
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the independent board committee and
the independent shareholders**



A letter from the board of directors of **Bright Smart Securities & Commodities Group Limited** is set out on pages 6 to 27 of this circular.

A letter from the independent board committee containing its recommendation to the independent shareholders is set out on pages 28 to 29 of this circular. A letter from Gram Capital containing its advice to the independent board committee and the independent shareholders is set out on pages 30 to 55 of this circular.

A notice convening an extraordinary general meeting of **Bright Smart Securities & Commodities Group Limited** to be held on Mezzanine Floor, Honour House, 375-381 Nathan Road, Kowloon on Thursday, 31 January 2019 at 10:00 a.m. is set out on pages 60 to 63 of this circular. Whether or not you are able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Bright Smart Securities & Commodities Group Limited in Hong Kong, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

11 January 2019

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Accompanying Document:

— *Form of Proxy*

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Board”	the board of Directors
“Bright Smart Securities”	Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company and a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 7 (providing automated trading services) regulated activities under the SFO
“Car Parking Spaces”	Car Parking Space Nos. 1, 2, 3, 4, 5, & 5S on Lower Ground Floor of Floral Tower, No. 1/9 Mosque Street, Hong Kong
“Car Parking Spaces Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited and Great Challenge Limited for the leasing of Car Parking Space Nos. 1, 2, 3, 4, 5, & 5S on Lower Ground Floor of Floral Tower, No. 1/9 Mosque Street, Hong Kong
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, modified and/or otherwise supplemented from time to time
“Company”	Bright Smart Securities & Commodities Group Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of the Stock Exchange under stock code 1428
“Connected Persons”	Mr. Yip and Mr. Chan, both of them are Directors and “Connected Person” means either of them
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Tenancy Agreements, the Financial Services Agreements and the respective transactions contemplated thereunder

DEFINITIONS

“Financial Services Agreements”	the 2 financial services agreements, both dated 3 January 2019, entered into by each of the Connected Persons with Bright Smart Securities in relation to the provision of financial services by Bright Smart Securities to the Connected Persons and their respective associates
“Golden Hill Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Top Sunshine Development Limited as landlord for the leasing of the Whole of First Floor, Golden Hill Commercial Building, Nos. 39-41 Argyle Street, Kowloon
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Honour House Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Fortunate State Limited as landlord for the leasing of the Entrance (at Left Frontage) of Space G-01 on G/F, the Whole of Mezzanine Floor and the Whole of 1st Floor, Cyber Talk of Honour House, Nos. 375-381 & 375A-379A Nathan Road, No. 24 Kansu Street and Nos. 2-10 Woosung Street, Kowloon
“Ideal Magic Limited” or “Tenant”	a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company
“Independent Board Committee”	a committee of the Board, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Tenancy Agreements, the Financial Services Agreements and the respective transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Tenancy Agreements, the Financial Services Agreements and the respective transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM under the Listing Rules
“independent third party(ies)”	third party(ies) independent of the Company and its connected persons (within the meaning under the Listing Rules)
“IPO”	initial public offering
“Landlords”	collectively, Victory Beauty Limited, Well Point Limited, Resultever Limited, Sea Magic Limited, Top Sunshine Development Limited, Fortunate State Limited, Realmate Limited, Great Challenge Limited and Peaceful Smart Limited, all of which are companies wholly-owned by Mr. Yip
“Latest Practicable Date”	7 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Wing Shing, Wilson, an executive Director and a nephew of Mr. Yip
“Mr. Yip”	Mr. Yip Mow Lum, the chairman of the Board, an executive Director and the controlling Shareholder
“Peter Building Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Well Point Limited as landlord for the leasing of Mezzanine Floor, Peter Building, 58-60 Queen’s Road Central, 13-17 Stanley Street, Hong Kong
“Pok Fu Lam Premises”	the Whole of 5th Floor to 9th Floor and the Roof, 79 Pok Fu Lam Road, Hong Kong
“Pok Fu Lam Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Realmate Limited as landlord for the leasing of the Whole of 5th Floor to 9th Floor and the Roof, 79 Pok Fu Lam Road, Hong Kong

DEFINITIONS

“Premises”	<p>collectively, the following premises:</p> <ul style="list-style-type: none">(i) 10/F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (excluded a small part of 10/F without coloured pink shown on the floor plan annexed to the 10/F Wing On Tenancy Agreement);(ii) Mezzanine Floor, Peter Building, 58-60 Queen’s Road Central, 13-17 Stanley Street, Hong Kong;(iii) Shop No. 7 (Formerly Shop No. 995A) on Ground Floor & Cockloft and Cockloft Nos. 1-6, Tak Lee Building, No. 993 King’s Road, Hong Kong;(iv) G/F and Cockloft, Nos. 141-145 Kwong Fuk Road, Tai Po, New Territories;(v) Whole of First Floor, Golden Hill Commercial Building, Nos. 39-41 Argyle Street, Kowloon;(vi) the Entrance (at Left Frontage) of Space G-01 on G/F, the Whole of Mezzanine Floor and the Whole of 1st Floor, Cyber Talk of Honour House, Nos. 375-381 & 375A-379A Nathan Road, No. 24 Kansu Street and Nos. 2-10 Woosung Street, Kowloon;(vii) Rooms 2301-2302, 23F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (excluded a small part of 23/F without coloured pink shown on the floor plan annexed to the 23/F Wing On Tenancy Agreement);(viii) Pok Fu Lam Premises; and(ix) Car Parking Spaces.
“Prime Rate”	<p>the best lending rate for Hong Kong dollar loans offered by The Hongkong and Shanghai Banking Corporation Limited to its customers from time to time</p>
“SFO”	<p>the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, modified and/or otherwise supplemented from time to time</p>
“Share(s)”	<p>ordinary share(s) of HK\$0.30 each in the share capital of the Company</p>

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Po Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Sea Magic Limited as landlord for the leasing of G/F and Cockloft, Nos. 141-145 Kwong Fuk Road, Tai Po, New Territories
“Tak Lee Building Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Resultever Limited as landlord for the leasing of Shop No.7 (formerly Shop No. 995A) on Ground Floor & Cockloft and Cockloft Nos. 1-6, Tak Lee Building, No. 993 King’s Road, Hong Kong
“Tenancy Agreements”	collectively, the 10/F Wing On Tenancy Agreement, the Peter Building Tenancy Agreement, the Tak Lee Building Tenancy Agreement, the Tai Po Tenancy Agreement, the Golden Hill Tenancy Agreement, the Honour House Tenancy Agreement, the Pok Fu Lam Tenancy Agreement, the Car Parking Spaces Tenancy Agreement and the 23/F Wing On Tenancy Agreement
“10/F Wing On Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Victory Beauty Limited as landlord for the leasing of 10/F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (as shown on the floor plan annexed thereto)
“23/F Wing On Tenancy Agreement”	the conditional tenancy agreement dated 3 January 2019 entered into between Ideal Magic Limited as tenant and Peaceful Smart Limited as landlord for the leasing of Rooms 2301-2302, 23/F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (as shown on the floor plan annexed thereto)
“%”	per cent.

LETTER FROM THE BOARD

耀才證券

BRIGHT SMART SECURITIES

香港交易所上市公司(1428)

BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

Executive Directors:

Mr. Yip Mow Lum (*Chairman*)

Mr. Hui Yik Bun (*Chief Executive Officer*)

Mr. Chan Wing Shing, Wilson

Independent non-executive Directors:

Mr. Yu Yun Kong

Mr. Szeto Wai Sun

Mr. Ling Kwok Fai, Joseph

Registered office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

Principal place of business in Hong Kong:

10th Floor and 23rd Floor

Wing On House

71 Des Voeux Road Central

Central

Hong Kong

11 January 2019

To the Shareholders

Dear Sirs or Madams,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

(1) INTRODUCTION

On 3 January 2019, the Board announced that Ideal Magic Limited, a wholly-owned subsidiary of the Company as tenant had entered into the Tenancy Agreements with the Landlords for the renewal of the existing tenancies relating to the Premises. The Landlords are companies

LETTER FROM THE BOARD

wholly-owned by Mr. Yip and the Tenancy Agreements accordingly constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules. As the aggregate annual rental payable by the Group to the Landlords under the Tenancy Agreements exceeds HK\$10,000,000 and one of the applicable percentage ratios calculated under the Listing Rules exceeds 5%, the transactions contemplated under the Tenancy Agreements accordingly constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the Group had entered into the Financial Services Agreements with the Connected Persons to provide the framework within which the Connected Persons and their respective associates may engage the Group to provide financial services including margin financing and IPO financing. As all of the applicable percentage ratios calculated under the Listing Rules with reference to the annual maximum amount of financing which is likely to be required by each Connected Person (which, for the purpose of Mr. Chan, shall be aggregated with that of Mr. Yip as Mr. Yip is his uncle) and his associates exceeds 5% and such maximum amount of financing exceeds HK\$10,000,000, the transactions contemplated under the Financial Services Agreements accordingly constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Tenancy Agreements and the Financial Services Agreements. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, further particulars of the Tenancy Agreements and the Financial Services Agreements, the recommendation of the Independent Board Committee in relation to the Tenancy Agreements and the Financial Services Agreements, the advice of Gram Capital in respect of the Tenancy Agreements and the Financial Services Agreements and the notice of the EGM at which, resolutions will be proposed to consider and, if thought fit, approve the Tenancy Agreements, the Financial Services Agreements and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

(2) THE TENANCY AGREEMENTS

A. PRINCIPAL TERMS OF THE TENANCY AGREEMENTS

1. 10/F Wing On Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Victory Beauty Limited, a company wholly-owned by Mr. Yip, as landlord.
The principal business of Victory Beauty Limited is property investment.

