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PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

TERMINATION OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Existing Lo's Group Connected Service Agreement entered into between PFSL, Mr. B Lo and Mr. C Lo on 7 December 2016, the particulars of which are set out in the Prospectus.

On 23 July 2018, PFSL, an indirect wholly-owned subsidiary of the Company, entered into the New Lo's Group Connected Service Agreement with Mr. B Lo and Mr. C Lo, pursuant to which (a) PFSL shall continue to provide the Services to Lo's Group in accordance with the terms thereunder; and (b) the Existing Lo's Group Connected Service Agreement shall be terminated. The New Lo's Group Connected Service Agreement is conditional upon approval of Independent Shareholders and shall, if approved at the EGM, commence on the Effective Date.

Each of Mr. B Lo and Mr. C Lo is an executive Director and controlling shareholder of the Company and therefore is a connected person of the Company. As such, the transaction contemplated by the New Lo's Group Connected Service Agreement constitutes continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios as defined in Rule 19.07 of the GEM Listing Rules are expected to exceed 5% and the total consideration calculated with reference to the proposed annual caps of the maximum outstanding amount of margin financing to be provided to the Lo's Group is expected to be more than HK\$10 million on an annual basis, the transaction contemplated under the New Lo's Group Connected Service Agreement will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Ng Shu Bun Andrew, Mr. Mok Kwai Pui Bill and Mr. Ma Wai Hung Vincent, has been formed to advise the Independent Shareholders in respect of the New Lo's Group Connected Service Agreement and the annual caps thereunder. China AF Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among others, further details of the New Lo's Group Connected Service Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM, will be despatched to the Shareholders as soon as practicable but no later than 14 August 2018.

TERMINATION OF THE EXISTING LO'S GROUP CONNECTED SERVICE AGREEMENT AND THE NEW LO'S GROUP CONNECTED SERVICE AGREEMENT

On 7 December 2016, Mr. B Lo, Mr. C Lo and PFSL entered into the Existing Lo's Group Connected Service Agreement, pursuant to which PFSL agreed to provide the Services to the Lo's Group for the period of three years from the Listing Date to 5 January 2020 (both dates inclusive), provided that (i) the revenue of the Services to be provided to the Lo's Group pursuant to the Existing Lo's Group Connected Service Agreement for each of the three financial years ending 31 March 2019 shall not exceed the annual cap of HK\$2 million; and (ii) the maximum daily outstanding amount of margin financing to be provided to the Lo's Group for each of the three financial years ending 31 March 2019 shall not exceed the annual cap of HK\$50 million.

As the Lo's Group expects that their demand for the Services will increase, the Lo's Group and the Company expect that the respective caps of the revenue of the Services and daily outstanding amount of margin financing to be provided to the Lo's Group for the year ending 31 March 2019 will exceed the stated annual caps based on their respective business projections. The Lo's Group and the Company also expect that their business relationship will continue after the expiry of the Existing Lo's Group Connected Service Agreement. In this connection, Mr. B Lo, Mr. C Lo and PFSL entered into the New Lo's Group Connected Service Agreement on 23 July 2018, pursuant to which (a) PFSL shall continue to provide the Services to the Lo's Group in accordance with the terms thereunder; and (b) the Existing Lo's Group Connected Service Agreement shall be terminated.

Principal terms

The principal terms of the New Lo's Group Connected Service Agreement are set out as follows:

Term

The period from the Effective Date to 31 March 2021 (both dates inclusive), which can be terminated by either party with 7 days' prior written notice.

Services

PFSL shall provide the Services to the Lo's Group during the abovementioned term, including the brokerage, margin financing and placing services to be provided by PFSL.

Fees and commissions

The brokerage commission rate and margin financing interest rate to be charged for the Services shall be at rates no more favourable than offered to other clients of PFSL who are Independent Third Parties for the provision of similar services and in accordance with the pricing policy of PFSL from time to time. The brokerage commission rate offered to the Lo's Group is at 0.15% of the gross amount (subject to the minimum charge of HK\$100), whereas the brokerage commission rates offered to Independent Third Parties during the period from 1 April 2017 to the date of the New Lo's Group Connected Service Agreement were in the range of 0.05% to 0.5% of the gross amount generally. The margin financing interest rate offered to the Lo's Group is at 5.25% per annum, whereas the rates offered to Independent Third Parties during the period from 1 April 2017 to the date of the New Lo's Group Connected Service Agreement were in the range of 5.25% to 10.25% per annum. The brokerage commission rate and margin financing interest rate offered to the Lo's Group under the New Lo's Group Connected Service Agreement shall be subject to regular review by the independent non-executive Directors and may be adjusted from time to time as the independent non-executive Directors may determine.

