



PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8221



2017

Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of PF Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 report 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 report misleading.

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 September 2017 together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue					
Commission income from securities dealing and brokerage services		4,572	1,663	5,700	2,580
Fee and commission income from placing and underwriting activities	5	12,466	7,231	21,687	21,958
Interest income from margin financing		1,626	1,596	3,393	3,334
Fee income from asset management services		198	1,270	561	1,270
Others	6	236	6,800	4,514	7,920
Total revenue		19,098	18,560	35,855	37,062
Bank interest income		5	3	10	4
Gain on disposal of property and equipment		–	–	8	–
Other gains and losses		268	290	632	190
Commission expenses	7	19,371 (1,110)	18,853 (1,790)	36,505 (1,665)	37,256 (2,304)
Depreciation expenses		(46)	(28)	(88)	(70)
Staff costs	8	(2,102)	(1,920)	(4,178)	(3,709)
Other operating expenses		(3,782)	(2,327)	(6,929)	(4,648)
Finance costs		–	(71)	–	(134)
Listing expenses		–	(2,378)	–	(3,697)
Profit before tax	9	12,331	10,339	23,645	22,694
Income tax expense	10	(2,109)	(2,099)	(4,079)	(4,356)
Profit and total comprehensive income for the period attributable to owners of the Company		10,222	8,240	19,566	18,338
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic	11	0.51	0.55	0.98	1.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Non-current assets			
Property and equipment	13	706	404
Intangible asset	14	5,000	–
Deposits placed with stock exchange and clearing house		630	630
Rental and utility deposit		1,182	1,182
Total non-current assets		7,518	2,216
Current assets			
Accounts receivable	15	125,323	124,838
Prepayments and other receivables		1,162	2,073
Cash and bank balances:			
Cash and bank balance — house accounts		128,907	106,792
Pledged bank deposit		5,000	5,000
Cash held on behalf of customers		118,896	87,035
Total current assets		379,288	325,738
Current liabilities			
Accounts payable	16	134,818	92,105
Other payables and accruals		1,395	8,901
Tax payables		7,746	3,667
Total current liabilities		143,959	104,673
Net current assets		235,329	221,065
Net assets		242,847	223,281
Equity			
Share capital	17	20,000	20,000
Reserves		222,847	203,281
Total equity attributable to owners of the Company		242,847	223,281

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Equity attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	20,000	48,229	9,762	145,290	223,281
Profit and total comprehensive income for the period	-	-	-	19,566	19,566
At 30 September 2017 (unaudited)	20,000	48,229	9,762	164,856	242,847

For the six months ended 30 September 2016

	Equity attributable to owners of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	-	3,640	119,717	123,357
Profit and total comprehensive income for the period	-	-	18,338	18,338
At 30 September 2016 (unaudited)	-	3,640	138,055	141,695

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash generated by operating activities	27,497	64,821
Net cash used in investing activities	(5,382)	(134)
Net cash used in financing activities	—	(9,058)
Net increase in cash and cash equivalents	22,115	55,629
Cash and cash equivalents at the beginning of period	106,792	36,724
Cash and cash equivalents at the end of period		
Represented by cash and bank balances		
— house accounts	128,907	92,353

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 August 2015 under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange since 6 January 2017. Its ultimate holding company is Thoughtful Mind Limited ("TML"), a company incorporated in the British Virgin Islands with limited liability.

The Company is an investment holding company. The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering ("IPO") margin financing; and (iv) asset management services.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and its subsidiaries.

The unaudited condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee"). The unaudited condensed consolidated financial statements were approved for issue by the Directors on 13 November 2017.

2. BASIS OF PRESENTATION

Through the group reorganisation (the “Reorganisation”), as fully explained in the section headed “History, Reorganisation and Development” in the prospectus of the Company dated 12 December 2016 (the “Prospectus”), the Company became the holding company of the companies now comprising the Group on 1 December 2016. The Group is under common control of the controlling shareholders, namely Mr. Lo Tak Wing Benson (“Mr. B Lo”) and Mr. Lo Shiu Wing Chester (“Mr. C Lo”), before and after the Reorganisation and throughout the six months ended 30 September 2016. As a result, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows for the three months and/or six months ended 30 September 2016, which include the results, changes in equity and cash flows of the companies comprising the Group, have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the periods, or since the respective dates of incorporation, where there is a shorter period.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 31 March 2017 except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 April 2017. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for the held-for-trading investment that is measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

4. SEGMENT REPORTING

The chief operating decision maker ("CODM") of the Group, being the management of the Group, regularly review revenue analysis by major services to make decisions about resource allocation. No discrete financial information other than revenue is regularly provided to the CODM. The management assesses the performance of the Group based on the revenue and profit as presented in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

No segment assets or liabilities are presented as the CODM does not review segment assets and liabilities.

