VOLUME XIX No. 9 **T H U R S D A Y** **January 12, 2017**

PF GROUP HOLDINGS LTD:
ONE CANNOT FART AGAINST THUNDER

The Placing Prospectus of PF Group Holdings Ltd (Code: 8221, The **G**rowth **E**nterprise **M**arket [the **GEM**] of The Stock Exchange of Hongkong Ltd) could be likened to a '*thermometer*' that indicates the suggestive temperature of the equity markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), during the past three years or so.

The adverse effects of the volatility of the key indices of the HKSAR's two equity markets is right there, in plain sight for all to view, being lodged in-between the lines of the 366-Page, Placing Prospectus.

Revenues of this Company have been whittled down as have been the Net Profits Attributable to Shareholders, during the three Financial Years, ended March 31, 2016.

PF Group launched its Placing Prospectus on December 12, 2016, in an attempt to Place 500 million, one-cent Shares at the Indicative Placing Price Per Share, ranging from a low of 14 cents to a high of 16 cents.

Management of this securities company stated, at Pages 228 and 229 of the Placing Prospectus, that the reasons for this cash-raising exercise included, inter alia:

> '*Although our Group has no urgent funding requirement, our Directors believe that the additional capital raised for our Company from the Listing, is crucial for the on-going expansion of our Group's placing and underwriting and margin financing services. By increasing the number of placing and underwriting transactions undertaken by our Group, the number of our Group's high net worth clients and overall increase in securities trading by our high net worth clients, our Group will potentially be able to increase its market share of brokerage revenue and capture a large share of fund raising conducted by companies listed on the Stock Exchange* (The Stock Exchange of Hongkong Ltd) ...
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> '*Our Group's ability to take up underwriting commitment for placing and underwriting activities and extend margin financing loan are limited by our Group's financial resources and the FRR* (Securities and Futures [Financial Resources] Rules [Chapter 571N of the Laws of the HKSAR]) *requirements. A licensed corporation shall at all times maintain positive liquid capital which is not less than its required liquid capital as stipulated in section 6 of the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets and ranking liabilities of a licensed corporation and its liquid assets must exceed its ranking liabilities (i.e. positive liquid capital). Among the variables, the underwriting commitment made by our Group is one of the factors in calculating FRR and would reduce liquid capital. For example, during the Track Record Period* (the 40 months to July 31, 2016)*, our Group encountered a number of occasions in which our Group had taken up some underwriting commitments, and after taking into account (i) the haircut percentages specified in the FRR rules; (ii) certain assumptions made by our Group in our scenario analysis, any additional underwriting deals may lead to our liquid capital falling below the HK$3 million minimum requirement under the FRR of the SFO* (The Securities and Futures Ordinance [Chapter 571 of the laws of the HKSAR]). *Given that we have adopted a prudent approach to compliance with the FRR, our Directors believe that our Group's ability to meet the liquid capital requirements outweigh the benefit of undertaking new placing and underwriting if*

additional risks arise that may lead PFSL (Pacific Foundation Securities Ltd [], a wholly owned subsidiary of PF Group) *being unable to meet the liquid capital requirements. As such, it was difficult for us to not only extend large amount of margin loans to clients (such as IPO* [**I**nitial **P**ublic **O**ffering] *margin financing) but also undertake more underwriting commitments without sub-underwriting part of the commitments to other firms. Therefore, our Directors consider that the net proceeds raised from the Placing are crucial to the implementation of our business strategies of increasing our overall liquid capital position and increasing PFSL's fund raising and margin financing abilities…*

'In addition to the capital resources from the Placing, the Directors decided to proceed with equity financing in the form of a Listing for the purpose of our business expansion instead of debt financing considering the following factors and benefits to our Company, its shareholders and stakeholders:

> *'… as part of a group of private companies, our Company, without a listing status, would be difficult to obtain further bank borrowings without additional guarantees or other form of tangible security to be provided by the Controlling Shareholders. With a listing status, we could obtain additional borrowings using our corporate states so as to relieve the financial pressure on our Controlling Shareholders and to maximise our gearing efficiency…'.*

The Initial Public Offering (IPO) Of PF Group Holdings Ltd

PF Group has **...** **CLICK TO ORDER FULL ARTICLE**