

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in PF Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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



PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE NEW LO'S GROUP CONNECTED SERVICE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



中國農信財務顧問有限公司
China AF Corporate Finance Limited

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 11 to 12 of this circular. A letter from China AF Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 30 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 18 September 2018 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong is set out on pages 37 to 38 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are recommended to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

This circular 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.

24 August 2018

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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	11
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	13
APPENDIX — GENERAL INFORMATION	31
NOTICE OF EGM	37

DEFINITIONS

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

“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

DEFINITIONS

“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 SFO, 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 our Company or its subsidiaries or any of their respective associates within the meaning of the GEM Listing Rules
“Latest Practicable Date”	17 August 2018, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 continued provision of Services to the Lo’s Group, where applicable, and the termination of the Existing Lo’s Group Connected Service Agreement

DEFINITIONS

“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares in the issued share capital of the Company from time to time
“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.

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

24 August 2018

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE NEW LO'S GROUP CONNECTED SERVICE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 24 July 2018, the Board announced that PFSL, an indirectly wholly-owned subsidiary of the Company, entered into the New Lo's Group Connected Service Agreement with Mr. B Lo and Mr. C Lo on 23 July 2018, 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 the approval of the Independent Shareholders and shall, if approved in the EGM, commence on the Effective Date.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the New Lo's Group Connected Service Agreement, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the New Lo's Group Connected Service Agreement and the annual caps thereunder.

NEW LO'S GROUP CONNECTED SERVICE AGREEMENT

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 placing commission rate offered to the Lo's Group is at 1% of the placing transaction amount, which is the standard rate offered to all of the Group's customers (including customers who are Independent Third Parties). The brokerage commission rate, margin financing interest rate and placing commission 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

LETTER FROM THE BOARD

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.

Other terms of the margin financing services

The provision of the margin financing services to the Lo's Group is subject to the Group's standard margin ratio and default terms applicable to all customers of the Group (including the Independent Third Parties), which are determined by reference to the common practice of the industry. The margin ratio adopted by the Group follows the ratio provided by Standard Chartered Bank. The Group's margin lending committee has the authority to override the benchmark margin ratio provided by the Standard Chartered Bank. In deciding whether or not to override the benchmark ratio, the margin lending committee considers various factors including, among others, the relationship with the customer, the customer's creditworthiness, prevailing market conditions and the quality, volatility and liquidity of the securities collateral provided. Two members of the margin lending committee review the margin ratio on a quarterly basis. Customers of the Group may apply for a special margin ratio for their account and such arrangement is required to be reviewed and approved by two members of the margin lending committee. If a customer commits a default in payment of margins on demand, the Group shall have the right to close the customer's margin account without notice and to dispose of any or all securities held for or on behalf of such customer and to apply the proceeds thereof and any cash deposits to pay all outstanding balances owing to the Group.

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

LETTER FROM THE BOARD

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			For the period from
	financial year ended 31 March			1 April 2018 to the
	2016	2017	2018	date of the New Lo's
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	Group Connected
				Service Agreement
				<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

The Directors have also taken into account the overall performance of the Hong Kong stock market and the turnover of the stock trading. The Directors noted that, as disclosed in the website of the Stock Exchange, the amount of average daily turnover for the securities market for the first half of the 2018 marked a significant increase as compared with the same period last year. The Directors consider that the percentage of increase in the proposed annual caps for the maximum daily outstanding amount of margin financing provided to the Lo's Group as compared with the current annual caps under the Existing Lo's Group Connected Service Agreement is comparable to the percentage of increase in the average daily turnover of the overall stock market in Hong Kong and therefore is fair and reasonable.

As discussed with various members of the Lo's Group, the Lo's Group confirmed its intention to take advantage of the volatility of the Hong Kong stock market by taking a more proactive position in their securities trading activities and expect to gradually increase their trade volume in the coming years. The Directors believe that the proposed increase in the annual caps under the New Lo's Group Connected Service Agreement will grant more flexibility to the Lo's Group in their securities dealings activities in the highly volatile stock market.

LETTER FROM THE BOARD

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 on a monthly basis (including, among others, the transaction amount of the connected transactions during each month) to ensure that the connected transactions are conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Group has also assigned a responsible staff to monitor, on a daily basis, the aggregate revenue of the Services and daily outstanding amount of margin financing to be provided to the Lo's Group to ensure that the proposed annual caps would not be exceeded.

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 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. 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.

LETTER FROM THE BOARD

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.

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. As at the Latest Practicable Date, TML beneficially held 1,500,000,000 Shares, representing 75% of total issued Shares. To the best knowledge of the Directors, other than TML, no shareholder of the Company is required to abstain from voting at the EGM.

VIEWS OF 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. Mr. B Lo and Mr. C Lo, who are deemed interested in the New Lo's Group Connected Service Agreement, have abstained from voting on the board resolution approving the New Lo's Group Connected Service Agreement and the transactions thereunder.

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.

LETTER FROM THE BOARD

EGM

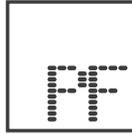
A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 18 September 2018 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong for the purposes of considering and, if thought fit, approving the New Lo's Group Connected Service Agreement and the annual caps thereunder, is set out on pages 37 to 38 of this circular. Shareholders are encouraged to attend the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are recommended to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser set out on pages 11 to 12 and pages 13 to 30 of this circular. As set out in the letter from the Independent Board Committee, members of the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the New Lo's Group Connected Service Agreement including the annual caps thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the New Lo's Group Connected Service Agreement is in the interests of the Company and the Independent Shareholders. Accordingly, the Directors (excluding Mr. B Lo and Mr. C Lo, who are deemed interested in the New Lo's Group Connected Service Agreement) recommend that all Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully
For and on behalf of the Board
PF Group Holdings Limited
Lo Tak Wing Benson
Chairman and Executive Director



PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

24 August 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE NEW LO'S GROUP CONNECTED SERVICE AGREEMENT**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the New Lo's Group Connected Service Agreement and the annual caps thereunder, details of which are set out in the letter from the Board in the circular dated 24 August 2018 (the "**Circular**") to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

China AF Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Lo's Group Connected Service Agreement and the annual caps thereunder.