(c) *Premises let*

10/F, Wing On House, No.71 Des Voeux Road Central, Hong Kong (excluded a small part of 10/F without coloured pink shown on the floor plan annexed to the 10/F Wing On Tenancy Agreement).

(d) *Term*

Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$1,142,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

LETTER FROM THE BOARD

2. Peter Building Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Well Point Limited, a company wholly-owned by Mr. Yip, as landlord. The principal business of Well Point Limited is property investment.

(c) *Premises let*

Mezzanine Floor, Peter Building, 58-60 Queen's Road Central, 13-17 Stanley Street, Hong Kong.

(d) *Term*

Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$430,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

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3. Tak Lee Building Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Resultever Limited, a company wholly-owned by Mr. Yip, as landlord. The principal business of Resultever Limited is property investment.

(c) *Premises let*

Shop No.7 (Formerly Shop No. 995A) on Ground Floor & Cockloft and Cockloft Nos. 1-6, Tak Lee Building, No. 993 King's Road, Hong Kong.

(d) *Term*

Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$218,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

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4. Tai Po Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Sea Magic Limited, a company wholly-owned by Mr. Yip, as landlord. The principal business of Sea Magic Limited is property investment.

(c) *Premises let*

G/F and Cockloft, Nos. 141-145 Kwong Fuk Road, Tai Po, New Territories.

(d) *Term*

Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$240,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

LETTER FROM THE BOARD

5. Golden Hill Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Top Sunshine Development Limited, a company wholly-owned by Mr. Yip, as landlord. The principal business of Top Sunshine Development Limited is property investment.

(c) *Premises let*

Whole of First Floor, Golden Hill Commercial Building, Nos. 39-41 Argyle Street, Kowloon.

(d) *Term*

Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$180,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

LETTER FROM THE BOARD

6. Honour House Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Fortunate State Limited, a company wholly-owned by Mr. Yip, as landlord.
The principal business of Fortunate State Limited is property investment.

(c) *Premises let*

The Entrance (at Left Frontage) of Space G-01 on G/F, the Whole of Mezzanine Floor and the Whole of 1st Floor, Cyber Talk of Honour House, Nos. 375-381 & 375A-379A Nathan Road, No. 24 Kansu Street and Nos. 2-10 Woosung Street, Kowloon.

(d) *Term*

From 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$861,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

LETTER FROM THE BOARD

7. 23/F Wing On House Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Peaceful Smart Limited, a company wholly-owned by Mr. Yip, as landlord.
The principal business of Peaceful Smart Limited is property investment.

(c) *Premises let*

Rooms 2301 & 2302 on 23/F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (excluded a small part of 23/F without coloured pink shown on the floor plan annexed to the 23/F Wing On House Tenancy Agreement).

(d) *Term*

From 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$785,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

LETTER FROM THE BOARD

8. Pok Fu Lam Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Realmate Limited, a company wholly-owned by Mr. Yip, as landlord. The principal business of Realmate Limited is property investment.

(c) *Premises let*

The Whole of 5th Floor to 9th Floor and the Roof, 79 Pok Fu Lam Road, Hong Kong.

(d) *Term*

From 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$550,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

LETTER FROM THE BOARD

9. Car Parking Spaces Tenancy Agreement

(a) *Date*

3 January 2019

(b) *Parties*

(i) Ideal Magic Limited, as tenant; and

(ii) Great Challenge Limited, a company wholly-owned by Mr. Yip, as landlord.
The principal business of Great Challenge Limited is property investment.

(c) *Car Parking Spaces let*

Car Parking Space Nos. 1, 2, 3, 4, 5, & 5S on Lower Ground Floor of Floral Tower, No. 1/9 Mosque Street, Hong Kong.

(d) *Term*

From 1 April 2019 to 31 March 2022 (both days inclusive).

(e) *Rental*

HK\$19,800 per month (exclusive of Government rent and rates, management fee and other charges), payable in advance on the first day of each calendar month.

(f) *Option to renew*

The tenant has an option to renew the tenancy for a further term of 3 years immediately after expiry of the term at the prevailing market rental.

(g) *Status of the existing tenancy agreement*

The existing tenancy agreement will expire on 31 March 2019.

B. CONDITION PRECEDENT OF THE TENANCY AGREEMENTS

All the Tenancy Agreements are subject to the condition that they have been approved by the Shareholders on or before 31 March 2019.

LETTER FROM THE BOARD

C. ANNUAL CAP FOR THE TENANCY AGREEMENTS

The annual cap in respect of the Tenancy Agreements based on the aggregate annual rental payable thereunder for each of the three financial years ending 31 March 2020, 2021 and 2022 are HK\$53,109,600, HK\$53,109,600 and HK\$53,109,600 respectively.

The payment of rents under the Tenancy Agreements will be funded by internal resources of the Group.

D. REASONS FOR ENTERING INTO THE TENANCY AGREEMENTS

The Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee set out in this circular) are of the view that the Tenancy Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The Premises (save and except the Pok Fu Lam Premises and the Car Parking Spaces) are currently used, and will continue to be used, by the Group as its head and branch offices for the provision of securities brokerage, margin financing, commodities and futures brokerage, bullion trading and forex trading services to customers in the surrounding areas. The Pok Fu Lam Premises are currently used, and will continue to be used for entertainment by VIP clients of the Group. The Car Parking Spaces are currently used, and will continue to be used for the vehicles of the Group. The terms of the Tenancy Agreements have been determined after arm's length negotiations between the parties to the Tenancy Agreements with reference to the market rent as determined by an independent professional valuer appointed by the Group, comparable transactions in the vicinity and the prevailing market conditions. The Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee set out in this circular) are of the view that the terms of the Tenancy Agreements (including the rentals which are comparable to those charged by independent third parties) and the annual cap in respect thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(3) THE FINANCIAL SERVICES AGREEMENTS

A. PRINCIPAL TERMS OF THE FINANCIAL SERVICES AGREEMENTS

1. Date

3 January 2019

2. Parties

- (a) Bright Smart Securities, a wholly-owned subsidiary of the Company, as the service provider; and
- (b) the Connected Persons, both being Directors, as the customers.

3. Services to be provided

Subject to the terms and conditions of the Financial Services Agreements, Bright Smart Securities may, upon request, (but not obliged to) provide financial services, including margin financing and IPO financing, to the Connected Persons and their respective associates during the term on a non-exclusive basis.

4. Term

Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

5. Pricing standards

According to the Financial Services Agreements, the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less favourable to Bright Smart Securities than those offered to other customers who are independent third parties of similar credit standing, trading record and quality of collaterals given and in accordance with the credit policy of Bright Smart Securities from time to time. Such rate would vary from time to time depending on the then market sentiment and the cost of funding to the Group. Currently, interest has been charged at standard rate of 4% per annum over 1-week HIBOR for margin clients, 5% per annum above the Prime Rate for cash clients for margin financing, and on a case by case basis depending on the cost of financing for IPO financing. Such rate is applied across all customers with discounts sometimes given to customers (both independent third party customers and Connected Persons) depending on the quality of their collaterals, their trading record and their trading size.

LETTER FROM THE BOARD

6. Payment terms

For margin financing, according to the standard client agreement, interest shall be payable on the last day of each calendar month or forthwith upon demand by Bright Smart Securities while the principal amount of the loan shall be repayable on demand by Bright Smart Securities. In the case of IPO financing, such loan would usually be repayable on the date when the listed issuer publishes the allocation results.

7. Condition precedent of the Financial Services Agreements with Mr. Yip and Mr. Chan

The Financial Services Agreements with Mr. Yip and Mr. Chan are subject to the condition that they have been approved by the Shareholders on or before 31 March 2019.

