PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

*This announcement, 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 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 announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019, together with the comparative audited figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue			
Commission income from securities dealing and brokerage services		**6,800**	9,934
Fee and commission income from placing and underwriting activities	*5*	**49,028**	60,101
Interest income from margin financing		**6,462**	6,536
Fee income from asset management services		**1,446**	1,638
Others	*6*	**3,860**	4,836
Total revenue		**67,596**	83,045
Bank interest income		**77**	22
Other gains and losses		**717**	1,744
		68,390	84,811
Commission expenses	*7*	**(14,323)**	(8,620)
Depreciation expenses		**(270)**	(254)
Staff costs	*8*	**(12,134)**	(18,548)
Other operating expenses		**(15,112)**	(15,150)
Finance costs		**(12)**	–
Profit before tax	*9*	**26,539**	42,239
Income tax expense	*10*	**(4,511)**	(7,133)
Profit and total comprehensive income for the year attributable to owners of the Company		**22,028**	35,106
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*11*	**1.10**	1.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment		**644**	759
Intangible asset		**5,000**	5,000
Deposits placed with stock exchange and clearing house		**630**	630
Rental and utility deposit		**–**	1,188
Total non-current assets		**6,274**	7,577
Current assets			
Accounts receivable	*13*	**103,016**	84,342
Rental and utility deposits		**1,195**	–
Prepayments and other receivables		**1,300**	690
Tax recoverables		**2,005**	–
Cash and bank balances:			
Bank balance — house accounts		**189,585**	178,388
Pledged bank deposits		**5,000**	5,000
Cash held on behalf of customers		**73,441**	130,133
Total current assets		**375,542**	398,553
Current liabilities			
Accounts payable	*14*	**92,036**	136,213
Other payables and accruals		**4,365**	11,073
Bank borrowings		**5,000**	–
Tax payables		**–**	457
Total current liabilities		**101,401**	147,743
Net current assets		**274,141**	250,810
Net assets		**280,415**	258,387
Equity			
Share capital		**20,000**	20,000
Reserves		**260,415**	238,387
Total equity attributable to owners of the Company		**280,415**	258,387

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	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	20,000	48,229	9,762	145,290	223,281
Profit and total comprehensive income for the year	–	–	–	35,106	35,106
At 31 March 2018 and 1 April 2018	20,000	48,229	9,762	180,396	258,387
Profit and total comprehensive income for the year	–	–	–	22,028	22,028
At 31 March 2019	**20,000**	**48,229**	**9,762**	**202,424**	**280,415**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 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 consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousands ("**HK$'000**"), unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HKFRS 15 (Amendments)	Clarification to HKFRS 15 Revenue from contracts with customers
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) Int 22	Foreign currency transactions and advance consideration

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 set out in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

Classification and measurement of financial assets and financial liabilities at amortised cost

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating and/or past due analysis. The Group has therefore estimated the expected loss rates for the accounts receivable on the same basis. Based on assessment by the directors, the directors consider the ECL for accounts receivable is insignificant at 1 April 2018.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposit and other receivables and pledged bank deposit and cash and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

For deposits and other receivables, the directors make periodic collective as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the directors, the directors consider the ECL for deposits and other receivables is insignificant.

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers form 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, prior period comparative figures have not been restated. The Group recognises revenue mainly form the following major sources which arise from contracts with customers:

- Provision of securities dealing and brokerage services
- Provision of placing and underwriting services
- Provision of financing services including securities and initial public offering ("**IPO**") margin financing ; and
- Provision of asset management services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are set out in the consolidated financial statements.

As a result of the changes in the Group's accounting policies, as explained above, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any significant impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 April 2018.

New and revised HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Amendments to HKFRS 3	Definition of a business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and interpretations issued by the HKICPA and the applicable disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance.