The pricing and terms of the transactions contemplated under the New Lo's Group Connected Service Agreement have been determined in accordance with the pricing policies and guidelines of the Group with reference to a number of factors including without limitation other competitors in the industry, the timing and market situation at the time of the transactions, level of risk and other relevant factors. Details of the Group's pricing policies and guidelines are set out in the Prospectus.

Annual caps for the revenue of Services to be provided to and the maximum daily outstanding amount of margin financing to the Lo's Group

The Group estimates and proposes that (1) the annual aggregated caps for the revenue of the Services to be provided to the Lo's Group for each of the three financial years ending 31 March 2021 (including, in terms of the financial year ending 31 March 2019, any revenue generated under the Existing Lo's Group Connected Service Agreement) are to be HK\$3.2 million, HK\$3.4 million and HK\$3.6 million, respectively (the "**New Lo's Group Revenue Annual Caps**"); and (2) the annual aggregated caps for the maximum daily outstanding amount of margin financing to be provided to the Lo's Group for each of the three financial

years ending 31 March 2021 (including, in terms of the financial year ending 31 March 2019, any amount of margin financing provided by the Group pursuant to the Existing Lo's Group Connected Service Agreement) are to be HK\$80 million, HK\$85 million and HK\$90 million, respectively (the "New Lo's Group Outstanding Annual Caps").

Basis for determining the New Lo's Group Revenue Annual Caps and the New Lo's Group Outstanding Annual Caps

In determining the New Lo's Group Revenue Annual Caps, the Directors have taken into consideration the revenue amounts for historical transactions with the Lo's Group (in particular, the revenue amount generated since 1 April 2017), trading volume of the overall market as well as the expected amounts of income generated from the provision of the Services to the Lo's Group for the three financial years ending 31 March 2021.

In determining the New Lo's Group Outstanding Annual Caps, the Directors have taken into consideration the largest maximum daily outstanding amount of margin financing provided to the Lo's Group during the three financial years ended 31 March 2018 and up to the date of the New Lo's Group Connected Service Agreement (in particular, the largest maximum daily outstanding amount of margin financing since 1 April 2017), and discussions with various members of the Lo's Group on their expected transaction for the three financial years ending 31 March 2021.

The following table sets out (1) the historical amounts of the revenue generated from the Services provided by the Group to the Lo's Group and (2) the maximum daily outstanding amount of margin financing provided to the Lo's Group for each of the three financial years ended 31 March 2018 and up to the date of the New Lo's Group Connected Service Agreement:

	For the financial year ended 31 March			For the period from 1 April 2018 to the date of the New Lo's Group Connected Service Agreement
	2016	2017	2018	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,501	1,423	1,985	445
Maximum daily outstanding amount of margin financing	33,659	33,100	48,452	29,118

Condition of the New Lo's Group Connected Service Agreement

The New Lo's Group Connected Service Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If the condition is not satisfied on or before 31 March 2019, the New Lo's Group Connected Service Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities thereunder.

Internal control

As a general rule, the continuing connected transactions of the Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group has adopted an internal reporting and monitoring policy on connected transactions, pursuant to which the management of the Group will monitor and regularly review the connected transactions. The Company will engage the Company's auditor to review and report to the Board on the continuing connected transactions every year in accordance with Rule 20.54 of the GEM Listing Rules. The independent non-executive Directors will also review the transactions under the New Lo's Group Connected Service Agreement on an annual basis. Accordingly, the Directors consider that the internal control system of the Group is effective to ensure that the transactions contemplated under the New Lo's Group Connected Service Agreement will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Reasons for entering into the New Lo's Group Connected Service Agreement

The Group provides the Services in its ordinary and usual course of business. Various members of the Lo's Group have maintained securities accounts with PFSL and have received the Services since before the Listing Date. Based on the historical transaction amount with the Lo's Group (in particular, the revenue amount and the largest maximum daily outstanding amount of margin financing since 1 April 2017) and discussion with various members of the Lo's Group, the Company expects that the Lo's Group will have an increasing demand for the Services, which may exceed the current annual caps under the Existing Lo's Group Connected Service Agreement. As such, the Board is of the view that it is in the best interest of the Company and the Shareholders to enter into the transaction contemplated under the New Lo's Group Connected Service Agreement in order to maintain the long term business relationship with the Lo's Group and to increase the overall revenue and profit of the Group.