Your attention is drawn to the "Letter from the Board" set out on pages 4 to 10 of the Circular which contains, inter alia, information about the terms of the New Lo's Group Connected Service Agreement and the annual caps thereunder and the "Letter from the Independent Financial Adviser" set out on pages 13 to 30 of the Circular which contains its advice in respect of the terms of the New Lo's Group Connected Service Agreement and the annual caps thereunder.

Having considered the fact that the Group's long term business relationship with the Lo's Group, the revenue and profit that have been and would be generated from the provision of the Services to the Lo's Group and the factors and reasons considered by, and the opinion of, the Independent Financial Adviser, we consider that entering into the New Lo's Group Connected Service Agreement is on normal commercial terms and in ordinary and usual course of business of the Group. We also consider that the terms of the New Lo's Group Connected Service Agreement and the annual caps thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the New Lo's Group Connected Service Agreement is in the interests of the Company and the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Lo's Group Connected Service Agreement and the annual caps thereunder.

Yours faithfully,

For and on behalf of the
Independent Board Committee of
PF Group Holdings Limited

Ng Shu Bun Andrew
*Independent non-executive
Director*

Mok Kwai Pui Bill
*Independent non-executive
Director*

Ma Wai Hung Vincent
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transaction, which has been prepared for the purpose of inclusion in this circular.



中國農信財務顧問有限公司
China AF Corporate Finance Limited

China AF Corporate Finance Limited
Units 2303–2306, 23/F.,
Great Eagle Centre
23 Harbour Road
Wanchai
H.K.
中國農信財務顧問有限公司
香港灣仔港灣道23號鷹君中心
23樓2303–2306室

24 August 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW LO'S GROUP CONNECTED SERVICE AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the continuing connected transactions contemplated under the New Lo's Group Connected Service Agreement and the annual caps thereunder (the "**Transactions**"), details of which are set out in the circular of the Company dated 24 August 2018 (the "**Circular**") of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 24 July 2018 (the "**Announcement**") in relation to the Transactions. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of Mr. B Lo and Mr. C Lo is the 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.

We, China AF Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the New Lo's Group Connected Service Agreement (including the proposed annual caps) are in the ordinary course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the Transactions at the EGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, the Announcement, the annual reports of the Company for the years ended 31 March 2017 and 2018 and the Prospectus, and have enquired with and reviewed the information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group.

We have relied on the above information and representations supplied, and the opinions expressed by the Directors and management of the Company, and have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so up to the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to doubt the truth or accuracy of the information provided to us or to believe that any material information has been omitted or withheld. As the Independent Financial Adviser, we take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not carried out any independent verification of the information provided by the Directors and/or the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or the prospects of the markets in which the Group operates.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and any member of the Group or any of their substantial Shareholders, Directors or chief executives, or their respective associates, that could reasonably be regarded as obstacle to our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Transactions.

Save for this appointment as the Independent Financial Adviser in respect of the Transactions, there were no other engagements between us and the Company or any other parties to the New Lo's Group Connected Service Agreement in the last two years. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefit from the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates or any other parties to the New Lo's Group Connected Service Agreement. Accordingly, pursuant to Rule 17.97 of the GEM Listing Rules, we consider that we are eligible to give independent advice on the Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendation to the Independent Board Committee and Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

1. Background and reasons for entering into the New Lo's Group Connected Service Agreement

(i) Information of the Group and PFSL

The Company is an investment holding company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which have been listed on GEM since 6 January 2017. The Group (comprising PFSL) 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 in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company conducts its principal business activities through PFSL, the operating subsidiary of the Company, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Set out below are selected information of the Group's consolidated financial results for each of the two financial years ended 31 March 2018 as extracted from the Company's annual report for the year ended 31 March 2018:

Table 1: Extracts of consolidated financial results of the Group

	For the year ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Total revenue	83,045	71,262
— Commission income from securities dealing and brokerage services	9,934	5,184
— Fee and commission income from placing and underwriting activities	60,101	44,988
— Interest income from margin financing	6,536	5,901
— Fee income from asset management services	1,638	3,997
— Others	4,836	11,192
Profit before tax	42,239	32,286
Net profit	35,106	25,573

As depicted in Table 1 above, for the year ended 31 March 2018 (“**FY2018**”), the Group's total revenue amounted to approximately HK\$83.0 million, representing an increase of approximately 16.5% as compared to that of approximately HK\$71.3 million for the year ended 31 March 2017 (“**FY2017**”), which was mainly attributable to the increase in the fee and commission income from placing and underwriting activities. Owing to the increase in revenue of the Group, the profit before tax and net profit increased from approximately HK\$32.3 million and HK\$25.6 million, respectively, for FY2017 to approximately HK\$42.2 million and HK\$35.1 million, respectively, for FY2018, representing increases of approximately 30.8% and 37.3%, respectively.