Revenue from major services

The Group provides five types of services:

- (a) securities dealing and brokerage services, which primarily generate commission on securities dealing;
- (b) placing and underwriting services, which primarily generate fee and commission from equity and debt securities placing and underwriting;
- (c) financing services, including securities and IPO margin financing, which generate interest income from margin clients;
- (d) asset management services, which primarily generate management fee and performance fee; and
- (e) other services, which primarily generate fee income (such as settlement fees and referral fees) from other services provided.

4. SEGMENT REPORTING *(Continued)*

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Securities dealing and brokerage services	4,572	1,663	5,700	2,580
Placing and underwriting services	12,466	7,231	21,687	21,958
Financing services	1,626	1,596	3,393	3,334
Asset management services	198	1,270	561	1,270
Other services	236	6,800	4,514	7,920
	19,098	18,560	35,855	37,062

Revenue reported above represents revenue generated from external customers.

5. FEE AND COMMISSION INCOME FROM PLACING AND UNDERWRITING ACTIVITIES

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Fee and commission income from selling shareholders/issuers/brokers	11,929	6,343	20,591	19,701
Commission income from subscribers	537	888	1,096	2,257
	12,466	7,231	21,687	21,958

6. OTHER REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Settlement fee income	–	–	–	1,120
Referral fee income	65	6,800	4,268	6,800
Handling fee income	171	–	246	–
	236	6,800	4,514	7,920

7. COMMISSION EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commission to account executives	517	365	872	638
Commission to sub-placing agents and sub-underwriters	593	1,425	793	1,666
	1,110	1,790	1,665	2,304

8. STAFF COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries	1,388	1,310	2,746	2,490
Contributions to Mandatory Provident Fund	65	61	135	121
Directors' emoluments				
— Fees	99	—	198	—
— Salaries	540	540	1,080	1,080
— Contributions to Mandatory Provident Fund	10	9	19	18
	2,102	1,920	4,178	3,709

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net foreign exchange loss (gain)	190	(2)	190	(4)
Minimum lease payments paid under operating lease in respect of rented premises	1,152	1,031	2,188	2,062
Legal and professional fees (excluding listing expenses)	864	360	1,820	723
Donation	1	—	351	—
Entertainment expenses	470	346	735	724
(Gain) loss arising on change in fair value of financial asset classified as held-for-trading	—	(90)	—	189

10. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax:				
Hong Kong profits tax	2,109	2,099	4,079	4,356

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for each of the periods.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings				
Earnings for the purpose of basic earnings per share:				
Profit for the period attributable to owners of the Company	10,222	8,240	19,566	18,338

	Three months ended 30 September		Six months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,000,000,000	1,500,000,000	2,000,000,000	1,500,000,000

11. EARNINGS PER SHARE *(Continued)*

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the three months and six months ended 30 September 2016 has been determined on the assumption that the Reorganisation and the capitalisation issue as disclosed in Appendix IV to the Prospectus had been effective on 1 April 2016.

For each of the three months and six months ended 30 September 2017 and 2016, there were no dilutive potential ordinary shares in issue, thus no diluted earnings per share is presented.

12. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

13. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of furniture and equipment with a cost of approximately HK\$412,000 (2016: HK\$253,000). Items of furniture and equipment with a net book value of approximately HK\$22,000 were disposed of during the six months ended 30 September 2017 (2016: Nil), resulting in a gain on disposal of approximately HK\$8,000 (2016: Nil).

14. INTANGIBLE ASSET

During the six months ended 30 September 2017, the Group acquired a club membership with a cost of HK\$5,000,000 (2016: Nil).

The club membership is considered by the management of the Group as having indefinite useful life. Accordingly, the club membership is not amortised. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. No impairment loss on intangible asset is recognised for the six months ended 30 September 2017 (2016: Nil).