8. Other terms

Under the terms of the Financial Services Agreements, the Connected Persons and their respective associates are further subject to the terms and conditions of the standard client agreement of the Company from time to time. Pursuant to the standard client agreement of the Company, the Connected Persons and other clients who are independent third parties are subject to the same margin ratio as published on the website of Bright Smart Securities. Subject to its internal approval process, the Group may offer discounts in terms of margin interest rate to clients (both independent third party customers and Connected Persons). The basis in determining such offers of discounts shall include but not limited to the trading size, credit standing, trading record and/or quality of collaterals of the relevant client.

Besides, pursuant to the Financial Services Agreements, Bright Smart Securities shall be entitled to terminate the Financial Services Agreements if any requirement as set out under the Listing Rules or otherwise imposed by the Stock Exchange relating thereto cannot be complied with by Bright Smart Securities. Pursuant to the standard client agreement of Company, in the occurrence of an event of default (in the sole and subjective judgment of Bright Smart Securities), which includes, among others, the client's failure or refusal to pay or settle any outstanding amount on any of such client's securities account or any account opened and maintained in the Group ("**Accounts**"); the client's failure to provide any margin when the same is due by such client; or any event in the sole opinion of Bright Smart Securities that may jeopardize its interest and benefits, then all amounts owing by such client to Bright Smart Securities shall become immediately payable on demand, and interest will accrue at such rates and on such other terms as Bright Smart Securities may notify such client from time to time or failing such notification at a rate equivalent to five per cent (5%) above the Prime Rate or that from such other bank as determined by Bright Smart Securities

LETTER FROM THE BOARD

from time to time. Under such circumstances, the Group shall also be entitled to, among others, (i) sell, realize or otherwise deal with all or any part of any property or assets held by the Group for any purpose in any of the Accounts and apply the proceeds in reduction of all or part of any liabilities owing by such client to the Group; (ii) set-off, combine or consolidate any of the Accounts or any obligations of Bright Smart Securities to such client under the Financial Services Agreements and any other agreements made between such client and Bright Smart Securities (“**Agreements**”) against any obligations of such client to Bright Smart Securities under the same; (iii) call upon or enforce any security which may have been made in favour of Bright Smart Securities as security for such client’s obligations under the Agreements; (iv) cancel any or all contracts with such client ; and (v) take any action as it shall think fit. Save and except the above-mentioned termination clause which is only applicable to the Connected Persons, the Connected Persons and their respective associates are subject to the same default terms which also bind other independent third party clients and such terms are determined in accordance with market practices.

B. ANNUAL CAP FOR THE FINANCIAL SERVICES AGREEMENTS

The annual cap (i.e. the maximum outstanding amount at all times during the year) of margin financing and IPO financing which may be provided by the Group to each of the Connected Persons and their respective associates for each of the three financial years ended/ending 31 March 2017, 2018 and 2019, and the three financial years ending 31 March 2020, 2021 and 2022 is set out as follows:

Name of Connected Person	Financing type	Maximum outstanding amount which may be provided to such Connected Person and his associates at all times during each of the three financial years ended/ending 31 March	
		2017, 2018 and 2019	2020, 2021 and 2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Yip	Margin financing	500,000	1,000,000
	IPO financing	2,000,000	4,000,000
Mr. Chan	Margin financing	10,000	10,000
	IPO financing	20,000	20,000

The annual cap for the Financial Services Agreements is determined after taking into consideration: (i) the historical amount of margin financing and IPO financing advanced by the Group to the Connected Persons and their associates as set forth below; (ii) the number of new listing companies and the amount of equity funds raised in recent years; and (iii) the Connected Persons’ perception of the securities market for the three financial years ending 31 March 2022.

LETTER FROM THE BOARD

Although the proposed annual cap for margin financing is substantially higher than the maximum outstanding amount of margin financing advanced by the Group to the Connected Persons and their respective associates at all times during the two financial years ended 31 March 2018 and the six months ended 30 September 2018, it is justifiable as the demand for such financing very much depends on the overall stock market sentiment. For example, average daily turnover at the Hong Kong stock market for the first nine months in 2018 sustained an increase at 40% to \$114.7 billion as compared to that for the corresponding period last year. If such trend were to follow, the buffer would be necessary in order to cater for the market upturn in the years to come and reference to the utilisation track records may not be the key criteria in setting the annual cap. Besides, the annual cap is set for each Connected Person with reference to his and his associates' credit status without departing from the collateral requirements for the ordinary customers as set forth in a pre-determined credit table. Given that the provision of margin financing can enhance the revenue of the Group and the risk from margin financing will be closely monitored and controlled, the Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in this circular) consider the proposed annual cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As regards IPO financing, it is noted that the proposed annual cap for IPO financing is approximately 2 to 4 times the maximum outstanding amount of IPO financing advanced by the Group to the Connected Persons and their respective associates at all times during the two financial years ended 31 March 2018 the six months ended 30 September 2018. The number of new listing companies increased from 114 for the first nine months of 2017 to 166 for the same period of 2018, representing an increase of approximately 46% and the funds raised through IPOs increased from approximately \$87.6 billion for the first nine months of 2017 to \$242.7 billion for the same period of 2018, representing an increase of 177%. It is expected that the IPO fund raising size will continue to increase in the years to come. Further, the over-subscription rate for newly listed securities has generally been very high in recent years. In order to receive the desired amount of securities, the Connected Persons may need to gross up the application sum. In addition, some IPOs may happen to launch at more or less the same time. This also increases the amount of IPO financing which may be required by the Connected Persons and their respective associates. Given that the actual amount of financing to be extended to each Connected Person and his associates would have to be backed by a sufficient amount of collaterals as determined by the Group in accordance with its internal control margin policy which is applied across all customers and the surplus IPO application money will be directly repaid to the Group, the Group would not be exposed to extraordinary risk by reason of the proposed increase of the annual cap. Given that the provision of IPO financing can enhance the revenue of the Group and the risk from IPO financing will be closely monitored and controlled, the Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in this circular) consider the proposed annual cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The historical figures for margin financing and IPO financing advanced by the Group to the Connected Persons and their associates is set out as follows:

Name of Connected Person	Financing type	Maximum outstanding amount provided to such Connected Person and his associates at all time during the year ended		Maximum outstanding amount provided to such Connected Person and his associates at all time during the 6 months ended
		31 March 2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	30 September 2018 <i>HK\$'000</i>
Mr. Yip	Margin financing	222,465	282,756	306,989
	IPO financing	—	1,754,425	19,936
Mr. Chan	Margin financing	—	17	—
	IPO financing	2,073	2,937	4,984

The historical interest rates, interest income and percentage of such interest income to the total income of the Company, for the margin financing and IPO financing to each of the Connected Persons and their respective associates are set out as follows:

Name of Connected Person	Financing type	Historical interest rates for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical interest rates for margin financing and IPO financing to such Connected Person and his associates during the 6 months ended
		2017	2018	30 September 2018
Mr. Yip	Margin financing	3.00%–10.00%	2.00%–10.00%	2.46%–5.27%
	IPO financing	—	1.18%–2.28%	1.38%–2.48%
Mr. Chan	Margin financing	—	10.00%	10.00%
	IPO financing	1.18%–1.68%	1.18%–2.28%	2.30%

LETTER FROM THE BOARD

Name of Connected Person	Financing type	Historical interest income for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical interest income for margin financing and IPO financing to such Connected Person and his associates during the 6 months ended 30 September
		2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Mr. Yip	Margin financing	4,246	4,570	3,422
	IPO financing	—	682	15
Mr. Chan	Margin financing	—	—	—
	IPO financing	1	2	2

Name of Connected Person	Financing type	Historical percentage of interest income to the total income of the Company for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical percentage of interest income to the total income of the Company for margin financing and IPO financing to such Connected Person and his associates during the 6 months ended 30 September
		2017	2018	2018
Mr. Yip	Margin financing	2.09%	1.16%	1.71%
	IPO financing	—	2.33%	0.07%
Mr. Chan	Margin financing	—	—	—
	IPO financing	0.02%	0.01%	0.01%

LETTER FROM THE BOARD

C. INTERNAL CONTROL ON TRANSACTIONS UNDER THE FINANCING SERVICES AGREEMENTS

The internal policies and procedures in relation to margin financing and IPO financing are in place and can ensure that the interest rates for the margin financings and IPO financing offered to the Connected Persons and their respective associates will be conducted on normal commercial terms and not prejudicial to the interests of the issuer and its minority shareholders.