We note that the securities dealing and brokerage services, placing and underwriting services and margin financing are the main revenue contributor of the Group which, in aggregate, contributed approximately 78.7% and 92.2% of the total revenue of the Group for FY2017 and FY2018, respectively. We consider that the provision of the Services are in the ordinary course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Information of the Lo's Group

Mr. B Lo is the chairman of the Board and an executive Director. Mr. B Lo is the brother of Mr. C Lo, another executive Director. Mr. B Lo was appointed as a Director on 3 August 2015 and was designated as an executive Director and the chairman of the Board on 1 February 2016. Mr. B Lo joined the Group in September 1990 as a director of PFSL. As disclosed in the Prospectus, he is responsible for the formulation of corporate strategy, overall management, business development and customer referrals.

Mr. C Lo was appointed as a Director on 3 August 2015 and was designated as the chief executive officer, executive Director and compliance officer of the Company on 1 February 2016. He joined the Group as a director of PFSL in January 1999 and became the managing director of PFSL in February 2008. As disclosed in the Prospectus, he is responsible for the administration of the information technology and trading system, handling litigation and enquiries from the Securities and Futures Commission of Hong Kong and the Stock Exchange, internal business control and credit control, the general administration, human resources, business operations and compliance of the Group.

As each of Mr. B Lo and Mr. C Lo is the executive Director and controlling shareholder, they are the connected persons of the Company.

(iii) Reasons for entering into of the New Lo's Group Connected Service Agreement

As disclosed in the Announcement, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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. Mr. B Lo and Mr. C Lo, who are deemed interested in the New Lo's Group Connected Service Agreement, have abstained from voting on the board resolutions approving the New Lo's Group Connected Service Agreement and the transactions thereunder.

We have obtained and reviewed the Existing Lo's Group Connected Service Agreement and the New Lo's Group Connected Service Agreement. Upon our review of such agreements, we note that, save for (i) condition of the New Lo's Group Connected Service Agreement; (ii) the clause of termination of the Existing Lo's Group Connected Service Agreement, (iii) the renewed term for provision of the Services during the period from the Effective Date to 31 March 2021; and (iv) the proposed annual caps for the revenue of the Services to be provided to the Lo's Group and the maximum daily outstanding amount of margin financing to be provided to the Lo's Group, there are no other material changes made to the principal terms of the New Lo's Group Connected Service Agreement as compared to the Existing Lo's Group Connected Service Agreement. We consider that, by entering into of the New Lo's Group Connected Service Agreement, PFSL will be able to provide a larger extent of the Services, in terms of the amount of revenue, to the Lo's Group, which eventually generates more income and return to the Group.

Given (i) the principal business which the Group engages in; and (ii) the provision of the Services to the Lo's Group will generate more income to the Group, we consider that the New Lo's Group Connected Service Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the New Lo's Group Connected Service Agreement

(i) Descriptions of principal terms of the New Lo's Group Connected Service Agreement

Set out below are the principal terms of the New Lo's Group Connected Service Agreement:

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 placing commission rate offered to the Lo's Group is at 1% of the placing transaction amount, which is the standard rate offered to all of the Group's customers (including customers who are Independent Third Parties). The brokerage commission rate, margin financing interest rate and placing commission 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 nonexecutive 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Other terms of the margin financing services

The provision of the margin financing services to the Lo's Group is subject to the Group's standard margin ratio and default terms applicable to all customers of the Group (including the Independent Third Parties), which are determined by reference to the common practice of the industry. The margin ratio adopted by the Group follows the ratio provided by Standard Chartered Bank. The Group's margin lending committee has the authority to override the benchmark margin ratio provided by the Standard Chartered Bank. In deciding whether or not to override the benchmark ratio, the margin lending committee considers various factors including, among others, the relationship with the customer, the customer's creditworthiness, prevailing market conditions and the quality, volatility and liquidity of the securities collateral provided. Two members of the margin lending committee review the margin ratio on a quarterly basis. Customers of the Group may apply for a special margin ratio for their account and such arrangement is required to be reviewed and approved by two members of the margin lending committee. If a customer commits a default in payment of margins on demand, the Group shall have the right to close the customer's margin account without notice and to dispose of any or all securities held for or on behalf of such customer and to apply the proceeds thereof and any cash deposits to pay all outstanding balances owing to the Group.

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.

(ii) *Analysis of principal terms of the New Lo's Group Connected Service Agreement*

In order to assess whether the New Lo's Group Connected Service Agreement offered to the Lo's Group is fair and reasonable and is in compliance with relevant policies of the Group, we have conducted the following analysis:

(a) *The Lo's Group's business relationship, credit standing and financial strength*

We have assessed and noted the following key factors regarding:

- (i) *business relationship*: as shown in the current margin client list of PFSL provided by the Company per our request, the Lo's Group has maintained a long-standing relationship with PFSL with 6 members among the Lo's Group who have been the PFSL's margin clients for over 10 years;
- (ii) *credibility*: the management of the Company confirmed that the Lo's Group has no default history since the respective openings of the securities accounts maintained with PFSL in the names of the respective members among the Lo's Group up to and including the Latest Practicable Date; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *historical trading record and financial strength*: as shown in the monthly statements of the members among the Lo's Groups provided by the Company per our request, the Lo's Group has maintained a diversified investment portfolio with considerable market value of listed securities, and there are sufficient value of stocks held in the securities accounts of the members among the Lo's Group maintained with PFSL which justifies the proposed maximum outstanding amount of margin financing.

(b) The Group's pricing policy of margin financing rates

In regard to the Group's pricing standards of margin financing rates, we noted from the Prospectus that (i) the interest rates of margin financing are set with reference to, among other things, level of risk, other available potential funding sources and other competitors in the industry; and (ii) the actual rates charged to each customer for the Services are determined based on, among other things, customer's relationship history, the total amount of trading by the customer and the negotiation between our Group and the customers.