15. ACCOUNTS RECEIVABLE

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Accounts receivable arising from the business of dealing in securities:		
— Clearing house	10,566	—
— Cash clients	7,609	5,951
— Margin clients	105,742	108,149
Accounts receivable arising from the placing and underwriting business	805	3,897
Accounts receivable arising from asset management services	601	241
Accounts receivable arising from other services	—	6,600
	125,323	124,838
Less: Impairment	—	—
	125,323	124,838

Accounts receivable from clearing house and cash clients represent trades pending settlement arising from business of dealing in securities transactions which are normally due within two trading days after the trade date. All accounts receivable from clearing house and cash clients are included in “neither past due nor impaired” category. The management believes that no impairment allowance is necessary in respect of these balances as the balances are considered fully recoverable.

Accounts receivable from margin clients are repayable on demand or according to agreed repayment schedules, and bearing interest at a rate of 5.25% to 10.25% as at 30 September 2017 (31 March 2017: 5.25% to 8.25%). The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. A margin call may occur when the balances of the accounts receivable from margin clients exceed the permitted margin loan limit, or when the discounted market value of the collateral security is less than the balances of the accounts receivable from margin clients.

15. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable from margin clients as at 30 September 2017 and 31 March 2017 were secured by securities or debt instrument, which were pledged to Pacific Foundation Securities Limited, the Company's subsidiary, as collateral. The securities had a fair value of approximately HK\$433,809,000 as at 30 September 2017 (31 March 2017: HK\$712,176,000). The Group is not prohibited to sell the collaterals upon customers' default or repledge the collaterals upon receiving customers' authorisation.

Ageing of accounts receivable from margin clients which are past due but not impaired:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0-60 days past due	-	-
61-90 days past due	-	-
> 90 days past due	7,423	18,376
	7,423	18,376

Included in the Group's accounts receivable from margin clients as at 30 September 2017 is a debtor with aggregate amount of approximately HK\$7,423,000 (31 March 2017: HK\$18,376,000) which are past due as at reporting date for which the Group has not provided for impairment loss. The Group held securities and debt instrument as collateral over the balance. Except as described above, all accounts receivables from margin clients are included in "neither past due nor impaired" category.

As at 30 September 2017, 100% (31 March 2017: 100%) of the accounts receivable from margin clients were secured by sufficient collateral on an individual basis. Management of the Group has assessed the market value of the pledged securities of each individual customer as at the end of each reporting period and considered that no impairment allowance is necessary taking into consideration of client's credit quality, collateral provided and subsequent repayment of monies.

15. ACCOUNTS RECEIVABLE *(Continued)*

As at 30 September 2017, accounts receivable from margin clients includes accounts receivable from Directors of nil (31 March 2017: approximately HK\$777,000), accounts receivable from a family member of a Director of approximately HK\$16,687,000 (31 March 2017: HK\$11,950,000) and accounts receivable from entity controlled by the Directors of approximately HK\$2,694,000 (31 March 2017: HK\$1,163,000).

Except for the ageing of accounts receivable from margin clients which are past due but not impaired, no ageing analysis is disclosed for accounts receivable arising from the business of dealing in securities as in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of broking business.

Accounts receivable arising from the placing and underwriting services business, asset management services and other services are repayable in accordance with the contract terms.

The following is an aged analysis of accounts receivable arising from the placing and underwriting business, asset management services and other services presented based on the date of rendering services:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0-60 days	232	3,072
61-90 days	393	-
>90 days	781	7,666
	1,406	10,738

15. ACCOUNTS RECEIVABLE *(Continued)*

Ageing of accounts receivable arising from the placing and underwriting business, asset management services and other services which are past due but not impaired:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0-60 days past due	172	139
61-90 days past due	505	-
>90 days past due	506	7,200
	1,183	7,339

Included in the Group's accounts receivable arising from the placing and underwriting business, asset management services and other services as at 30 September 2017 are debtors with aggregate carrying amount of approximately HK\$1,183,000 (31 March 2017: HK\$7,339,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Except as described above, all accounts receivables arising from the placing and underwriting business, asset management services and other services are included in "neither past due nor impaired" category.

The management believes that no impairment allowance is necessary in respect of all accounts receivable arising from the placing and underwriting business, asset management services and other services because these debtors are of good credit.