The 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 2018 except for the adoption of the amendments to HKFRSs issued by the HKICPA mandatory for the annual periods beginning on 1 April 2018.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the management of the Company to make judgments, 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 judgments 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 executive directors and senior 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 consolidated statement of profit or loss and other comprehensive income.

No segment assets or liabilities is 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.

Revenue represents the aggregate of the amounts received and receivable from third parties, income from securities dealing and brokerage services, placing and underwriting services and asset management services. Revenue recognised during the years are as follows:

Disaggregation of revenue from contracts with customers

	2019	2018
	HK$'000	*HK$'000*
Securities dealing and brokerage service	**6,800**	9,934
Placing and underwriting services	**49,028**	60,101
Asset management services	**1,446**	1,638
Other services	**3,860**	4,836
Revenue from contracts with customers	**61,134**	76,509
Revenue from other sources		
Interest income from margin financing services	**6,462**	6,536
	6,462	6,536
	67,596	83,045
Timing of revenue recognition:		
A point in time	**66,596**	82,367
Over time	**1,000**	678
	67,596	83,045

Geographical information

The Group's non-current assets are located in Hong Kong. The Group operates in Hong Kong and its revenue is derived from its operations in Hong Kong.

Information about major customers

Revenue from major customers contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**7,322**	N/A[1]

Note:

1. No single customer contributed 10% or more to the Group's revenue during the year ended 31 March 2018.

5. FEE AND COMMISSION INCOME FROM PLACING AND UNDERWRITING ACTIVITIES

	2019	2018
	HK$'000	*HK$'000*
Fee and commission income from selling shareholders/issuers/brokers	**47,944**	56,069
Commission income from subscribers	**1,084**	4,032
	49,028	60,101

6. OTHER REVENUE

	2019	2018
	HK$'000	*HK$'000*
Referral fee income	**740**	4,268
Handling fee income	**2,670**	418
Professional service fee income	**450**	150
	3,860	4,836

7. COMMISSION EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Commission to account executives	**1,987**	2,210
Commission to sub-placing agents and sub-underwriters	**12,336**	6,410
	14,323	8,620

8. STAFF COSTS

	2019	2018
	HK$'000	*HK$'000*
Salaries and bonus	**7,974**	9,386
Contributions to Mandatory Provident Fund	**291**	277
Allowances	**217**	313
Directors' emoluments		
— Fees	**396**	396
— Salaries	**2,760**	2,160
— Bonus	**460**	5,980
— Contributions to Mandatory Provident Fund	**36**	36
	12,134	18,548

Staff and directors' bonus are discretionary and determined with reference to the Group's and individuals' performance.

The Group participates in a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance for all qualified employees. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Net foreign exchange gain	**(127)**	(744)
Gain on disposal of property and equipment	**–**	(8)
Minimum lease payments paid under operating lease in respect of rented premises	**4,015**	4,498
Auditor's remuneration		
— Audit services	**780**	859
Legal and professional fees (excluding listing expenses)	**4,175**	3,234
Donation	**523**	1,269
Entertainment expenses	**1,627**	1,480

10. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**4,738**	7,105
(Over)/under provision in prior year:		
Hong Kong Profits Tax	**(227)**	28
Income tax expense for the year	**4,511**	7,133

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2018.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the year ended 31 March 2019.

11. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**22,028**	35,106

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,000,000**	2,000,000

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$22,028,000 (2018: approximately HK$35,106,000) and the weighted average number of 2,000,000,000 ordinary shares in issue during both years.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the years ended 31 March 2019 and 2018.

12. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: nil).

13. ACCOUNTS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities:		
— Clearing house	**18,664**	2,211
— Cash clients	**5,382**	11,861
— Margin clients	**77,869**	66,786
Accounts receivable arising from the placing and underwriting business	**268**	3,131
Accounts receivable arising from asset management services	**293**	353
Accounts receivable arising from other services	**540**	–
	103,016	84,342

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 recoverable on demand or according to agreed repayment schedules, and bearing interest at a rate of 5.25% to 10.38% as at 31 March 2019 (2018: 3.25% to 10.75%). 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.