Depending on the trading size, credit standing, trading record and/or quality of collaterals of the client, the Group might adjust and lower the margin interest rate offered to clients which is subject to the internal approval process. If the client's trading size is relatively large and the client requests to lower the margin interest rate, a form namely the "Interest Rate Adjustment Approval Form" for adjusting the margin interest rate has to be filled in and be approved by the head of the sales department, as well as the heads of other departments, such as the finance department, operations department and other management level including the responsible officers of the Group. The margin interest rate offered to the Connected Persons and their respective associates are subject to the same approval process, and in particular, the sales department will be responsible for checking the adjusted interest rate charged to Connected Persons and their respective associates in order to ensure that the interest rate provided to the Connected Persons and their respective associate were no less favourable to the Group than that offered to other clients who are independent third parties.

In addition, the grant of financing to all clients (including the Connected Persons and their respective associates) is based on internal credit assessment of the clients with reference to their respective repayment records, underlying securities and availability of collateral. All the clients' accounts are governed and regulated by the aforementioned internal control margin policies of the Group.

D. REASONS FOR ENTERING INTO THE FINANCIAL SERVICES AGREEMENTS

The Group is principally engaged in the provision of financial services, including securities brokerage, margin financing, commodities and futures brokerage, bullion trading and forex trading.

Given that the terms of the Financial Services Agreements have been determined after arm's length negotiations between the parties and the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less than those offered by Bright Smart Securities to other customers who are independent third parties, the Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in this circular) are of the view that the Financial Services Agreements were entered into on normal commercial terms and in the ordinary

LETTER FROM THE BOARD

and usual course of business of the Group and the continued provision of such financial services to the Connected Persons and their respective associates would be in the interests of the Company and the Shareholders as a whole as it can enhance the revenue of the Group. The Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in this circular) are also of the view that the terms of the Financial Services Agreements and the annual cap in respect thereof are fair and reasonable.

(4) LISTING RULES IMPLICATIONS

The Landlords are companies wholly-owned by Mr. Yip, the chairman of the Board, an executive Director and the controlling Shareholder. The Tenancy Agreements accordingly constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules. As the aggregate annual rental payable by the Group to the Landlords under the Tenancy Agreements exceeds HK\$10,000,000 and one of the applicable percentage ratios calculated under the Listing Rules exceeds 5%, the transactions contemplated under the Tenancy Agreements would constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Regarding the Financial Services Agreements, as all of the applicable percentage ratios calculated under the Listing Rules with reference to the annual maximum amount of financing which is likely to be required by each of Mr. Yip and Mr. Chan (when aggregated with Mr. Yip) together with their respective associates exceeds 5% and such maximum amount of financing exceeds HK\$10,000,000, the transactions contemplated under the Financial Services Agreements for these connected persons would constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, Mr. Yip, who is considered to have a material interest in the Tenancy Agreements, had abstained from voting on the relevant resolution of the Board approving the Tenancy Agreements and the transactions contemplated thereunder. Mr. Chan, for good corporate governance, also abstained from voting on such resolutions as he is Mr. Yip's nephew. Further, each Connected Person had abstained from voting on the relevant Board resolutions approving the Financial Services Agreement to which he or any person connected with him is a party and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, any shareholder with a material interest in the relevant transaction is required to abstain from voting in favour of the resolution relating to such transaction. Accordingly, Mr. Yip, Mr. Chan and their respective associates, who together controlled or were entitled to exercise control over approximately 66.93% of the voting rights of the Company as at the Latest Practicable Date, will abstain from voting on resolutions nos.1 and 2 at the EGM. Save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions at the EGM.

(5) EGM

A notice convening the EGM to be held on Mezzanine Floor, Honour House, 375-381 Nathan Road, Kowloon on Thursday, 31 January 2019 at 10:00 a.m. is set out at the end of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, on Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

(6) CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the EGM, from Monday, 28 January 2019 to Thursday, 31 January 2019 (both days inclusive), during this period no transfer of Shares will be registered. In order to attend and vote at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Friday, 25 January 2019.

(7) RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28-29 of this circular which contains its recommendation to the Independent Shareholders in relation to the Tenancy Agreements and the Financial Services Agreements and the letter from Gram Capital set out on pages 30 to 55 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

As stated in the letter from the Independent Board Committee, the Independent Shareholders are recommended to vote in favour of the resolutions relating to the Tenancy Agreements and the Financial Services Agreements at the EGM.

(8) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,

By order of the Board

Bright Smart Securities & Commodities Group Limited

Hui Yik Bun

Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



BRIGHT SMART SECURITIES

香港交易所上市公司(1428)

BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

11 January 2019

To the Independent Shareholders

Dear Sirs or Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company on 11 January 2019 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Tenancy Agreements, the Financial Services Agreements and the annual caps in respect thereof and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Tenancy Agreements, the Financial Services Agreements and the annual caps in respect thereof and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the EGM to approve the Tenancy Agreements, the Financial Services Agreements and the annual caps in respect thereof. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter from Gram Capital as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms of the Tenancy Agreements, the Financial Services Agreements and the annual caps in respect thereof, together with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of Gram Capital, we consider that the Tenancy Agreements and the Financial Services Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group. Besides, the terms of the Tenancy Agreements, the Financial Services Agreements and the annual caps in respect thereof are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the entering into of the Tenancy Agreements and the Financial Services Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Tenancy Agreements, the Financial Services Agreements and the annual caps in respect thereof.

Yours faithfully,

Yu Yun Kong
*Independent Non-executive
Director*

Szeto Wai Sun
*Independent Non-executive
Director*

Ling Kwok Fai, Joseph
*Independent Non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Tenancy Agreements and the Financial Services Agreements for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

11 January 2019

*To: The independent board committee and the independent shareholders of
Bright Smart Securities & Commodities Group Limited*

Dear Sirs/Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Tenancy Agreements and the Financial Services Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 January 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Tenancy Agreements

On 3 January 2019, the Board announced that Ideal Magic Limited, a wholly-owned subsidiary of the Company, as tenant had entered into the Tenancy Agreements with the Landlords for the renewal of the existing tenancies relating to the Premises.

With reference to the Board Letter, the Landlords are companies wholly-owned by Mr. Yip and the Tenancy Agreements accordingly constitute continuing connected transactions for the Company and are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Financial Services Agreements

On 3 January 2019, the Group had entered into the Financial Services Agreements with the Connected Persons to provide the framework within which the Connected Persons and their respective associates may engage the Group for provision of financial services including margin financing and IPO financing.

With reference to the Board Letter, the transactions contemplated under the Financial Services Agreements accordingly constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Yu Yun Kong, Mr. Szeto Wai Sun and Mr. Ling Kwok Fai, Joseph (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Tenancy Agreements and the Financial Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Tenancy Agreements and the Financial Services Agreements are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Tenancy Agreements and the Financial Services Agreements at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone

LETTER FROM GRAM CAPITAL

concerning the Tenancy Agreements and the Financial Services Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, the Landlords or their subsidiaries, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation reports on the market rent of the Premises (the “**Valuation Reports**”) as prepared by an independent valuer appointed by the Company (the “**Valuer**”). Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Reports for the market rent of the Premises.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Landlords, the Connected Persons or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Tenancy Agreements and the Financial Services Agreements. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Tenancy Agreements and the Financial Services Agreements, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into of the Tenancy Agreements and the Financial Services Agreements

Information on the Company

With reference to the Board Letter, the Group is principally engaged in the provision of financial services, including securities brokerage, margin financing, commodities and futures brokerage, bullion trading and forex trading services.

Set out below is the audited financial information of the Group for the two years ended 31 March 2018 and 31 March 2017 as extracted from the annual report of the Company for year ended 31 March 2018 (the “**2017/18 Annual Report**”):

	For the year ended 31 March 2018 HK\$'000	For the year ended 31 March 2017 HK\$'000	Change from FY2017 to FY2018 %
Revenue	944,440	562,517	67.90
— Brokerage commission	536,016	361,593	48.24
— Dealing income from bullion trading	19,086	14,071	35.64
— Interest income from margin financing	360,058	181,974	97.86
— Interest income from IPO financing	29,280	4,879	500.12
Profit from operations	767,572	372,588	106.01
Profit for the year	516,099	271,910	89.81

As illustrated in the above table, the Group’s revenue and profit amounted to approximately HK\$944 million and HK\$516 million respectively for the year ended 31 March 2018 (“**FY2018**”), representing significant increase of approximately 67.90% and 89.81% respectively as compared with those for the year ended 31 March 2017 (“**FY2017**”). With

LETTER FROM GRAM CAPITAL

reference to the 2017/18 Annual Report, increase in both of the Group's revenue and profit for FY2018 were mainly due to substantial increase in commission income from securities brokerage and rise in interest income from margin financing.

With reference to the 2017/18 Annual Report, there were a number of good news came from Hong Kong's stock market, including the permission of the Stock Exchange for "weighted voting rights" and the possible listing of numerous unicorn enterprises in Hong Kong. In addition, the Stock Exchange will continue to study and roll out Primary Equity Connect, commodity connectivity, extension of Bond Connect to cover Southbound Trading, ETF Link, and London-Hong Kong Connect. Coupled with the fourfold expansion of the daily quota for stock connects between the Mainland China and Hong Kong and the inclusion of A shares into MSCI, Hong Kong's stock market is expected to be benefited from the aforesaid factors.