We have obtained and reviewed (i) a full list of current margin clients of PFSL with the margin financing interest rates charged to them; and (ii) a portfolio evaluation for current margin clients with the total current market value of listed securities held in their securities accounts with PFSL and the quality of listed securities pledged in their securities accounts with PFSL. Based on the above list and the portfolio, we further sorted out a group of margin clients of PFSL who are Independent Third Parties ("**Sample Clients**") with reference to the key factors that we assessed in the paragraph headed "(a) The Lo's Group's business relationship, credit standing and financial strength" above, namely, (i) comparable business relationship with PFSL (i.e. with over 10 years of long-standing business relationships); (ii) comparable credit limit granted by PFSL to them limiting the maximum outstanding amount of margin financing provided to respective clients (which were determined based on the credibility of the margin clients); and (iii) comparable financial strength and trading record (in terms of total market value of listed securities and the quality of listed securities pledged in their securities accounts with PFSL). Moreover, we have obtained and reviewed the monthly statements of the margin client accounts for PFSL's provision of the margin financing services to (i) the members among the Lo's Group who are actively trading; and (ii) Sample Clients, as at 31 March 2016, 30 September 2016, 31 March 2017, 29 September 2017 and 29 March 2018 (being the period covering the Existing Lo's Group Connected Service Agreement). We consider the samples reviewed are fair and representative, taking into account (i) the Samples Clients under review were of the comparable financial strength and business relationship with the Company as that of the Lo's Group; and (ii) the samples under review evenly covered the period under the Existing Lo's Group Connected Service Agreement. We observed and confirmed with the management of the Company that the proposed margin financing rates offered to the Lo's Group are at a level comparable to those offered to Sample Clients, which is equal to 5.25% per annum. We have also checked the historical and prevailing margin financing interest rates charged to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sample Clients based on the relevant monthly statements during the term covering the Existing Lo's Group Connected Service Agreement, and we are not aware of any changes in margin financing interest rates offered to the Sample Clients which would misrepresent our analysis of the proposed margin financing interest rates chargeable to the Lo's Group under the New Lo's Group Connected Service Agreement. Therefore, we are of the view that the interest rates offered to the members among the Lo's Group for margin financing are on normal commercial terms and no more favourable than those offered to other independent clients of similar financial strength and business relationship.

(c) The Group's policy of margin ratio

As set out in the letter from the Board, the margin ratio adopted by the Group follows the ratio provided by Standard Chartered Bank. We confirmed with the management of the Company that (i) the Group has been adopting the abovementioned practice for determining the margin ratio during the term of the Existing Lo's Group Connected Service Agreement and up to the Latest Practicable Date; and (ii) standard margin ratio is applicable to all margin clients (including the Lo's Group) in general.

The Group's margin lending committee has the authority to override the benchmark margin ratio provided by the Standard Chartered Bank. In deciding whether or not to override the benchmark ratio, the margin lending committee considers various factors including, among others, the relationship with the customer, the customer's creditworthiness, prevailing market conditions and the quality, volatility and liquidity of the securities collateral provided. Two members of the margin lending committee review the margin ratio on a quarterly basis. Customers of the Group may apply for a special margin ratio for their account and such arrangement is required to be reviewed and approved by two members of the margin lending committee. We have further enquired with the management of the Company in this regard, and we were given understanding that, in the event that a margin client applies for a special margin ratio for a particular stock, such special margin ratio (upon the approval of the margin lending committee) will be applicable to all other margin clients of the Group.

We have further obtained and reviewed (i) the quarterly revised lists of standard margin financing ratio adopted by the Group; and (ii) monthly statements of margin client accounts of the members among the Lo's Group and the Sample Clients who held the same listed securities pledged as the major collaterals with those members among the Lo's Group, as at 31 March 2016, 30 September 2016, 31 March 2017, 29 September 2017 and 29 March 2018 (being the period covering the Existing Lo's Group Connected Service Agreement). We consider the samples reviewed are fair and representative, taking into account (i) the Samples Clients under review were of the comparable financial strength and business relationship with the Company as that of the Lo's Group; and (ii) the samples under review evenly covered the period under the Existing Lo's Group Connected Service Agreement. Upon conducting sample check against the monthly statements of accounts and the lists of standard margin

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

financing ratio, we noticed that the margin financing ratios offered to the Lo's Group and the Sample Clients on the same listed securities (i) are the same; and (ii) generally align with the standard margin ratio set by the Group (save and except for one extraordinary case where the benchmark ratio for a particular stock was overrode by the special margin ratio being approved by the margin lending committee upon the request from a client who is an Independent Third Party). Accordingly, we consider that the margin ratio offered to the Lo's Group is on normal commercial terms and no more favourable than those offered to other independent margin clients.

(d) Other terms for the margin financing services

The provision of the margin financing services to the Lo's Group is subject to the Group's default terms applicable to all customers of the Group (including the Independent Third Parties), which are determined by reference to the common practice of the industry. If a customer commits a default in payment of margins on demand, the Group shall have the right to close the customer's margin account without notice and to dispose of any or all securities held for or on behalf of such customer and to apply the proceeds thereof and any cash deposits to pay all outstanding balances owing to the Group.

We have also obtained and reviewed samples of the standard margin client agreement entered between PFSL and (i) the Sample Clients; and (ii) the members among the Lo's Group, which set out all the terms and conditions a client is subject to upon their signing and shall be bound by them from time to time. Based on our review of the above samples, we noted that the members of the Lo's Group are subject to the same standard terms which also bind other independent third party clients, taking into consideration, among others, (i) the default terms as mentioned above; and (ii) the payment terms which require clients to make payments of deposit or margins on demand by PFSL. Accordingly, we are of the view that the provision of the margin financing services to the Lo's Group is on normal commercial terms and is fair and reasonable.