16. ACCOUNTS PAYABLE

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Accounts payable arising from the business of dealing in securities:		
— Clearing house	—	3,827
— Cash clients	95,560	72,831
— Margin clients	39,258	13,596
Accounts payable arising from the placing and underwriting business	—	1,851
	134,818	92,105

Accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally due within two trading days after the trade date.

The accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trade pending settlement or deposits received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required deposits stipulated are repayable on demand.

Accounts payable to cash clients includes amounts payable to Directors of approximately HK\$3,666,000 as at 30 September 2017 (31 March 2017: HK\$3,440,000).

Accounts payable to margin clients includes accounts payable to Directors of approximately HK\$2,261,000 as at 30 September 2017 (31 March 2017: HK\$511,000).

Accounts payable arising from the business of dealing in securities are interest-bearing, except for amounts representing pending trades payable to the clearing house, cash clients and margin clients.

No ageing analysis is disclosed for accounts payable arising from the business of dealing in securities as in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of broking business.

16. ACCOUNTS PAYABLE *(Continued)*

Accounts payable arising from the placing and underwriting business are payable in accordance with the contract terms.

The following is an aged analysis of accounts payable arising from the placing and underwriting business presented based on the date of rendering services:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0-60 days	-	1,851
	-	1,851

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2017 and 30 September 2017	8,000,000,000	80,000
Issued and fully paid:		
At 31 March 2017 and 30 September 2017	2,000,000,000	20,000

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commission income from securities dealing and brokerage services received or receivable from:		
Directors	26	25
Family member of a Director	75	56
Entity controlled by the Directors	–	63
Entity significantly influenced by the Directors	–	2

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Fee and commission income from placing and underwriting activities received or receivable from:		
Directors	18	–
Family member of a Director	–	80
Entity controlled by the Directors	–	70

18. RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income from margin financing received or receivable from:		
Directors	16	187
Family member of a Director	347	203
Entity controlled by the Directors	70	15

The balances with related parties have been disclosed in notes 15 and 16.

Compensation of key management personnel

Key management includes Directors and senior management of the Group. The remuneration of key management are as follows:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short term employee benefits	2,297	2,099
Contributions to Mandatory Provident Fund	54	53
	2,351	2,152

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services.

The Hong Kong stock market sentiment was active during the six months ended 30 September 2017. The market's average daily transaction value for the six months ended 30 September 2017 increased by approximately 31.1% as compared to the corresponding period in 2016.

During the period under review, the Group's commission income from securities dealing and brokerage services had achieved a remarkable growth of approximately 120.9% as compared to the six months ended 30 September 2016. The Group also managed to generate a stable income of approximately HK\$21.7 million and HK\$3.4 million respectively (2016: HK\$22.0 million and HK\$3.3 million respectively) from its placing and underwriting business and margin financing business.

On the other hand, fee income from asset management services for the six months ended 30 September 2017 decreased by approximately 55.8% as compared to the six months ended 30 September 2016, which was mainly due to the decrease in performance fee recorded. Other revenue for the six months ended 30 September 2017 and 2016 was approximately HK\$4.5 million and HK\$7.9 million respectively which mainly comprised of referral fee income of approximately HK\$4.3 million and HK\$6.8 million respectively.

Overall, total revenue for the six months ended 30 September 2017 slightly decreased by approximately 3.3% as compared to the six months ended 30 September 2016 mainly as a result of the decrease in other revenue.

The Directors are of the view that the Hong Kong and global financial markets are still challenging and full of uncertainties. The Directors and senior management of the Group will continue to monitor the Group's risk and credit exposure prudently, review the working capital level on an on-going basis, keep abreast of the latest developments of statutory requirements and the Hong Kong financial industry in order to maximise returns to shareholders. Going forward, the Group and the Directors shall continue to strive to achieve the business objective to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the six months ended 30 September 2017 was approximately HK\$35.9 million, representing a slight decrease of approximately HK\$1.2 million or 3.3% from approximately HK\$37.1 million for the six months ended 30 September 2016. The decrease in total revenue was mainly attributed to the decrease in revenue generated from asset management services and other services provided by the Group which was partly offset by the increase in commission income from securities dealing and brokerage services.

During the six months ended 30 September 2017, the Group completed a securities trading transaction in which the Group generated commission income of approximately HK\$2.9 million. Together with the effect of overall positive atmosphere of the Hong Kong stock market during the period, the Group's commission income from securities dealing and brokerage services increased significantly by approximately HK\$3.1 million or 120.9% from approximately HK\$2.6 million for the six months ended 30 September 2016 to approximately HK\$5.7 million for the six months ended 30 September 2017.