The Group has full confidence in the long-term positive development of the PRC's economy as well as the prospect of the economic condition and financial industry of Hong Kong. The development of mutual stock market access between the stock markets in Hong Kong and Mainland China has never stop. The Group adopts a unique operation model with sound business conditions and competitiveness, and is well prepared for the forthcoming challenges. The Group will maintain its cautiously optimistic outlook as ever, looking for new breakthroughs on top of the existing businesses in a stable, flexible and constantly innovative manner, seeking and seizing opportunities in the midst of challenges, actively expanding into new markets and exploring brand-new financial products so as to further enhance its competitiveness and consolidate its market share. The Group will constantly explore various business possibilities to promote diversification of businesses.

Information on the Landlords

With reference to the Board Letter, the Landlords are wholly-owned by Mr. Yip and are principally engaged in property investment.

Information on the Connected Persons

With reference to the Board Letter, the Connected Persons are Mr. Yip and Mr. Chan.

Mr. Yip is the chairman of the Board, an executive Director and the controlling Shareholder.

Mr. Chan is an executive Director and a nephew of Mr. Yip.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of entering into the Tenancy Agreements

With reference to the Board Letter, the Directors are of the view that the Tenancy Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

The Premises (save and except the Pok Fu Lam Premises and the Car Parking Spaces) are currently used, and will continue to be used, by the Group as its head and branch offices for provision of securities brokerage, margin financing, commodities and futures brokerage, bullion trading and forex trading services to customers in the surrounding areas.

The Pok Fu Lam Premises are currently used, and will continue to be used for entertainment by VIP clients of the Group. The Car Parking Spaces are currently used, and will continue to be used for vehicles of the Group.

For our due diligence purpose, we obtained the list of the Premises and noted the detailed uses as below:

Premises	Detailed purpose	Leasing since
10/F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (excluded a small part of 10/F without coloured pink shown on the floor plan annexed to the 10/F Wing On Tenancy Agreement) (“ Premise 1 ”)	Hong Kong headquarters and back office of the Group: Providing management and administrative services of the Group	2007
Mezzanine Floor, Peter Building, Nos. 58-60 Queen’s Road Central, Nos. 13-17 Stanley Street, Hong Kong (“ Premise 2 ”)	Branch office: Opening clients’ accounts, handling clients enquiries, handling clients deposit or withdraw physical share certificates	2010

LETTER FROM GRAM CAPITAL

Premises	Detailed purpose	Leasing since
Shop No. 7 (formerly Shop No. 995A) on G/F & Cockloft and Cockloft Nos. 1-6, Tak Lee Building, No. 993 King's Road, Hong Kong (" Premise 3 ")	Branch office: Opening clients' accounts, handling clients enquiries, handling clients deposit or withdraw physical share certificates	2011
G/F and Cockloft, Nos. 141-145 Kwong Fuk Road, Tai Po, New Territories (" Premise 4 ")	Branch office: Opening clients' accounts, handling clients enquiries, handling clients deposit or withdraw physical share certificates	2010
Whole of First Floor, Golden Hill Commercial Building, Nos. 39-41 Argyle Street, Kowloon (" Premise 5 ")	Branch office: Opening clients' accounts, handling clients enquiries, handling clients deposit or withdraw physical share certificates	2011
The Entrance (at Left Frontage) of Space G-01 on G/F, the Whole of Mezzanine Floor, and the Whole of 1st Floor, Cyber Talk of Honour House, Nos. 375-381 & 375A-379A Nathan Road, No. 24 Kansu Street and Nos. 2-10 Woosung Street, Kowloon (" Premise 6 ")	Kowloon headquarters and back-up office of the Group: Maintaining back-up IT server of the Group, opening clients' accounts, handling clients enquiries, handling clients deposit or withdraw physical share certificates	2012

LETTER FROM GRAM CAPITAL

Premises	Detailed purpose	Leasing since
Rooms 2301-2302, 23F, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (excluded a small part of 23/F without coloured pink shown on the floor plan annexed to the 23/F Wing On Tenancy Agreement) (“ Premise 7 ”)	Hong Kong headquarters and call center of the Group: Maintaining IT server of the Group, executing clients’ trade orders via internet, telephone and etc., opening clients’ accounts, handling clients enquiries, handling clients deposit or withdraw physical share certificates	2016
Pok Fu Lam Premises	Using for entertainment by VIP clients of the Group	2018
Car Parking Spaces	Using by vehicles of the Group	2018

As depicted from the above table, we noticed that Premises 1 to 6 have been using by the Group for over 6 years. We consider that keeping the Group’s head and branch offices at stable locations can help brand building, maintaining customers’ loyalty and save relocation cost. Besides, (i) the Pok Fu Lam Premises are currently used, and will continue to be used for entertainment by VIP clients of the Group; and (ii) the Car Parking Spaces are currently used, and will continue to be used for the vehicles of the Group. These purposes are also under the ordinary and usual course of business of the Group.

Accordingly, we are of the view that entering into of the Tenancy Agreements to renew the previous terms is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

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Reasons for and benefits of entering into the Financial Services Agreements

With reference to the Board Letter, given that the terms of the Financial Services Agreements have been determined after arm's length negotiation between the parties and the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less than those offered by Bright Smart Securities to other customers who are independent third parties, the Directors are of the view that the Financial Services Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group and the continued provision of such financial services to the Connected Persons and their respective associates would be in the interests of the Company and the Shareholders as a whole as it can enhance the revenue of the Group.

As set out under the section headed "Information on the Company" above, the Group's interest income from margin financing and interest income from IPO financing for FY2018 amounted to approximately HK\$360 million and HK\$29 million respectively, representing substantial increase as compared to FY2017. Based on the information provided by the Company, the Group receive interest income of approximately HK\$4.6 million and HK\$0.7 million in FY2018 from the Connected Persons for margin financing and IPO financing respectively.

The continued provision of such financial services to the Connected Persons and their respective associates can enhance the revenue of the Group, in particular, the Group's interest income from margin financing and IPO financing.

Given the above, we are of the view that entering into of the Financial Services Agreements is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

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2. The Tenancy Agreements

Principal terms of the Tenancy Agreements as extracted from the Board Letter are set out below:

(i) 10/F Wing On Tenancy Agreement

Date:	3 January 2019
Parties:	Ideal Magic Limited, as tenant; and Victory Beauty Limited, as landlord.
Premises:	Premise 1
Term:	Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).
Rental:	HK\$1,142,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(ii) Peter Building Tenancy Agreement

Date:	3 January 2019
Parties:	Ideal Magic Limited, as tenant; and Well Point Limited, as landlord.
Premises:	Premise 2
Term:	Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).
Rental:	HK\$430,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

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(iii) Tak Lee Building Tenancy Agreement

Date: 3 January 2019

Parties: Ideal Magic Limited, as tenant; and Resultever Limited, as landlord.

Premises: Premise 3

Term: Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

Rental: HK\$218,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(iv) Tai Po Tenancy Agreement

Date: 3 January 2019

Parties: Ideal Magic Limited, as tenant; and Sea Magic Limited, as landlord.

Premises: Premise 4

Term: Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

Rental: HK\$240,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

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(v) *Golden Hill Agreement*

Date: 3 January 2019

Parties: Ideal Magic Limited, as tenant; and
Top Sunshine Development Limited, as landlord.

Premises: Premise 5

Term: Three years commencing from 1 April 2019 to 31 March 2022
(both days inclusive).

Rental: HK\$180,000 per month (exclusive of Government rent and rates,
management fee and other charges (including, but not limited to,
water and electricity charges)), payable in advance on the first
day of each calendar month.

(vi) *Honour House Tenancy Agreement*

Date: 3 January 2019

Parties: Ideal Magic Limited, as tenant; and
Fortune State Limited, as landlord.

Premises: Premise 6

Term: Three years commencing from 1 April 2019 to 31 March 2022
(both days inclusive).

Rental: HK\$861,000 per month (exclusive of Government rent and rates,
management fee and other charges (including, but not limited to,
water and electricity charges)), payable in advance on the first
day of each calendar month.

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(vii) 23/F Wing On House Tenancy Agreement

Date: 3 January 2019

Parties: Ideal Magic Limited, as tenant; and Peaceful Smart Limited, as landlord.

Premises: Premise 7

Term: Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

Rental: HK\$785,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

(viii) Pok Fu Lam Tenancy Agreement

Date: 3 January 2019

Parties: Ideal Magic Limited, as tenant; and Realmate Limited, as landlord.