(e) The Group's pricing policy of brokerage commission

In regard to the Group's pricing standards of brokerage commission rates for dealing in securities, we noted from the Prospectus that (i) the brokerage fees are set with reference to other competitors in the industry; and (ii) the actual rates charged to each customer for the Services are determined based on, among other things, customer's relationship history, the total amount of trading by the customer and the negotiation between our Group and the customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned in the paragraph headed “(b) The Group’s pricing policy of margin financing rates” above, we have identified a list of Sample Clients and we consider the Sample Clients are fair and representative, based on the selection criteria that the Samples Clients are of the comparable financial strength and business relationship with the Company as that of the Lo’s Group. Upon reviewing the latest client list of PFSL provided by the Company, we observed and confirmed with the management of the Company that the brokerage commission rates offered to the Sample Clients are in the range of 0.15% to 0.2% (with majority of which is at 0.15%) of the gross amount with the minimum charge of HK\$70, during the term covering the Existing Lo’s Group Connected Service Agreement. Given (i) the brokerage commission rates offered to the Lo’s Group is within the range of those offered to the Sample Clients; and (ii) the minimum charge for the Lo’s Group is higher than that for the Sample Clients, we are of the view that the brokerage commission rates offered to the members among the Lo’s Group for dealing in securities are on normal commercial terms and no more favourable than those offered to other independent clients of similar financial strength and business relationship.

(f) The Group’s pricing policy of placing commission

As disclosed in the letter from the Board, the placing commission rate offered to the Lo’s Group is at 1% of the placing transaction amount, which is the standard rate offered to all of the Group’s customers (including customers who are Independent Third Parties).

We were given the understanding by the management of the Company that the Group shall charge individual investors a standard placing commission rate (at 1% of the placing transaction amount) for the provision of the services involved in the placing of listed company’s shares to individual investors. In examining whether the placing commission rate offered to the Lo’s Group and the clients who are Independent Third Parties are charged the same at 1% of the placing transaction amount, we obtained and reviewed samples of placing reports during the term of the Existing Lo’s Group Connected Service Agreement. Upon our review of respective placing reports involved in respective placings of listed company’s shares to individual investors (involving both the members of the Lo’s Group and clients who are Independent Third Party), we observed that the placing commission rate offered to the members of the Lo’s Group and the clients who are Independent Third Parties are the same (which is 1% of the placing transaction amount). Accordingly, we consider that the placing commission rate offered to the Lo’s Group is on normal commercial terms and no more favourable than those offered to other independent clients of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

3. Background and reasons for increasing the annual caps in respect of the Transactions

(i) The proposed annual caps

As disclosed in the letter from the Board, the proposed annual caps for each of the three financial years ending 31 March 2021 in respect of the provision of the Services by the Company to the Lo's Group under the New Lo's Group Connected Service Agreement are set out as follows:

	For the year ending 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The New Lo's Group Revenue Annual Caps	3,200	3,400	3,600
The New Lo's Group Outstanding Annual Caps	80,000	85,000	90,000

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 Directors have also taken into account the overall performance of the Hong Kong stock market and the turnover of the stock trading. The Directors noted that, as disclosed in the website of the Stock Exchange, the amount of average daily turnover for the securities market for the first half of the 2018 marked a significant increase as compared with the same period last year. The Directors consider that the percentage of increase in the proposed annual caps for the maximum daily outstanding amount of margin financing provided to the Lo's Group as compared with the current annual caps under the Existing Lo's Group Connected Service Agreement is comparable to percentage of increase in the average daily turnover of the overall stock market in Hong Kong and therefore is fair and reasonable.

As discussed with various members of the Lo's Group, the Lo's Group confirmed its intention to take advantage of the volatility of the Hong Kong stock market by taking a more proactive position in their securities trading activities and expect to gradually increase their trade volume in the coming years. The Directors believe that the proposed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increase in the annual caps under the New Lo's Group Connected Service Agreement will grant more flexibility to the Lo's Group in their securities dealings activities in the highly volatile stock market.

(ii) Historical information

Set out below is (i) the historical amounts of the revenue generated from the Services provided by the Group to the Lo's Group and the maximum daily outstanding amount of margin financing provided to the Lo's Group during the term of the Existing Lo's Group Connected Service Agreement and up to the date of the New Lo's Group Connected Service Agreement; and (ii) the existing annual caps granted under the Existing Lo's Group Connected Service Agreement for each of the three financial years ending 31 March 2019:

	Historical amount			Existing annual caps granted under the Existing Lo's Group Connected Service Agreement for each of the three financial years ending 31 March 2019
	for the year ended 31 March 2017 <i>HK\$'000</i>	for the year ended 31 March 2018 <i>HK\$'000</i>	for the period from 1 April 2018 to the date of the New Lo's Group Connected Service Agreement <i>HK\$'000</i>	<i>HK\$'000</i>
Revenue generated from the Services provided by the Group to the Lo's Group	1,423	1,985	445	2,000
Maximum daily outstanding amount of margin financing provided to the Lo's Group	33,100	48,452	29,118	50,000

