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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Renewal of Tenancy Agreements

On 3 January 2019, the Group as tenants entered into the Tenancy Agreements with the Landlords for the renewal of the existing Tenancy Agreements relating to the Premises.

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.

Financial Services Agreements

In addition, the Group has, in its ordinary and usual course of business, provided and will continue to provide certain financial services including margin financing and IPO financing to the Directors on normal commercial terms. To provide the framework within which the Directors and their respective associates may engage the Group to provide such services, the Group had entered into the Financial Services Agreements with the Directors on 3 January 2019.

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. Hui, Mr. Yu, Mr. Szeto and Mr. Ling (together with their respective associates) are less than 5% but such annual maximum amount of financing exceeds HK\$3,000,000, the transactions contemplated under the Financial Services Agreements for these connected persons are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On the other hand, 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 with Mr. Yip and Mr. Chan 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.

Brokerage Services Agreements

As part of its ordinary and usual course of business, the Group has also provided and will continue to provide brokerage services to Mr. Yip and Mr. Chan and their respective associates and in this connection, the Group had entered into the Brokerage Services Agreements on 3 January 2019 to provide the framework within which Mr. Yip and Mr. Chan and their respective associates may engage the Group to provide such services.

Although all of the applicable percentage ratios calculated under the Listing Rules with reference to the aggregate annual brokerage fee payable by Mr. Yip and Mr. Chan (when aggregated with Mr. Yip) and their associates do not exceed 5%, such aggregate annual brokerage fee payable by Mr. Yip and Mr. Chan (when aggregated with Mr. Yip) and their associates will exceed HK\$3,000,000. Therefore, the transactions contemplated under the Brokerage Services Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

General

An Independent Board Committee was established to make recommendation to the Independent Shareholders regarding (i) the renewal of the existing Tenancy Agreements relating to the Premises and the transactions contemplated thereunder; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan and the transactions contemplated thereunder. Gram Capital was appointed to advise the Independent Board Committee and the Shareholders in relation to (i) the renewal of the existing Tenancy Agreements relating to the Premises and the transactions contemplated thereunder; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve: (i) the renewal of the existing Tenancy Agreements relating to the Premises; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan.

A circular containing, among other things, further particulars of the Tenancy Agreements and the Financial Services Agreements with Mr. Yip and Mr. Chan, the letter from the Independent Board Committee and the advice from Gram Capital together with the notice convening the EGM will be despatched to the Shareholders on or about 24 January 2019.

(1) 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.

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.

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.

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.

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.

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.

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.

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.

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.

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 after receiving the advice from Gram Capital) 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 after receiving the advice from Gram Capital) are of the view that the terms of the Tenancy Agreements (including the rental 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.

The Tenancy Agreements are subject to Independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules. Mr. Yip, who is the chairman of the Board, an executive Director and a controlling Shareholder, being the ultimate beneficial owner of the Landlords; and for good corporate governance, Mr. Chan, who is an executive Director, being a nephew of Mr. Yip, abstained from voting on the relevant resolutions in the Board meeting approving the Tenancy Agreements and the transactions contemplated thereunder due to Mr. Yip's material interests in the transactions.

(2) 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) Mr. Yip, Mr. Hui, Mr. Chan, Mr. Yu, Mr. Szeto and Mr. Ling, all 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 Directors 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 Directors 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 the Directors) depending on the quality of their collaterals, their trading record and their trading size.

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 Directors 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 Directors 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 the Directors). 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.

B. ANNUAL CAP FOR THE FINANCIAL SERVICES AGREEMENTS

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 Directors and their respective associates for each of the three financial years ending 31 March 2020, 2021 and 2022 is set out as follows:

Name of Director	Financing type	Maximum outstanding amount which may be provided to such Director and his associates at all time during the year ending 31 March		
		2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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. Hui	Margin financing	10,000	10,000	10,000
	IPO financing	100,000	100,000	100,000
Mr. Chan	Margin financing	10,000	10,000	10,000
	IPO financing	20,000	20,000	20,000
Mr. Yu	Margin financing	10,000	10,000	10,000
	IPO financing	20,000	20,000	20,000
Mr. Szeto	Margin financing	10,000	10,000	10,000
	IPO financing	20,000	20,000	20,000
Mr. Ling	Margin financing	10,000	10,000	10,000
	IPO financing	20,000	20,000	20,000