Premises: Pok Fu Lam Premises

Term: Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

Rental: HK\$550,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges)), payable in advance on the first day of each calendar month.

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(ix) Car Parking Spaces Tenancy Agreement

Date:	3 January 2019
Parties:	Ideal Magic Limited, as tenant; and Great Challenge Limited, as landlord.
Premises:	Car Parking Spaces
Term:	Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).
Rental:	HK\$19,800 per month (exclusive of Government rent and rates, management fee and other charges), payable in advance on the first day of each calendar month.

With reference to the Board Letter, the terms of the Tenancy Agreements have been determined after arm's length negotiation between the parties with reference to the market rent as determined by an independent professional valuer appointed by the Group (i.e. the Valuer), comparable transactions in the vicinity and the prevailing market conditions.

We obtained the Valuation Reports and noticed that the market rent of the Premises as concluded under the Valuation Reports is the same rent charged under the Tenancy Agreements.

For our due diligence purpose, we reviewed the Valuation Reports and discussed with the Valuer regarding the methodology adopted and the basis and assumptions used in the Valuation Reports. We understood from the Valuer that in preparing the Valuation Reports, the Valuer adopted the market approach by making reference to comparable rental transactions as available in the relevant market as the Premises are commercial/residential properties with the availability of rental comparables. As confirmed by the Valuer, the market approach is one of the commonly adopted approaches for deriving market rent and is also consistent with normal market practice.

With reference to the Valuation Reports, principal bases and assumptions adopted in the Valuation Reports include:

- (1) the Premises were free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect their value, unless stated otherwise as at the Valuation Date;
- (2) the information provided by Idea Magic Limited is complete and correct;

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- (3) the Premises were in satisfactory exterior and interior decorative order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated;
- (4) in all respects, the Premises are insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums;
- (5) the floor areas, measurements and dimensions of the Premises shown on the documents handed to the Valuer are correct and in approximations only;
- (6) the Premises were in satisfactory repair and condition, contains no deleterious materials and they are sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition;
- (7) there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of the Premises are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development;
- (8) the Premises are unaffected by environmental contamination; and
- (9) for any use of the Premises upon which the Valuation Reports are based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

We also reviewed and enquired into (i) the terms of engagement of the Valuer; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Reports; (iii) the steps and due diligence measures taken by the Valuer for preparing the Valuation Reports; and (iv) details of the comparable rental transactions (the "**Comparable Transactions**") adopted for the Valuation Reports such as location, accessibility, building age, rent amount, size of the subject property, lease commencement dates and lease term.

According to the information provided by the Valuer and the Valuer's website (www.knightfrank.com.hk), the Valuer's Hong Kong business was commenced in 1972 and it is one of the leading providers of property-related services with over 40 years' local experience. Ms. Natalie Wong who is a member of the Hong Kong Institute of Surveyors and a professional member of the Royal Institution of Chartered Surveyors; and Mr. Thomas Lam who is a fellow member of the Hong Kong Institute of Surveyors and a fellow of the Royal Institution of Chartered Surveyors, are responsible for the Valuation Reports. As stated in the Valuation Reports, Ms. Natalie Wong and Mr. Thomas Lam meet the requirements of The HKIS Valuation Standards

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and the RICS Valuation - Global Standards and have sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Reports. The Valuer has also confirmed that it is independent to the Group and the Landlords.

We noted that the Valuer made reference to the Comparable Transactions which took place in 2017 and 2018. The subject properties of the Comparable Transactions are generally located in close proximity to or comparable areas of the respective Premises. Based on the information provided by the Valuer, we understand that (i) the total rent amount and the subject property size of the Comparable Transactions were used to arrive the unit rent (per sq. ft.) of the Comparable Transactions (the “**Comparable Unit Rent**”); (ii) the Valuer derived the reference unit rent of the subject Premises from the Comparable Unit Rent after making adjustments on various factors (such as location, accessibility, building age and lease commencement date) according to the Valuer’s experience and professional judgement; and (iii) the Valuer concluded the market rent of the respective Premises by calculating the product of the aforesaid reference unit rent and the saleable area of the respective Premises.

During our discussion with the Valuer, we did not identify any major factors which caused us to doubt the fairness and reasonableness of the methodology, the principal bases and assumptions (including the Comparable Transactions) adopted for the Valuation Reports.

Based on the foregoing and in particular,

- (i) we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Reports;
- (ii) our review on the Valuation Reports;
- (iii) our understanding on the valuation methodology adopted for the Valuation Reports;
- (iv) our understanding on how the Comparable Unit Rent was arrived based on the Comparable Transactions; and
- (v) our understanding on how the market rent was concluded under the Valuation Reports,

it is appropriate to assess the fairness and reasonableness of the rent charged under the Tenancy Agreements with reference to the Valuation Reports.

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Given the above and that the market rent of the Premises as concluded under the Valuation Reports is the same rent charged under the Tenancy Agreements, we are of the view that such rent charged is fair and reasonable.

In addition, we did not identify any unusual terms under the Tenancy Agreements which impose unfair obligations on Ideal Magic Limited as tenant. Accordingly, we are of the view that the terms of the Tenancy Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The proposed annual caps

According to the Board Letter, the annual cap in respect of the Tenancy Agreements based on the aggregate annual rental payable thereunder for each of the three financial years ending 31 March 2020, 2021 and 2022 is HK\$53,109,600, HK\$53,109,600 and HK\$53,109,600 respectively.

We noticed that the aggregated monthly rental under the Tenancy Agreements is HK\$4,425,800. Accordingly, the aggregated annual rental under the Tenancy Agreements is HK\$53,109,600, which equals to the above annual cap.

Accordingly, we consider that the above annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

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3. The Financial Services Agreements

Principal terms of the Financial Services Agreements as extracted from the Board Letter are set out below:

Date:	3 January 2019
Parties:	Bright Smart Securities, a wholly-owned subsidiary of the Company, as the service provider; and The Connected Persons, both being Directors, as the customers.
Services to be provided:	Subject to the terms and conditions of the Financial Services Agreements, Bright Smart Securities may, upon request, (but not obliged to) provide financial services, including margin financing and IPO financing, to the Connected Persons and their respective associates during the term on a non-exclusive basis.
Term:	Three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).
Pricing standards:	According to the Financial Services Agreements, the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less favourable to Bright Smart Securities than those offered to other customers who are independent third parties of similar credit standing, trading record and quality of collaterals given and in accordance with the credit policy of Bright Smart Securities from time to time. Such rate would vary from time to time depending on the then market sentiment and the cost of funding to the Group. Currently, interest has been charged at standard rate of 4% per annum over 1-week HIBOR for margin clients, 5% per annum above the Prime Rate for cash clients for margin financing, and on a case by case basis depending on the cost of financing for IPO financing. Such rate is applied across all customers with discounts sometimes given to customers (both independent third party customers and Connected Persons) depending on the quality of their collaterals, their trading record and their trading size.

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Payment terms: For margin financing, according to the standard client agreement, interest shall be payable on the last day of each calendar month or forthwith upon demand by Bright Smart Securities while the principal amount of the loan shall be repayable on demand by Bright Smart Securities. In the case of IPO financing, such loan would usually be repayable on the date when the listed issuer publishes the allocation results.

Other terms: Under the terms of the Financial Services Agreements, the Connected Persons and their respective associates are further subject to the terms and conditions of the standard client agreement of the Company (the “**Standard Terms & Conditions**”) from time to time. Pursuant to the Standard Terms & Conditions, the Connected Persons and other clients who are independent third parties are subject to the same margin ratio as published on the website of Bright Smart Securities. Subject to its internal approval process, the Group may offer discounts in terms of margin interest rate to clients (both independent third party customers and Connected Persons). The basis in determining such offers of discounts shall include but not limited to the trading size, credit standing, trading record and/or quality of collaterals of the relevant client.