We have reviewed the historical revenue generated from the Services provided by the Group to the Lo's Group and the maximum daily outstanding amount of margin financing provided to the Lo's Group for the years ending 31 March 2017 and 2018 and for the period from 1 April 2018 to the date of the New Lo's Group Connected Service Agreement. We noted that, during the term of the Existing Lo's Group Connected Service Agreement, the historical utilization rates of the respective annual caps under the Existing Lo's Group Connected Service Agreement for (i) the revenue generated from the Services provided by the Group to the Lo's Group amounted to 71.2%, 99.3% and 22.3%, respectively; and (ii) maximum daily outstanding amount of margin financing provided to the Lo's Group amounted to 66.2%, 96.9% and 58.2%, respectively. We noted that, for the year ended 31 March 2018, the Lo's Group has almost fully utilised the existing annual caps granted under the Existing Lo's Group Connected Service Agreement, and for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the period from 1 April 2018 to the date of the New Lo's Group Connected Service Agreement (representing an approximate 4-month period), the Lo's Group has already utilised more than half of the annual cap for the maximum daily outstanding amount of margin financing provided to the Lo's Group. As such, we are of the view that the existing annual caps under the Existing Lo's Group Connected Service Agreement might not be sufficient for the on-going provision of the Services by the Group to the Lo's Group for the year ending 31 March 2019, and thus we consider that it is fair and reasonable for the Company to enter into the New Lo's Group Connected Service Agreement to enlarge the respective annual caps for the on-going provision of the Services by the Group to the Lo's Group.

Moreover, given that the actual amount of financing to be extended to each of the members of the Lo's Group would have to be backed by a sufficient amount of collaterals as determined by the Group in accordance with its policy of margin ratio which is applied across all customers as discussed in the paragraph headed "2. Principal terms of the New Lo's Group Connected Service Agreement — (ii) Analysis of principal terms of the New Lo's Group Connected Service Agreement — (c) The Group's policy of margin ratio" above, we are of the view that the Group would not be exposed to extraordinary risk by reason of the proposed increase of the annual caps.

(iii) Outlook of the stock market in Hong Kong

Considering the nature of the major activities the Group is engaged in and the provision of the Services by the Group to the Lo's Group, we had made reference to the Hong Kong's prevailing stock market condition in assessing the fairness and reasonableness of the proposed annual caps under the New Lo's Group Connected Service Agreement.

In regard to the overall stock market sentiment, we have taken into account the figure of Hang Seng Index ("HSI") from January 2014 to June 2018. With reference to the website of Stock Exchange, we noted that the average daily closing points of HSI increased from 23,340.05 points on 2 January 2014 to 28,955.11 points on 29 June 2018, with a compound annual growth rate ("CAGR") of approximately 4.9% during the period, which represents an overall increase in HSI.

As disclosed in the letter from the Board, the Lo's Group confirmed its intention to take advantage of the volatility of the Hong Kong stock market by taking a more proactive position in their securities trading activities and expect to gradually increase their trade volume in the coming years. As such, we have assessed the volatility of the Hong Kong stock market. With reference to the figure of HSI as shown on the website of Stock Exchange, we noted that for the first half year of 2018, HSI has been volatile with the highest point at 33,154.12 points on 26 January 2018 and the lowest point at 28,356.26 points at 27 June 2018, representing a fluctuation of 4,797.86 points. Given such fluctuation during a short period, we consider that the Hong Kong stock market is volatile whereby short-term investors may take advantage of such upward and downward movement of the price by taking a more proactive position in their securities trading activities. Accordingly, we concur with the view of the Directors that the proposed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increase in the annual caps under the New Lo's Group Connected Service Agreement will grant more flexibility to the Lo's Group in their securities dealings activities in the highly volatile stock market.

We also noted that the Directors have taken into account the overall performance of the Hong Kong stock market and the turnover of the stock trading when determining the proposed annual caps contemplated under the New Lo's Group Connected Service Agreement. As such, we have further assessed the figure of historical turnover of the stock market in Hong Kong from 2014 to 2017 distributed in the website of Stock Exchange. The data indicated that annual total turnover value for stock market amounted to approximately HK\$21,709.2 billion in 2017, with a CAGR of approximately 8.2% since 2014 (2014: HK\$17,155.7 billion), and the average daily trading turnover amounted to approximately HK\$88.25 billion in 2017, with a CAGR of approximately 8.3% over the average daily trading turnover for the year 2014 (2014: HK\$69.46 billion). We also noticed that the turnover of Hong Kong stock market experienced a positive growth in general since 2014, which is aligned with the performance of the HSI as aforementioned.

In particular, it is disclosed on the website of Stock Exchange that the average daily turnover for the securities market for the first six months of 2018 amounted to HK\$126.6 billion, representing an increase of approximately 67% when compared with HK\$76.0 billion for the same period in 2017. As such, we consider that it is justifiable for the proposed increase in the proposed annual caps for the maximum daily outstanding amount of margin financing provided to the Lo's Group for the year ending 31 March 2019, from the existing amount of HK\$50 million to proposed amount of HK\$80 million, representing an increase of 60%. Therefore, we concur with the view of the Directors that the percentage of increase in the proposed annual caps for the maximum daily outstanding amount of margin financing provided to the Lo's Group as compared with the current annual caps under the Existing Lo's Group Connected Service Agreement is comparable to percentage of increase in the average daily turnover of the overall stock market in Hong Kong and therefore is fair and reasonable.