GEM Listing Rules implications

Each of Mr. B Lo and Mr. C Lo is an executive Director and controlling shareholder of the Company and therefore is a connected person of the Company. As such, the transaction contemplated by the New Lo's Group Connected Service Agreement constitutes continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the relevant percentage ratios as defined in Rule 19.07 of the GEM Listing Rules are expected to exceed 5% and the total consideration calculated with reference to the New Lo's Group Outstanding Annual Caps is more than HK\$10 million, the transaction contemplated under the New Lo's Group Connected Service Agreement will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Views of the Directors

Having considered that the Services to be provided to the Lo's Group are at rates comparable to those offered to other clients of PFSL who are Independent Third Parties and in accordance with the policy of PFSL from time to time, the Directors (including the independent non-executive Directors but excluding Mr. B Lo and Mr. C Lo who are deemed interested in the New Lo's Group Connected Service Agreement) are of the view that the continuing connected transactions contemplated under the New Lo's Group Connected Service Agreement will be in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Voting abstention

Voting at the EGM will be conducted by poll. TML, being an associate of each of Mr. B Lo and Mr. C Lo, will abstain from voting at the EGM. To the best knowledge of the Directors, other than TML, no shareholder of the Company is required to abstain from voting at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Ng Shu Bun Andrew, Mr. Mok Kwai Pui Bill and Mr. Ma Wai Hung Vincent, has been formed to advise the Independent Shareholders in respect of the New Lo's Group Connected Service Agreement and the annual caps thereunder. China AF Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among others, further details of the New Lo's Group Connected Service Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM, will be despatched to the Shareholders as soon as practicable but no later than 14 August 2018.

DEFINITIONS

“associates”	shall have the same meaning as is provided in the GEM Listing Rules
“Board”	the board of Directors
“Company”	PF Group Holdings Limited, an exempted company incorporated with limited liability in the Cayman Islands and whose Shares are listed on GEM of the Stock Exchange
“connected person”	shall have the same meaning as is provided in the GEM Listing Rules

“controlling shareholder”	shall have the same meaning as is provided in the GEM Listing Rules
“Directors”	the directors of the Company
“Effective Date”	the date of approval of the New Lo’s Group Connected Service Agreement by the Independent Shareholders at the EGM
“EGM”	an extraordinary general meeting of the Company to be convened to approve the New Lo’s Group Connected Service Agreement and the annual caps thereunder
“Existing Lo’s Group Connected Service Agreement”	the agreement dated 7 December 2016 entered into between PFSL, Mr. B Lo and Mr. C Lo in relation to the provision of Services to the Lo’s Group, where applicable
“financial year”	the financial year of the Company, being the period of twelve months from 1 April to 31 March, or as otherwise determined by the Board
“GEM”	GEM of 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”	the independent board committee of the Company comprising Mr. Ng Shu Bun Andrew, Mr. Mok Kwai Pui Bill and Mr. Ma Wai Hung Vincent (all being independent non-executive Directors) to advise the Independent Shareholders in respect of the New Lo’s Group Connected Service Agreement and the annual caps thereunder
“Independent Financial Adviser”	China AF Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission of Hong Kong to conduct Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser in respect of the New Lo’s Group Connected Service Agreement and the annual caps thereunder
“Independent Shareholders”	the Shareholders other than TML and its associates

“Independent Third Party(ies)”	Person(s) or company(ies) which is/are independent of and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates within the meaning of the GEM Listing Rules
“Listing Date”	6 January 2017, being the date on which dealings in the Shares of the Company first commenced on GEM
“Lo’s Group”	Mr. B Lo, Mr. C Lo and their respective associates, collectively
“Mr. B Lo”	Mr. Lo Tak Wing Benson, an executive Director and one of the controlling shareholders of the Company and the sibling of Mr. C Lo
“Mr. C Lo”	Mr. Lo Shiu Wing Chester, an executive Director and one of the controlling shareholders of the Company and the sibling of Mr. B Lo
“New Lo’s Group Connected Service Agreement”	the agreement dated 23 July 2018 entered into between Mr. B Lo, Mr. C Lo and PFSL in relation to, among others, the continuing provision of Services to the Lo’s Group, where applicable, and the termination of the Existing Lo’s Group Connected Service Agreement
“PFSL”	Pacific Foundation Securities Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company
“Prospectus”	the prospectus of the Company dated 12 December 2016
“Service(s)”	the brokerage, margin financing and placing services provided by PFSL
“Shares”	ordinary shares in the issued share capital of the Company from time to time
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“TML”

Thoughtful Mind Limited, a company incorporated in the British Virgin Islands with limited liability, which is a controlling shareholder of the Company and owned as to 57.1% by Mr. B Lo and 42.9% by Mr. C Lo

“%”

per cent.

By Order of the Board
PF Group Holdings Limited
Lo Tak Wing Benson
Chairman and Executive Director

Hong Kong, 24 July 2018

As at the date of this announcement, the executive Directors are Mr. Lo Tak Wing Benson and Mr. Lo Shiu Wing Chester; the non-executive Director is Mr. Khoo Ken Wee; and the independent non-executive Directors are Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.pfs.com.hk.