Accounts receivable from margin clients as at 31 March 2019 and 2018 were secured by securities or debt instrument, which were pledged to Pacific Foundation Securities Limited ("PFSL"), the Company's subsidiary, as collateral. The securities had a fair value of approximately HK$539,041,000 as at 31 March 2019 (2018: HK$464,741,000). The Group is not prohibited to sell the collaterals upon customers' default or repledge the collaterals upon receiving customers' authorisation.

As at 31 March 2019, the Group held securities and debt instrument as collateral over these balances. The average age of these receivables is 120 days (2018: 120 days). Except as described above, all accounts receivable from margin clients are included in "neither past due nor impaired" category.

As at 31 March 2019, 100% (2018: 100%) of the accounts receivable from margin clients were secured by sufficient collateral on an individual basis. The 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.

As at 31 March 2019, accounts receivable from margin clients includes accounts receivable from directors of the Company of approximately HK$1,322,000 (2018: HK$3,779,000), accounts receivable from a family member of a director of the Company of approximately HK$24,992,000 (2018: nil) and accounts receivable from an entity controlled by the directors of the Company of approximately HK$689,000 (2018: HK$26,000). All these amounts represented continuing connected transactions.

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 of the Company, 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, asset management services and other services are recoverable in accordance with the contract terms.

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

	2019	2018
	HK$'000	*HK$'000*
0–60 days	**197**	378
61–90 days	**96**	749
>90 days	**808**	2,357
	1,101	3,484

The following is an ageing analysis of accounts receivable arising from the placing and underwriting services, asset management services and other services which are past due but not impaired:

	2019	2018
	HK$'000	*HK$'000*
0–60 days past due	**–**	25
61–90 days past due	**–**	749
>90 days past due	**268**	2,357
	268	3,131

Included in the Group's accounts receivable arising from the placing and underwriting services, asset management services and other services as at 31 March 2019 are debtors with aggregate carrying amount of approximately HK$268,000 (2018: HK$3,131,000) 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. The average age of these receivables is 34 days (2018: 51 days). Except as described above, all accounts receivable arising from the placing and underwriting services, 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 services, asset management services and other services because these debtors are of good credit.

Details of impairment assessment of accounts receivable for the year ended 31 March 2019 are set out in the consolidated financial statements.

14. ACCOUNTS PAYABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts payable arising from the business of dealing in securities:		
— Clearing house	**–**	6,859
— Cash clients	**88,066**	119,368
— Margin clients	**3,920**	9,947
Accounts payable arising from the placing and underwriting business	**50**	39
	92,036	136,213

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 trades pending settlement or deposits received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required deposits are repayable on demand.

Accounts payable to cash clients include amounts payable to directors of the Company of approximately HK$2,412,000 as at 31 March 2019 (2018: HK$3,332,000).

As at 31 March 2019, no accounts payable to margin client include accounts payable to a director of the Company and accounts payable to a family member of a director of the Company (2018: accounts payable to a family member of a director of the Company approximately HK$13,000).

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 of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

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

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

	2019	2018
	HK$'000	*HK$'000*
0–60 days	**–**	39
61–90 days	**50**	–
	50	39

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services. The Group's services mainly relate to equity and debt securities trading on the Stock Exchange in Hong Kong.

The Group conducts its abovementioned 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).

Since 6 January 2017, the shares of the Company have been successfully listed on GEM of the Stock Exchange (the "**Listing**") by way of placing at the placing price of HK$0.15 per share (the "**Placing**").

Securities Dealing and Brokerage Services

The Group provides securities and brokerage services to customers for trading in securities listed on the Stock Exchange which comprise of corporate and individual customers. For the year ended 31 March 2019, the Group had 480 active securities trading accounts (2018: 677).