Having considered that (i) the overall performance of Hong Kong stock market (in terms of equity prices (as represented by HSI) and the turnover of stock trading) sustained an overall uptrend; (ii) outlook of Hong Kong stock market remains positive given the robust growth during the first half-year of 2018 as compared to corresponding period in 2017; and (iii) as set out in the paragraph headed "2. Principal terms of the New Lo's Group Connected Service Agreement — (ii) Analysis of principal terms of the New Lo's Group Connected Service Agreement", the Lo's Group has maintained a diversified investment portfolio with considerable market value of listed securities, and there are sufficient value of stocks held in the securities accounts of the members among the Lo's Group maintained with PFSL, which justifies the proposed maximum outstanding amount of margin financing, we are of the view that the proposed annual caps contemplated under the New Lo's Group Connected Service Agreement are fair and reasonable, and that the provision of the Services to the Lo's Group under the prevailing stock market condition could enhance the revenue of the Group, which in turn is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Conclusion

Having considered (i) the positive outlook of the stock market in Hong Kong as demonstrated above; (ii) the historical amounts of the revenue generated from the Services provided by the Group to the Lo's Group and the maximum daily outstanding amount of margin financing provided to the Lo's Group, and the utilisation rates to the respective existing annual caps under the Existing Lo's Group Connected Service Agreement; (iii) the need for reasonable buffer in the proposed annual caps under the New Lo's Group Connected Service Agreement; and (iv) the internal control policy adopted by the Group, we are of the view that the proposed annual caps for the New Lo's Group Connected Service Agreement for each of the three financial years ending 31 March 2021 are fair and reasonable.

5. Internal control procedures governing the Transactions

As set out in the letter from the Board, 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 review the connected transactions on a monthly basis (including, among others, the transaction amount of the continuing connected transaction during each month) to ensure that the connected transactions are conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Group has also assigned a responsible staff to monitor, on a daily basis, the aggregate revenue of the Services and daily outstanding amount of margin financing to be provided to the Lo's Group to ensure that the proposed annual caps would not be exceeded. We have obtained and reviewed (i) the set of the internal reporting and monitoring policy on connected transactions; and (ii) the internal records of monitoring the annual caps of the continuing connected transactions under the Existing Lo's Group Connected Service Agreement, we consider that the internal reporting and monitoring policy adopted by the Group is in place to ensure the Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the annual reports of the Company for the two financial years ended 31 March 2018 and noted that both the independent non-executive Directors and auditors of the Company, have confirmed that the continuing connected transactions under the Existing Lo's Group Connected Service Agreement are in accordance with the requirements set out above for the two years ended 31 March 2018.

Based on the above procedures and policies, we are of the view that there are sufficient internal controls in place to ensure the Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

RECOMMENDATIONS

Having considered the factors and reasons as mentioned above, we are of the view that terms of the New Lo's Group Connected Service Agreement are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group. Furthermore, we are of the view that the New Lo's Group Connected Service Agreement and the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Lo's Group Connected Service Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
China AF Corporate Finance Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of China AF Corporate Finance Limited and has over 18 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 document misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and the short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in Shares

Name of Directors	Capacity/Nature of interests	Number of Shares held	Approximate % of total issued Shares
Mr. B Lo	Interest in controlled corporation (<i>Note</i>)	1,500,000,000	75%
Mr. C Lo	Interest in controlled corporation (<i>Note</i>)	1,500,000,000	75%

Note: TML is beneficially owned by Mr. B Lo and Mr. C Lo as to 57.1% and 42.9%, respectively. As such, Mr. B Lo and Mr. C Lo are deemed to be interested in the 1,500,000,000 Shares held by TML under the SFO. Both Mr. B Lo and Mr. C Lo are directors of TML.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/Nature of interests	Number of Shares held	Approximate % of total issued Shares
TML	Beneficial interest	1,500,000,000	75%
Ms. Lui Wing Patsie	Interest in spouse (<i>Note</i>)	1,500,000,000	75%

Note: Ms. Lui Wing Patsie is the spouse of Mr. B Lo.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS

On 7 December 2016, PFSL entered into the Existing Lo's Group Connected Service Agreement with Mr. B Lo and Mr. C Lo, both being executive Directors and controlling shareholders of the Company, in relation to the provision of Services to the Lo's Group under their respective securities accounts with PFSL. The Existing Lo's Group Connected Service Agreement is effective for a period of 3 years from the Listing Date, which can be terminated by either party with 7 days' prior written notice. 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). The margin financing interest rate offered to the Lo's Group is at 5.25% per annum. The placing commission rate is at the Group's standard rate of 1% of the placing transaction amount. The brokerage commission rate, margin financing interest rate and placing commission rate offered to the Lo's Group under the Existing 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. Such rates shall be no more favourable than offered to other clients of PFSL who are Independent Third Parties for the provision of similar services in accordance with the pricing policies and guidelines of the Group from time to time. The annual aggregated caps for 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 financial years ending 31 March 2017, 2018 and 2019 are HK\$2.0 million, HK\$2.0 million and HK\$2.0 million, respectively. The annual aggregated caps for the maximum daily outstanding amount of margin financing to be provided to the Lo's Group pursuant to the Existing Lo's Group Connected Service Agreement for each of the financial years ending 31 March 2017, 2018 and 2019 are HK\$50 million, HK\$50 million and HK\$50 million, respectively.

On 23 July 2018, PFSL entered into the New Lo's Group Connected Service Agreement with Mr. B Lo and Mr. C Lo, details of which have been disclosed in this circular.