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Besides, pursuant to the Financial Services Agreements, Bright Smart Securities shall be entitled to terminate the Financial Services Agreements if any requirement as set out under the Listing Rules or otherwise imposed by the Stock Exchange relating thereto cannot be complied with by Bright Smart Securities. Pursuant to the Standard Terms & Conditions, in the occurrence of an event of default (in the sole and subjective judgment of Bright Smart Securities), which includes, among others, the client's failure or refusal to pay or settle any outstanding amount on any of such client's securities account or any account opened and maintained in the Group (i.e. the Accounts); the client's failure to provide any margin when the same is due by such client; or any event in the sole opinion of Bright Smart Securities that may jeopardize its interest and benefits, then all amounts owing by such client to Bright Smart Securities shall become immediately payable on demand, and interest will accrue at such rates and on such other terms as Bright Smart Securities may notify such client from time to time or failing such notification at a rate equivalent to five per cent (5%) above the Prime Rate or that from such other bank as determined by Bright Smart Securities from time to time. Under such circumstances, the Group shall also be entitled to, among others, (i) sell, realize or otherwise deal with all or any part of any property or assets held by the Group for any purpose in any of the Accounts and apply the proceeds in reduction of all or part of any liabilities owing by such client to the Group; (ii) set-off, combine or consolidate any of the Accounts or any obligations of Bright Smart Securities to such client under the Financial Services Agreements and any other agreements made between such client and Bright Smart Securities (i.e. the Agreements) against any obligations of such client to Bright Smart Securities under the same; (iii) call upon or enforce any security which may have been made in favour of Bright Smart Securities as security for such client's obligations under the Agreements; (iv) cancel any or all contracts with such client; and (v) take any action as it shall think fit. Save and except the above-mentioned termination clause which is only applicable to the Connected Persons, the Connected Persons and their respective associates are subject to the same default terms which also bind other independent third party clients and such terms are determined in accordance with market practices.

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Upon our enquiry, we were advised by the Company that the Group adopts the same pricing standards (by assessing customers' credit standing, trading record and quality of collaterals given) in determining the interest rate to be charged by Bright Smart Securities to the Connected Persons, their respective associates and other customers who are independent third parties.

With reference to the Board Letter, the internal policies and procedures in relation to margin financing and IPO financing are in place and can ensure that the interest rates for the margin financings and IPO financing offered to the Connected Persons and their respective associates will be conducted on normal commercial terms and not prejudicial to the interests of the issuer and its minority shareholders.

With reference to the Board Letter, depending on the trading size, credit standing, trading record and/or quality of collaterals of the client, the Group might adjust and lower the margin interest rate offered to clients which is subject to the internal approval process. If the client's trading size is relatively large and the client requests to lower the margin interest rate, a form namely the "Interest Rate Adjustment Approval Form" for adjusting the margin interest rate has to be filled in and be approved by the head of the sales department, as well as the heads of other departments, such as the finance department, operations department and other management level including the responsible officers of the Group. The margin interest rate offered to the Connected Persons and their respective associates are subject to the same approval process, and in particular, the sales department will be responsible for checking the adjusted interest rate charged to Connected Persons and their respective associates in order to ensure that the interest rate provided to the Connected Persons and their respective associate were no less favourable to the Group than that offered to other clients who are independent third parties.

With reference to the 2017/18 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, among other things, the Group's continuing connected transactions for FY2018 and in their opinion, the continuing connected transactions were (a) entered into in the ordinary and usual course of business of the Group; (b) conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole (the "**INED Confirmation**").

The Company's auditors were also engaged to report on the Group's continuing connected transactions in accordance with "Hong Kong Standard on Assurance Engagements 3000" "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditors of the Company confirmed to the Board that nothing had come to

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their attention that causes them to believe that the continuing connected transactions (i) had not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) had exceeded their annual caps (the “**Auditor Confirmation**”).

For our due diligence purpose, we requested and obtained from the Company (i) the full list of margin financing transactions with the Connected Persons and their associates during FY2018 (the “**CT Margin Financing List**”); and (ii) the full list of IPO financing transactions with the Connected Persons and their associates during FY2018 (the “**CT IPO Financing List**”).

From the CT Margin Financing List, we randomly selected over five transactions and requested the Company to provide records on the rates charged on independent margin financing clients when the selected transactions took place, for comparison. We noted that the rates charged by the Group on the Connected Persons and/or their associates under the selected transactions are within the range of rates charged on independent margin financing clients when the selected transactions took place.

From the CT IPO Financing List, we randomly selected five transactions and requested the Company to provide records on the rates charged on independent IPO financing clients for the same IPO case with the selected transactions. We noted that the rates charged by the Group on the Connected Persons and/or their associates under the selected transactions are within the range of rates charged on independent IPO financing clients for the same IPO case with the selected transactions.

We also obtained copies of the executed account opening forms of Mr. Yip, Mr. Chan and the Company’s independent clients which illustrated the acceptance of the Standard Terms & Conditions by the said persons. The Standard Terms & Conditions apply to all clients of the Company. We noted that the Standard Terms & Conditions include payment terms, margin ratio and provisions regarding occurrence of event of default, details of which are consistent with the disclosure under the Board Letter.

In light of the above, we are of the view that the terms of the Financial Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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The proposed annual caps

Set out below are the annual cap (i.e. the maximum outstanding amount at all time during the year) of margin financing and IPO financing which may be provided by the Group to each of the Connected Person and their respective associates for each of the three financial years ending 31 March 2020, 2021 and 2022 as extracted from the Board Letter:

Name of Connected Person	Financing type	Maximum outstanding amount which may be provided to such Connected Person and his associates at all time during the year ending 31 March		
		2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Mr. Yip	Margin financing	1,000,000	1,000,000	1,000,000
	IPO financing	4,000,000	4,000,000	4,000,000
Mr. Chan	Margin financing	10,000	10,000	10,000
	IPO financing	20,000	20,000	20,000

Set out below are the historical figures for margin financing and IPO financing advanced by the Group to the Connected Persons and their associates as extracted from the Board Letter and their respective annual caps:

Name of Connected Person	Financing type	Maximum outstanding amount provided to such Connected Person and his associates at all time during the year ended 31 March		Maximum outstanding amount provided to such Connected Person and his associates at all time during the six months ended 30 September
		2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Mr. Yip	Margin financing	222,465 Cap: 500,000	282,756 Cap: 500,000	306,989 Cap: 500,000
	IPO financing	— Cap: 2,000,000	1,754,425 Cap: 2,000,000	19,936 Cap: 2,000,000
Mr. Chan	Margin financing	— Cap: 10,000	17 Cap: 10,000	— Cap: 10,000
	IPO financing	2,073 Cap: 20,000	2,937 Cap: 20,000	4,984 Cap: 20,000

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Detailed basis for the proposed annual caps amounts under the Financial Services Agreements is set out under the Board Letter.

We noticed that (i) there are substantial increases in the proposed annual caps for Mr. Yip's margin financing and IPO financing; and (ii) the historical utilisation rates of the proposed annual caps for Mr. Yip and Mr. Chan during the six months ended 30 September 2018 were low.

In this regard, we discussed with the Company and were advised that reference to the utilisation track records may not be the key criteria in setting the annual caps as the demand for such financing very much depends on the overall stock market sentiment.

From our independent research, we found the historical turnover of listed securities on the Stock Exchange for the first 10 months of 2018 (with comparative figures in 2017) from the Stock Exchange's website as set out below:

	Monthly turnover		Average daily turnover		
	<i>HK\$ million</i>		<i>HK\$ million</i>		
	2017	2018	2017	2018	
January	1,080,329	3,525,011	56,859	160,228	
February	1,623,619	2,593,491	81,181	144,083	
March	1,876,776	2,750,878	81,599	130,994	
April	1,250,089	2,048,320	73,535	107,806	
May	1,565,219	2,178,028	78,261	103,716	
June	1,733,305	2,143,089	78,787	107,154	
July	1,778,042	1,871,498	84,669	89,119	
August	2,164,964	2,161,363	98,407	93,972	
September	1,987,448	1,731,304	94,640	91,121	
October	1,902,971	1,983,893	95,149	94,471	
Total	<u>16,962,762</u>	<u>22,986,875</u>	Average	<u>82,309</u>	<u>112,266</u>

As depicted from the above table, the turnover of listed securities on the Stock Exchange was substantially higher in the first half of 2018 as compared with 2017. Although such turnover decreased after June 2018, it still remained at a level higher than the first half of 2017.

According to the statistics available on the Stock Exchange's website:

- (i) there were 185 newly listed companies for the first 10 months of 2018, representing an increase of approximately 41% as compared with 131 newly listed companies for the same period of 2017.
- (ii) Funds raised through IPOs for the first 10 months of 2018 was approximately HK\$255.7 billion, representing an increase of approximately 187% when compared with HK\$89.2 billion for the same period of 2017.

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According to the EY Global IPO trends report for the second quarter of 2018, the average IPO oversubscription rate on the Hong Kong main market was 420 times above the amount of sales on offer in the second quarter of 2018.

The above statistics demonstrates an active stock market in Hong Kong.