The Group's commission income from securities dealing and brokerage services decreased by approximately HK$3.1 million or 31.31% from approximately HK$9.9 million for the year ended 31 March 2018 to approximately HK$6.8 million for the year ended 31 March 2019. The decrease was mainly attributable to (i) total transaction value of securities trading carried out by the Group on behalf of customers decreased to approximately HK$3.4 billion for the year ended 31 March 2019 (2018: HK$5.8 billion); and (ii) the Group completed a securities trading transaction in which the Group generated commission income of approximately HK$2.9 million during the year ended 31 March 2018, whereas no such one-off significant commission income was recorded for the year ended 31 March 2019.

Placing and Underwriting Services

The Group acts as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent for companies listed or to be listed on the Stock Exchange or for shareholders of companies listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issue, open offer or placing of new or existing shares or bonds.

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 year ended 31 March 2019, the Group completed 24 placing and underwriting engagements with a total transaction value of approximately HK$0.8 billion (2018: 44 placing and underwriting engagements with a total transaction value of approximately HK$1.3 billion). Attributed to the decrease in (i) number of engagements participated by the Group and (ii) the average commission rate, the Group generated fee and commission income from placing and underwriting activities of approximately HK$49.0 million for the year ended 31 March 2019, representating a decrease of approximately HK$11.1 million or 18.5% compared with that of approximately HK$60.1 million for the year ended 31 March 2018.

Margin Financing Services

Interest income from margin financing mainly represents the interest income generated from the provision of margin financing services to customers who would like to purchase securities listed on the Stock Exchange on a margin basis, which offers funding flexibility to the Group's customers.

The Group's margin financing business maintains stable. The Group recorded an average daily margin loan balance of approximately HK$97.6 million for the year ended 31 March 2019 (2018: HK$96.2 million) and interest income from margin financing recorded approximately HK$6.54 million for the year ended 31 March 2018 to approximately HK$6.46 million for the year ended 31 March 2019.

Asset Management Services

The Group's asset management operations have been resumed in July 2016. As at 31 March 2019, the Group had five (2018: six) asset management clients and the total net assets value managed by the Group amounted to approximately HK$5.2 billion (2018: HK$4.8 billion). Pursuant to the relevant asset management agreements with these clients, the Group acts as an investment manager and provides asset management services to them on a discretionary basis pursuant to each client's investment requirements, objectives and restrictions, and is entitled to (i) management fees on a fixed fee basis or on a percentage basis ranging from 1.0% per annum to 1.5% per annum; (ii) performance fees on a percentage basis ranging from 10% to 20%; and (iii) discretionary bonus. Total fee income from asset management services for the year ended 31 March 2019 was approximately HK$1.4 million, representing a decrease of approximately 12.5% as compared to that of approximately HK$1.6 million for the year ended 31 March 2018, which was mainly due to the decrease in performance fee recorded.

Other Services

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. The other revenue for the year ended 31 March 2019 was approximately HK$3.9 million, representing a decrease of approximately 18.8% as compared to the other revenue of approximately HK$4.8 million for the year ended 31 March 2018.

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 year ended 31 March 2019, revenue from other services mainly represented referral fee income of approximately HK$0.5 million generated from such Referral. For the year ended 31 March 2018, the Group generated a referral fee income of HK$4.3 million.

FINANCIAL REVIEW

Key Financial Data

	As at/Year ended 31 March		**Approximate percentage change**
	2019	2018	
Results of operation *(HK$'000)*			
Revenue	**67,596**	83,045	-18.6%
Profit before tax	**26,539**	42,239	-37.2%
Net profit	**22,028**	35,106	-37.3%
Financial position *(HK$'000)*			
Current assets	**375,542**	398,553	-5.8%
Current liabilities	**101,401**	147,743	-31.4%
Net assets	**280,415**	258,387	8.5%
Key financial ratios			
Net profit margin	**32.6%**	42.3%	
Return on equity	**7.9%**	13.6%	
Return on total assets	**5.8%**	8.6%	
Current ratio	**3.7 times**	2.7 times	
Net debt to equity ratio	**1.8%**	Net cash position	
Gearing ratio	**1.8%**	Not applicable	

Revenue

The Group's revenue comprises (i) commission income from securities dealing and brokerage services; (ii) fee and commission income from placing and underwriting activities; (iii) interest income from margin financing; (iv) fee income from asset management services; and (v) income from other services provided.