Placing and underwriting fee and commission income is principally affected by the number of engagements participated by the Group, the size of engagements and the commission rates. For the six months ended 30 September 2017, the Group completed 19 placing and underwriting engagements with a total transaction value of approximately HK\$0.6 billion (2016: 12 placing and underwriting engagements with a total transaction value of approximately HK\$1.4 billion). Attributed to the smaller average size of the placing and underwriting engagements participated by the Group, fee and commission income from placing and underwriting activities slightly decreased by approximately HK\$0.3 million or 1.2% from approximately HK\$22.0 million for the six months ended 30 September 2016 to approximately HK\$21.7 million for the six months ended 30 September 2017.

The Group's margin financing business continues to grow and interest income from margin financing recorded an increase of approximately 1.8% from approximately HK\$3.3 million for the six months ended 30 September 2016 to approximately HK\$3.4 million for the six months ended 30 September 2017.

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

The Group's asset management operations have been resumed in July 2016. As at 30 September 2017, the Group had four (31 March 2017: four) asset management clients and the discretionary funds managed by the Group amounted to approximately HK\$47.0 million (31 March 2017: HK\$119.6 million). Pursuant to the relevant asset management agreements with these clients, the Group acts as an investment manager and provides wealth management services to them on a discretionary basis pursuant to each client's investment requirements, objectives and restrictions, and is entitled to management fees with a range from 1.0% per annum to 1.5% per annum and performance fees with a range from 15% to 20%. Total fee income from asset management services for the six months ended 30 September 2017 was approximately HK\$0.6 million, representing a decrease of approximately 55.8% from approximately HK\$1.3 million for the six months ended 30 September 2016, which was mainly due to the decrease in performance fee recorded.

In addition to the above business activities, the Group may on a case by case basis come across other projects, the fee income from which is recorded as other revenue.

Other revenue for the six months ended 30 September 2016 represented the followings:

- (i) Pursuant to a placing agreement entered into between the Group and a Hong Kong listed company in September 2015, the Group was initially appointed to place a certain number of shares by 31 October 2015. Subsequently, the said placing did not take place by 31 October 2015, and thereafter the Hong Kong listed company agreed to pay a settlement fee of approximately HK\$1.1 million to the Group which is conditional upon the Hong Kong listed company failing to engage the Group to place a certain number of shares by 30 June 2016. During June 2016, the Group recognised such settlement fee as other revenue as the Hong Kong listed company had failed to meet the aforesaid condition.
- (ii) In September 2016, the Group completed a referral transaction for the acquisition of a controlling stake in a company listed on the Stock Exchange and generated a referral fee income of HK\$6.8 million.

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

The Group was notified the interest of some investors in trading securities through Shanghai-Hong Kong Stock Connect. However, the Group currently does not have a Shanghai-Hong Kong Stock Connect licence to execute such trades on behalf of these investors. As such, the Group entered into referral agreements with other securities companies in Hong Kong (the "Securities Companies"), who have proper licences, and pursuant to the referral agreements, the Group will refer investors to the Securities Companies (the "Referral") and is entitled to a monthly referral fee calculated with reference to the revenue of the Securities Companies generated from the referred investors. For the six months ended 30 September 2017, revenue from other services mainly represented referral fee income of approximately HK\$4.3 million generated from such Referral.

Profit for the period

Notwithstanding the decrease in total revenue as discussed above, profit for the six months ended 30 September 2017 increased by approximately HK\$1.2 million or 6.7% as compared to approximately HK\$18.3 million for the six months ended 30 September 2016, which was primarily attributed to the fact that the Group incurred listing expenses of approximately HK\$3.7 million during the six months ended 30 September 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 September 2017, the Group mainly financed its operations by internal resources and net proceeds raised from the placing (the "Placing") upon listing. As at 30 September 2017, the Group had net current assets of approximately HK\$235.3 million (31 March 2017: HK\$221.1 million), including cash and cash equivalents of approximately HK\$128.9 million (31 March 2017: HK\$106.8 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.6 times as at 30 September 2017 (31 March 2017: 3.1 times).

As at 30 September 2017, the Group had no bank borrowings outstanding (31 March 2017: Nil).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$242.8 million as at 30 September 2017 (31 March 2017: HK\$223.3 million).