On 7 December 2016, PFSL entered into a service agreement with Mr. Khoo Ken Wee (“**Mr. Khoo**”), being a non-executive Director, in relation to the provision of Services to Mr. Khoo (where applicable, including his associates (as defined in the GEM Listing Rules)) under their respective securities accounts with PFSL (the “**Khoo Connected Service Agreement**”). The Khoo Connected Service Agreement is effective for a period of 3 years from the Listing Date, which can be terminated by either party with 7 days' prior written notice. The brokerage commission rate offered to Mr. Khoo (where applicable, including his associates) is at 0.15% of the gross amount (subject to the minimum charge of HK\$100). The margin financing interest rate offered to Mr. Khoo (where applicable, including his associates) is at 5.25% per annum. The brokerage commission rate and margin financing interest rate offered to Mr. Khoo (where applicable, including his associates) under the Khoo 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. Such rates shall be no more favourable than offered to other clients of PFSL who are Independent Third Parties for the provision of similar services in accordance with the pricing policies and guidelines of the Group from time to time. The annual aggregated caps for the revenue of the Services to be provided to Mr. Khoo (where applicable, including his associates) pursuant to the Khoo Connected Service Agreement for each of the financial years ending 31 March 2017, 2018 and 2019 are HK\$0.5 million, HK\$0.5 million and HK\$0.5 million, respectively. The annual aggregated caps for the maximum daily outstanding amount of margin financing to be provided to Mr. Khoo (where applicable, including his associates) pursuant to the Khoo Connected Service Agreement for each of the financial years ending 31 March 2017, 2018 and 2019 are HK\$11 million, HK\$11 million and HK\$11 million, respectively.

Save as disclosed above, the Directors confirm that there was no other contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

The Directors confirm that, as at the Latest Practicable Date, none of the Directors had any interests, direct or indirect, in any assets which have, since 31 March 2018, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. COMPETING INTERESTS

As at the Latest Practicable Date, save that both the Group and the compliance advisor of the Company are permitted to carry out type 9 (asset management) regulated activities as defined under the SFO, none of the compliance advisor of the Company (including its directors, employees and close associates) nor the Directors and their respective close associates had any interests, directly or indirectly, in a business which competes or is likely to compete with the business of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

- (a) the agreement dated 30 November 2016 entered into among the Company, Mr. B Lo, Mr. C Lo and Dynamic Express Global Limited relating to the transfer of the entire issued share capital of Pacific Foundation Holdings Limited, particulars of which are disclosed in the Prospectus;
- (b) the deed of indemnity dated 5 December 2016 and executed by TML, Mr. B Lo and Mr. C Lo in favour of the Company (for itself and as trustee of the members of the Group), particulars of which are disclosed in the Prospectus;
- (c) the deed of non-competition dated 5 December 2016 and executed by TML, Mr. B Lo and Mr. C Lo as covenators in favour of the Company (for itself and as trustee of the members of the Group), particulars of which are disclosed in the Prospectus;
- (d) the conditional underwriting agreement dated 9 December 2016 in respect of placing of shares in the Company, particulars of which are disclosed in the Prospectus;
- (e) the New Lo's Group Connected Service Agreement;
- (f) the Existing Lo's Group Connected Service Agreement; and
- (g) the Khoo Connected Service Agreement.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018 (being the date to which the latest published audited accounts of the Group were made up).

10. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

11. EXPERT'S DISCLOSURE OF INTEREST AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

The Independent Financial Adviser

Name	Qualification
China AF Corporate Finance Limited	a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any direct or indirect interests in any assets which have been, since 31 March 2018 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears in this circular.

12. MISCELLANEOUS

- (a) The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Mr. Lam Tak Ming.
- (c) The compliance adviser of the Company is Ample Capital Limited, a licensed corporation permitted to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, whose address is at Unit A, 14th Floor, Two Chinachem Plaza, 135 Des Voeux Road Central, Central, Hong Kong.

- (d) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, whose address is at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office and principal place of business in Hong Kong of the Company at 11/F, New World Tower, Tower II, 16–18 Queen’s Road Central, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the New Lo’s Group Connected Service Agreement;
- (b) the opinion letter and consent letter from the Independent Financial Adviser.

NOTICE OF EGM



PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of PF Group Holdings Limited (the “**Company**”) will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Tuesday, 18 September 2018 for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions:

ORDINARY RESOLUTION

“THAT:

- (a) the New Lo’s Group Connected Service Agreement (as defined in the circular of the Company dated 24 August 2018 (the “**Circular**”) despatched to the shareholders of the Company (the “**Shareholders**”) together with this notice of EGM), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, and the transactions contemplated therein be and are hereby generally and unconditionally approved and the directors of the Company (the “**Directors**”) be and are hereby authorized to do such acts and things and deliver all documents under the common seal of the Company, if necessary, as they may consider necessary, desirable or expedient in connection with the transactions contemplated under the New Lo’s Group Connected Service Agreement; and
- (b) the 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 (as defined in the Circular) under the New Lo’s Group Connected Service Agreement are proposed to be as follows:

	Proposed annual cap for the revenue HK\$ (million)	Proposed annual cap for the maximum daily outstanding amount of margin financing HK\$ (million)
For the year ending 31 March 2019	3.2	80
For the year ending 31 March 2020	3.4	85
For the year ending 31 March 2021	3.6	90

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

Hong Kong, 24 August 2018

NOTICE OF EGM

Notes:

1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or, if he/she/it holds two or more shares of the Company (“Shares”), more than one proxy to attend and, on a poll, vote on his/her/its behalf subject to the provisions of the articles of association of the Company. A proxy need not be a Shareholder but must be present in person at the EGM to represent the Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but should more than one of such joint holders be present at the EGM in person or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such Share(s) shall alone be entitled to vote in respect thereof.
3. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. For determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Thursday, 13 September 2018 to Tuesday, 18 September 2018, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending and voting at the EGM, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 12 September 2018.
6. If typhoon signal number 8 or above, or a “black” rainstorm warning is hoisted any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the GEM website at www.hkgem.com and the Company’s website at www.pfs.com.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, 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.