	2019	2018
	HK$'000	*HK$'000*
Securities dealing and brokerage service	**6,800**	9,934
Placing and underwriting services	**49,028**	60,101
Asset management services	**1,446**	1,638
Other services	**3,860**	4,836
Revenue from contracts with customers	**61,134**	76,509
Revenue from other sources		
Interest income from margin financing services	**6,462**	6,536
	6,462	6,536
	67,596	83,045
Timing of revenue recognition:		
A point in time	**66,596**	82,367
Over time	**1,000**	678
	67,596	83,045

The Group recorded a total revenue for the year ended 31 March 2019 of approximately HK$67.6 million, representing a decrease of approximately HK$15.4 million, or 18.6% from approximately HK$83.0 million for the year ended 31 March 2018. The decrease in revenue was mainly attributed to:

(i) a decrease in commission income from securities dealing and brokerage services decreased by approximately HK$3.1 million. The decrease was mainly due to the total transaction value of securities trading carried out by the Group on behalf of customers decreased to approximately HK$3.4 billion for the year ended 31 March 2019 (2018: HK$5.8 billion); and (ii) the Group completed a securities trading transaction in which the Group generated commission income of approximately HK$2.9 million during the year ended 31 March 2018, whereas no such one-off significant commission income was recorded for the year ended 31 March 2019;

(ii) a decrease in revenue generated from the placing and underwriting services by approximately HK$11.1 million mainly as a result of the decrease in number of placing and underwriting engagements participated by the Group and the average commission rate during the year;

(iii) a decrease in interest income from margin financing by approximately HK$0.08 million which was mainly attributable to the increase in average daily margin loan provided by the Group during the year;

(iv) a decrease in fee income from asset management services by approximately HK$0.2 million which was mainly due to the decrease in performance fee recorded; and

(v) a decrease in income from other services by approximately HK$0.9 million from approximately HK$4.8 million for the year ended 31 March 2018 to approximately HK$3.9 million for the year ended 31 March 2019.

Other Gains and Losses

Other gains and losses mainly consist of interest charged on overdue accounts receivable (at 5% plus prime rate), settlement and handling fee income and exchange gain. The total other gains and losses for the year ended 31 March 2019 was approximately HK$0.7 million (2018: HK$1.7 million).

Commission Expenses

Commission expenses represent commission paid to the Group's accounts executives (including in-house and self-employed accounts executives) and commission paid to sub-placing agents or sub-underwriters engaged by the Group for the fund raising exercises participated by the Group. Total commission expenses increased by approximately 66.3% from approximately HK$8.6 million for the year ended 31 March 2018 to approximately HK$14.3 million for the year ended 31 March 2019 which was mainly due to the increase in commission paid to sub-placing agents or sub-underwriters by approximately HK$6.2 million.

Staff Costs

Staff costs include Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund. As at 31 March 2019, the Group had a total of 28 employees including Directors (2018: 29). Staff costs is a major expense item for the Group which accounted for approximately 26.2% of the total expenses of the Group for the year ended 31 March 2019 (2018: 37.3%). Total staff costs for the year ended 31 March 2019 was approximately HK$12.1 million, representing a decrease of approximately HK$6.4 million or 34.6% from approximately HK$18.5 million for the year ended 31 March 2018. Such decrease was mainly attributable to staff turnover during the year.

Other Operating Expenses

Other operating expenses primarily consist of donations, entertainment expenses, legal and professional fees, office rent and rates, software and stock information expenses and various miscellaneous office expenses. For the year ended 31 March 2019, the Group's other operating expenses remain stable to approximately HK$15.1 million as compared to approximately HK$15.2 million for the year ended 31 March 2018.