PLEDGE OF THE GROUP'S ASSETS

As at 30 September 2017, the Group had pledged its bank deposit amounting to HK\$5.0 million for banking facilities granted by a bank in Hong Kong to the Group (31 March 2017: HK\$5.0 million).

EMPLOYEE INFORMATION

As at 30 September 2017, the Group had 27 employees (31 March 2017: 27), including the Directors. Total staff costs (including staff salaries, Directors' emoluments and contribution to Mandatory Provident Fund) for the six months ended 30 September 2017 were approximately HK\$4.2 million (2016: HK\$3.7 million).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 September 2017.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risk is primarily related to transactions denominated in a currency other than Hong Kong dollars. Except for part of the referral fee income which was settled in Renminbi, the turnover and operation costs of the Group were principally denominated in Hong Kong dollars. The Group currently does not have a policy on hedges of foreign exchange risk. However, the Group will closely monitor the fluctuations in exchange rates and will consider to employ financial instrument for hedging should the needs arise.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2017.

EVENT AFTER THE REPORTING PERIOD

After the reporting period and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors.

USE OF PROCEEDS

Net proceeds from the Placing was approximately HK\$55.3 million. As disclosed in the Prospectus and the allotment results announcement of the Company dated 5 January 2017 (the "Announcement"), (i) approximately HK\$48.1 million or approximately 87.0% of the net proceeds will be used for the expansion of the Group's margin financing services; (ii) approximately HK\$1.7 million or approximately 3.0% of the net proceeds will be used to upgrade the Group's IT systems; and (iii) approximately HK\$5.5 million or approximately 10.0% of the net proceeds will be used as general working capital of the Group.

The Group's planned and actual use of net proceeds from the Placing up to 30 September 2017 is as follows:

	Planned use of proceeds up to 30 September 2017 adjusted in the same manner and proportion as stated in the Prospectus and the Announcement	Actual usage up to 30 September 2017
	HK\$ million	HK\$ million
Expansion of margin financing services	22.5	22.5
Upgrade of the Group's IT Systems	0.4	0.5
General working capital	5.5	5.5
	28.4	28.5

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) held by the Directors and chief executives of the Company (the "Chief Executives") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. B Lo	Interest in controlled corporation (Note)	1,500,000,000	75%
Mr. C Lo	Interest in controlled corporation (Note)	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.

Save as disclosed above, as at 30 September 2017, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Chief Executives are aware, as at 30 September 2017, other than the Directors and the Chief Executives, the following person/corporation had or was deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, 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 the Company or any other members of the Group:

Long position in ordinary shares of HK\$0.01 each of the Company

Name	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
TML	Beneficial interest	1,500,000,000	75%
Ms. Lui Wing Patsie	Interest in spouse (Note)	1,500,000,000	75%

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

Save as disclosed above, as at 30 September 2017, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position 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 pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was adopted by the shareholder of the Company and was effective on 5 December 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years from the date of its adoption on 5 December 2016. Subject to the terms of the Scheme, the Board shall be entitled to make an offer of the grant of an option to subscribe for shares of the Company to any Directors, employees of the Group, consultants or advisers of the Group, providers of goods and/or services to the Group, customers of the Group, holders of securities issued by any member of the Group, or any other person, who at the sole discretion of the Board, has contributed to the Group, whom the Board may select at its absolute discretion. Since the adoption of the Scheme and up to 30 September 2017, no share option has been granted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2017.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the six months ended 30 September 2017 and up to the date of this report.

COMPLIANCE ADVISER’S INTERESTS

As at 30 September 2017, as notified by Ample Capital Limited (the “Compliance Adviser”), save and except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 5 December 2016, neither the Compliance Adviser nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "Required Standard of Dealings") set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all the Directors, all of them confirmed that they have complied with the Required Standard of Dealings during the six months ended 30 September 2017 and up to the date of this report.

CORPORATE GOVERNANCE

The Board is committed to promoting high standards of corporate governance practices and procedures. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. For the six months ended 30 September 2017, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and with the written terms of reference in compliance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew. Mr. Mok Kwai Pui Bill is the chairman of the Audit Committee.

The Audit Committee had reviewed the Group's unaudited condensed consolidated results for the six months ended 30 September 2017 and was of the opinion that such results had complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 13 November 2017

As at the date of this report, 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.