| | | |
|----------------------------------|-------------------------|-------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>8,000,000,000</u> | Shares of HK\$0.01 each | <u>80,000,000</u> |
| <i>Issued and fully paid up:</i> | | |
| <u>2,000,000,000</u> | Shares of HK\$0.01 each | <u>20,000,000</u> |

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares are listed on GEM and none of the securities of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

No Shares had been issued by the Company since 31 March 2020 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities in respect of the Shares which were issued by the Company.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executives' interests in securities

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the Shares, underlying shares, debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Takeovers Code, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code were as follows:

Long positions in the Shares

| Name of Shareholder | Capacity and nature of interests | Number of Shares | Percentage of the Company's total issued share capital as at the Latest Practicable Date |
|----------------------------|---|-------------------------|---|
| The Offeror | Beneficial owner | 1,500,000,000 | 75% |
| Ms. Hsieh (<i>Note</i>) | Interest of controlled corporation | 1,500,000,000 | 75% |
| Mr. Fok (<i>Note</i>) | Interest of controlled corporation | 1,500,000,000 | 75% |

Note: The Offeror is wholly and beneficially owned as to 70% by Ms. Hsieh and as to 30% by Mr. Fok. Accordingly, each of Ms. Hsieh and Mr. Fok is therefore deemed to be interested in all the Shares held by the Offeror by virtue of the SFO.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had any interests or short positions as Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

(c) Interests in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(d) Additional disclosure of interests in the Company and arrangements in connection with the Offer

As at the Latest Practicable Date, save as disclosed in paragraphs 3(a) to (b) above:

- (i) save for the Sale and Purchase Agreement entered into among the Vendor, the Warrantors, the Offeror and Mr. Fok, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;
- (ii) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;
- (iii) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (iv) the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (v) none of the subsidiary of the Company, the pension fund of the Group, or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

- (vi) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (vii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with Company and none of them had dealt for value in any relevant securities in the Company during the Relevant Period;
- (viii) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (ix) there was no understanding, arrangement, agreement or special deal between any Shareholder on one hand and the Company, its subsidiaries or associate companies on the other hand.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, saved as disclosed herein, the Company or any of its subsidiaries or associates had not entered into service contracts with the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months prior to the commencement of the Offer Period; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period:

| Name of Director | Former letters of appointment | | | Existing letters of appointment | | |
|---------------------|-----------------------------------|-----------------------------------|------------------------|-----------------------------------|-----------------------------------|------------------------|
| | Date of the letter of appointment | Term of the letter of appointment | Remuneration (Note) | Date of the letter of appointment | Term of the letter of appointment | Remuneration (Note) |
| Khoo Ken Wee | 2 January 2019 | 6 January 2019 to 5 January 2020 | HK\$12,000 per annum | 2 January 2020 | 6 January 2020 to 5 January 2021 | HK\$12,000 per annum |
| Ma Wai Hung Vincent | 2 January 2019 | 6 January 2019 to 5 January 2020 | HK\$120,000 per annum | 2 January 2020 | 6 January 2020 to 5 January 2021 | HK\$120,000 per annum |
| Mok Kwai Pui Bill | 2 January 2019 | 6 January 2019 to 5 January 2020 | HK\$120,000 per annum | 2 January 2020 | 6 January 2020 to 5 January 2021 | HK\$120,000 per annum |
| Ng Shu Bun Andrew | 2 January 2019 | 6 January 2019 to 5 January 2020 | HK\$120,000 per annum | 2 January 2020 | 6 January 2020 to 5 January 2021 | HK\$120,000 per annum |

Note: Each of the Directors has not received any variable remuneration payable under the letters of appointment.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation, arbitration or claims of material importance was pending or threatened by or against any members of the Group.

6. MATERIAL CONTRACTS

There was no material contract (not being contract entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) which had been entered into by the members of the Group within the two years immediately preceding the date of commencement of the Offer Period and up to the Latest Practicable Date.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been engaged by the Company and who has been named in this Composite Document or who has given its opinion or advice, which is contained in this Composite Document:

| Name | Qualification |
|----------------|--|
| Astrum Capital | A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee in respect of the Offer |

Astrum Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name and logo, in the form and context in which they respectively appear herein.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (www.sfc.hk); (ii) the website of the Company (www.pfs.com.hk); and (iii) at the principal place of business of the Company in Hong Kong at 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2018, 2019 and 2020;

- (c) the interim report of the Company for the six months ended 30 September 2020;
- (d) the letter from the Board, the text of which is set out on pages 15 to 22 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 53 of this Composite Document;
- (g) the written consent as referred to in the paragraph headed “7. Qualification and consent of expert” in this Appendix;
- (h) the letters of appointment referred to in the paragraph headed “4. Directors’ Service Contracts” in this Appendix; and
- (i) a copy of this Composite Document and the accompanying Form of Acceptance.

9. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the existing Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, there was no material contracts entered into by the Offeror in which any Director has a material personal interest.
- (d) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its head office and principal place of business in Hong Kong is 11/F, New World Tower, Tower II, 16–18 Queen’s Road Central, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (f) The principal place of business of the Independent Financial Adviser is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.
- (g) The English language text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese language text in case of any inconsistency.