Income Tax Expense

Income tax expense for the year ended 31 March 2019 was approximately HK$4.5 million (2018: HK$7.1 million) which was consistent with the decrease in assessable profit under Hong Kong Profits Tax.

Profit for the Year

As a result of the foregoing, profit decreased by approximately HK$13.1 million, or 37.3% from approximately HK$35.1 million for the year ended 31 March 2018 to approximately HK$22.0 million for the year ended 31 March 2019.

Dividends

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 March 2019, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources and net proceeds raised from the Placing.

As at 31 March 2019, the net current assets of the Group amounted to approximately HK$274.1 million (2018: HK$250.8 million), including cash and cash equivalents of approximately HK$189.6 million excluding pledged bank deposit and cash held on behalf of customers (2018: HK$178.4 million). The current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 3.7 times (2018: 2.7 times).

The capital of the Group comprises only ordinary shares. As at 31 March 2019, the total equity attributable to owners of the Company amounted to approximately HK$280.4 million (2018: HK$258.4 million). Such increase was attributed to the decreased of accounts payable using from the business dealing in securities. As at 31 March 2019, no accounts payable to clearing house (2018: approximately HK$6.9 million) and decreased of accounts payable to margin clients from approximately HK$9.9 million for the year ended 31 March 2018 to approximately HK$3.9 million for the year ended 31 March 2019.

ACHIEVEMENT OF BUSINESS OBJECTIVES

As set out in the prospectus of the Company dated 12 December 2016 (the "**Prospectus**"), the principal business objective of the Group is to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share. Set out below are the key business strategies adopted by the Group in order to achieve such business objective and the Group's actual business progress:

(i) Developing the Group's brokerage services with a focus on enlarging its customer base and targeting high net worth customers from the Mainland China

In order to further enhance the Group's reputation and public awareness after Listing so as to soliciting new customers through referrals, the Group's asset management staff involved in the promotion and marketing activities for the Group by, among other things, providing stock market commentary published in various local newspapers, participating in radio broadcasts hosted by Hong Kong radio and discussing the Hong Kong stock market. For the year ended 31 March 2019, there were 11 (2018: 26) new Mainland China clients who have opened securities accounts with the Group, which have accounted for approximately 12.36% (2018: 22.2%) of the total 89 new clients during the year.

For the year ended 31 March 2019, after considering existing manpower of the Group and the market condition, did not hire any new in-house accounts executive during the year. The management will continue to review the market condition from time to time and look for suitable candidates when appropriate.

(ii) Developing the Group's placing and underwriting services

For the year ended 31 March 2019, the Group completed 24 (2018: 44) placing and underwriting engagements with a total transaction value of approximately HK$0.8 billion (2018: 44 placing and underwriting engagements with a total transaction value of approximately HK$1.3 billion) and the fee and commission income from placing and underwriting activities decreased by approximately 18.5%.

Revenue generated from placing and underwriting services of the Group mainly arisen from the Initial Public Offering projects (the "**IPO Projects**") for the placing and underwriting services. According to the market data issued by the Stock Exchange, 126 companies were listed in 2016 while 174 companies were listed in 2017 and 218 companies were listed in 2018, increased of 38% and 25.2% respectively. The Company expects the IPO Projects will retain the upward trend in 2020 and the Company continues to observe the market condition and look for suitable projects when appropriate.

(iii) Enhancing PFSL's revolving capital resources

The Group planned to apply majority of the net proceeds from the Placing to its margin financing services. With these additional capital resources and coupled with the keen demand for financing services from the Group's customers, the Directors believe that the margin financing business of the Group will continue to expand in the long run.

Furthermore, as margin receivable, subject to the Hong Kong Securities and Futures (Financial Resources) Rules ("**SF(FR)R**") calculation, is classified as liquid assets, the funds designated for margin financing also improved the liquid capital and thus raising the Group's capacity of undertaking underwriting activities.