In conclusion:

- (i) Although the historical utilisation rates of the proposed annual caps for Mr. Yip and Mr. Chan during the six months ended 30 September 2018 were low, reference to the utilisation track records may not be the key criteria in setting the annual caps as the demand for such financing very much depends on the overall stock market sentiment. For example, Mr. Yip did not conduct any IPO financing during FY2017, nevertheless, the historical utilisation rate of the annual caps for his IPO financing during FY2018 was approximately 88%.
- (ii) Given active stock market in Hong Kong as demonstrated by the statistics above, it is possible that Mr. Yip and his associates require more IPO financing or margin financing for their investment activities in future. Therefore, it is reasonable to set higher annual caps for Mr. Yip.
- (iii) Although the historical utilisation rates in respect of IPO financing and margin financing provided to Mr. Chan were low during FY2017, FY2018 and the six months ended 30 September 2018, it is possible that Mr. Chan and his associates require IPO financing or margin financing for their investment activities in future. Therefore, it is reasonable to maintain the annual caps for Mr. Chan at the same level to provide a reasonable limit for Mr. Chan and/or his associates to conduct IPO financing and/or margin financing.

In light of the above, we consider that the proposed annual caps under the Financial Services Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

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4. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Tenancy Agreements and the Financial Services Agreements must be restricted by their respective annual caps for the period concerned; (ii) the terms of the Tenancy Agreements and the Financial Services Agreements (including the annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Tenancy Agreements and the Financial Services Agreements must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Tenancy Agreements and the Financial Services Agreements (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the total amounts of the transactions contemplated under the Tenancy Agreements or the Financial Services Agreements are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Tenancy Agreements and the Financial Services Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Tenancy Agreements and the Financial Services Agreements and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Tenancy Agreements and the Financial Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the Tenancy Agreements and the Financial Services Agreements are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve each of the Tenancy Agreements and the Financial Services Agreements and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(a) Interests in the Company

Name of Director	Long/short position	Nature of interests	Number of shares interested	Approximate percentage of issued share capital
Mr. Yip	Long Position	Interest in a controlled corporation	900,000,000 (Note)	53.02%
	Long Position	Beneficial owner	234,410,280	13.81%
Mr. Hui Yik Bun	Long Position	Beneficial owner	600,000	0.03%
Mr. Yu Yun Kong	Long position	Beneficial owner	608,829	0.03%
Mr. Szeto Wai Sun	Long position	Beneficial owner	631,666	0.03%
Mr. Ling Kwok Fai, Joseph	Long position	Beneficial owner	210,700	0.01%

Note:

The 900,000,000 shares were held by New Charming Holdings Limited, a company wholly-owned by Mr. Yip. Mr. Yip is also a director of New Charming Holdings Limited.

(b) Interests in associated corporations of the Company

Name of associated corporation	Name of Director	Long/short position	Nature of interests	Number of shares interested	Approximate percentage of issued share capital of the relevant company
New Charming Holdings Limited	Mr. Yip	Long position	Beneficial owner	1	100.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any 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 be required (a) 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 would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

Save for Mr. Yip who is the beneficial owner of the entire issued share capital of the Landlords, none of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018, the date to which the latest published audited financial statements of the Group were made up.

On 31 March 2011, 16 June 2014 and 2 September 2014, the Company entered into three loan facility letters with World Mix Limited (“WML”), a company which is 100% beneficially owned by Mr. Yip, for provision of \$310,000,000, \$80,000,000 and \$50,000,000 revolving loan facilities respectively from WML to the Company for the Company’s general working capital purpose. The first loan bore interest at HIBOR plus 2.25% per annum while the other two loans bore interest at HIBOR plus 2.75% per annum. All of them were unsecured and repayable on demand. On 9 July 2018, a new loan facility was entered between the Company and WML, and replaced the above three loan facilities. The new revolving loan facility amounted \$1,000,000,000 bears interest at HIBOR plus 2.75% per annum, is unsecured and repayable on demand.

On 13 June 2012, Bright Smart Securities, an indirect wholly-owned subsidiary of the Company, entered into a loan facility letter with China Finance (Worldwide) Limited (“CFW”), a company which is 100% beneficially owned by Mr. Yip, for provision of a revolving loan facility of \$600,000,000 by CFW to Bright Smart Securities for Bright Smart Securities’ general working capital purposes. The facility bore interest at HIBOR plus 2.75% per annum, was unsecured and repayable on demand. On 9 July 2018, a new loan facility was entered between Bright Smart Securities and CFW, and replaced the above loan facility. The new revolving loan facility amounted \$1,000,000,000 bears interest at HIBOR plus 2.75% per annum, is unsecured and repayable on demand.

Save as disclosed above, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

None of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. CONSENT OF EXPERT

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

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Gram Capital did not have:

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

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (i) the Tenancy Agreements;
- (ii) the Financial Services Agreements;
- (iii) the letter from the Independent Board Committee dated 11 January 2019, the text of which is set out on pages 28 to 29 of this circular;
- (iv) the letter from Gram Capital dated 11 January 2019, the text of which is set out on pages 30 to 55 of this circular; and
- (v) the written consent given by Gram Capital referred to in section 6 of this Appendix.

NOTICE OF EGM



BRIGHT SMART SECURITIES

香港交易所上市公司(1428)

BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Bright Smart Securities & Commodities Group Limited (the “**Company**”) will be held on Mezzanine Floor, Honour House, 375-381 Nathan Road, Kowloon on Thursday, 31 January 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the execution of the 10/F Wing On Tenancy Agreement (as defined in the circular of the Company dated 11 January 2019 (the “**Circular**”) of which this notice forms part) by Ideal Magic Limited as tenant and Victory Beauty Limited as landlord (a copy of which has been produced to the meeting marked “1A” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the 10/F Wing On Tenancy Agreement and the transaction contemplated thereunder;
- (b) the execution of the Peter Building Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Well Point Limited as landlord (a copy of which has been produced to the meeting marked “1B” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Peter Building Tenancy Agreement and the transaction contemplated thereunder;

NOTICE OF EGM

- (c) the execution of the Tak Lee Building Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Resultever Limited as landlord (a copy of which has been produced to the meeting marked “1C” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Tak Lee Building Tenancy Agreement and the transaction contemplated thereunder;
- (d) the execution of the Tai Po Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Sea Magic Limited as landlord (a copy of which has been produced to the meeting marked “1D” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Tai Po Tenancy Agreement and the transaction contemplated thereunder;
- (e) the execution of the Golden Hill Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Top Sunshine Development Limited as landlord (a copy of which has been produced to the meeting marked “1E” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Golden Hill Tenancy Agreement and the transaction contemplated thereunder;
- (f) the execution of the Honour House Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Fortunate State Limited as landlord (a copy of which has been produced to the meeting marked “1F” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Honour House Tenancy Agreement and the transaction contemplated thereunder;

NOTICE OF EGM

- (g) the execution of the 23/F Wing On Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Great Challenge Limited as landlord (a copy of which has been produced to the meeting marked “1G” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the 23/F Wing On Tenancy Agreement and the transaction contemplated thereunder;
- (h) the execution of the Pok Fu Lam Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Realmate Limited as landlord (a copy of which has been produced to the meeting marked “1H” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Pok Fu Lam Tenancy Agreement and the transaction contemplated thereunder; and
- (i) the execution of the Car Parking Spaces Tenancy Agreement (as defined in the Circular) by Ideal Magic Limited as tenant and Great Challenge Limited as landlord (a copy of which has been produced to the meeting marked “1I” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Car Parking Spaces Tenancy Agreement and the transaction contemplated thereunder.”

2. **“THAT:**

- (a) the execution of the Financial Services Agreement (as defined in the circular of the Company dated 11 January 2019 (the “**Circular**”) of which this notice forms part) by Bright Smart Securities International (H.K.) Limited as service provider and Yip Mow Lum as customer (a copy of which has been produced to the meeting marked “2A” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Financial Services Agreement and the transaction contemplated thereunder; and

NOTICE OF EGM

- (b) the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Chan Wing Shing, Wilson as customer (a copy of which has been produced to the meeting marked “2B” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Financial Services Agreement and the transaction contemplated thereunder.”

By order of the Board
Bright Smart Securities & Commodities Group Limited
Hui Yik Bun
Executive Director and Chief Executive Officer

Hong Kong, 11 January 2019

Registered office:

P.O. Box 31119
Grand Pavillion
Hisbiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

Principal place of business in Hong Kong:

10th Floor and 23rd Floor
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Notes:

1. All resolutions put to the shareholders at the EGM will be voted by poll.
2. Any member entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company, but must attend the meeting in person in order to represent the member.
3. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy thereof, must be lodged at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited on Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. The Register of Members of the Company will be closed, for the purpose of determining shareholders’ entitlement to attend and vote at the meeting, from Monday, 28 January 2019 to Thursday, 31 January 2019 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration, not later than 4:30 p.m. on Friday, 25 January 2019.

As at the date of this notice, the Board comprises Messrs. Yip Mow Lum (Chairman), Hui Yik Bun (Chief Executive Officer), Chan Wing Shing, Wilson, Yu Yun Kong, Szeto Wai Sun* and Ling Kwok Fai, Joseph*.*

* *Independent non-executive directors*