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 31 March 2019 is as follows:

	Planned use of proceeds up to 31 March 2019 adjusted in the same manner and proportion as stated in the Prospectus and the Announcement	**Actual usage up to 31 March 2019**
	HK$ million	*HK$ million*
Expansion of margin financing services	48.1	48.1
Upgrade of the Group's IT Systems	1.7	1.7
General working capital	5.5	5.5
	55.3	55.3

RISK RELATING TO THE FUTURE PLAN

As set out in more details in the section headed "Business Objectives and Strategies" in the Prospectus, the Group intended to (i) develop its brokerage services; (ii) develop its placing and underwriting services through establishing new relationships and maintain existing relationships with other investment banks and professionals in the industry; and (iii) enhance its quality of service.

The above expansion plans are based on the intentions and assumptions at that time. The future execution may be subject to capital investment and human resources constraints. Furthermore, the expansion plans may also be hindered by other factors beyond the Group's control, such as the general market conditions, the performance of the financial service industry, and the economic and political environment of Hong Kong, Mainland China and the globe. Therefore, the Group's expansion plans may not materialise in accordance with the timetable or at all.

OUTLOOK

The Directors are of the view that the Hong Kong and global financial markets are full of uncertainties arising from, among others, concerns over hikes in Hong Kong's benchmark interest rate to catch up with the United States (the "**US**"), the Brexit negotiation process and the US's policies on interest rate and tariff. 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 of the Company (the "**Shareholders**").

Looking forward, it is expected that the Group's revenue mix will be similar to that in 2019 with primary focus on securities dealing and brokerage services, placing and underwriting services, financial services including securities and initial public offering margin financing and asset management services.

The Group and the Directors will continue to keep abreast of the latest development of the Hong Kong financial market and the update on the regulatory requirements applicable to the Group and 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had a total of 28 employees including Directors (2018: 29). Total staff costs (including Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund) for the year ended 31 March 2019 were approximately HK$12.1 million (2018: HK$18.5 million). Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. The remuneration packages comprise mainly monthly fixed salaries and discretionary bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

PLEDGE OF THE GROUP'S ASSETS

As at 31 March 2019, the Group had pledged its bank deposit amounting to HK$5.0 million (2018: HK$5.0 million) for banking facilities granted by a bank in Hong Kong to the Group.

FOREIGN EXCHANGE EXPOSURE

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.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the year ended 31 March 2019 (2018: nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2019.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2019 (2018: nil).

EVENT AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2019 AGM**") will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Thursday, 29 August 2019 at 11:00 a.m. and a notice of the 2019 AGM will be published and despatched to the Shareholders in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 year ended 31 March 2019, to the best knowledge of the Board, the Company has applied the principles and complied with the applicable code provisions set out in the CG Code except for the following deviation from the code provision of the CG Code:

Code Provision A.6.7

The code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings, to gain and develop a balanced understanding of the views of shareholders. An independent non-executive Director could not attend the AGM held on 29 August 2018 due to other important business engagements.

The Board will continue to review its corporate governance practices in order to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the Shareholders and respective investors of the Company.

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 Directors, all of them confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 March 2019 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019 and up to the date of this announcement.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED ("HLB")

The figures in respect of the Group's annual results for the year ended 31 March 2019 as set out in this preliminary announcement have been agreed by the auditor of the Group, HLB, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2019. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this preliminary announcement.

AUDIT COMMITTEE

The Company has established an audit committee (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. Mok Kwai Pui Bill ("**Mr. Mok**"), Mr. Ma Wai Hung Vincent and Mr. Ng Shu Bun Andrew. Mr. Mok is the chairman of the Audit Committee.

The Audit Committee had reviewed the annual results of the Group for the year ended 31 March 2019 with the management and the external auditor of the Company 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, 21 June 2019

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

This announcement 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.