The above annual cap is determined after taking into consideration: (i) the historical amount of margin financing and IPO financing advanced by the Group to the Directors and their associates as set forth below; (ii) the number of IPO applications received by the Stock Exchange in recent years; and (iii) the Directors' perception of the securities market for the three financial years ending 31 March 2022. Although the proposed annual cap is substantially higher than the historical amount of margin financing and IPO financing advanced by the Group to the Directors and their respective associates, it is justifiable as the demand for such financing very much depends on the overall stock market sentiment. For example, for the first nine months of 2018, there were 166 newly listed companies but there were 114 newly listed companies for the first nine months of 2017, representing an increase of approximately 46%. The funds raised through IPOs for the first nine months of 2018 was HK\$242.7 billion, representing an increase of 177% when compared with HK\$87.6 billion for the same period in 2017. The buffer is 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. 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 Directors 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 Directors and their respective associates. Besides, the annual cap is set for each Director 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 and the Group would not be exposed to extraordinary risk by reason of the proposed increase of the annual cap. Given that the provision of margin financing and IPO financing can enhance the revenue of the Group and the risk from margin financing and IPO financing will be closely monitored and controlled, the Directors (excluding the independent non-executive Directors who shall form their views after receiving the advice from Gram Capital) consider the proposed annual cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Name of Director	Financing type	Maximum outstanding amount provided to such Director and his associates at all time during the year ended 31 March		Maximum outstanding amount provided to such Director and his associates at all time 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	222,465	282,756	306,989
	IPO financing	—	1,754,425	19,936
Mr. Hui	Margin financing	238	766	530
	IPO financing	2,455	6,719	8,789
Mr. Chan	Margin financing	—	17	—
	IPO financing	2,073	2,937	4,984
Mr. Yu	Margin financing	763	370	355
	IPO financing	20	1,228	1,495
Mr. Szeto	Margin financing	—	—	—
	IPO financing	—	—	—
Mr. Ling	Margin financing	105	—	—
	IPO financing	—	—	—

C. 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 Directors 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 (including the independent non-executive Directors) are of the view that the Financial Services Agreements for Mr. Hui, Mr. Yu, Mr. Szeto and Mr. Ling (which are not subject to Independent Shareholders' approval) 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 Mr. Hui, Mr. Yu, Mr. Szeto and Mr. Ling 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 (including the independent non-executive Directors) are also of the view that the terms of the Financial Services Agreements for Mr. Hui, Mr. Yu, Mr. Szeto and Mr. Ling and the annual cap in respect thereof are fair and reasonable.

Each Director had abstained from voting on the relevant Board resolution approving the Financial Services Agreement to which he or any person connected with him is a party.

As regards the Financial Services Agreements with Mr. Yip and Mr. Chan, the Directors (excluding the independent non-executive Directors who shall form their views after receiving the advice from the Gram Capital) are of the view that the Financial Services Agreements with Mr. Yip and Mr. Chan 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 Mr. Yip, Mr. Chan 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 after receiving the advice from Gram Capital) are also of the view that the terms of the Financial Services Agreements with Mr. Yip and Mr. Chan and the annual cap in respect thereof are fair and reasonable.

The Financial Services Agreements with Mr. Yip and Mr. Chan are subject to Independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules.

(3) THE BROKERAGE SERVICES AGREEMENT

A. PRINCIPAL TERMS OF THE BROKERAGE SERVICES AGREEMENTS

1. Date

3 January 2019

2. Parties

(a) Bright Smart Securities, Bright Smart Futures & Commodities Company Limited, Bright Smart Global Bullion Limited and Bright Smart Forex Limited, all being wholly-owned subsidiaries of the Company, as the service providers; and

(b) Mr. Yip and Mr. Chan, both being Directors, as the customers.

3. Services to be provided

Subject to the terms and conditions of the Brokerage Services Agreements, the Group may, upon request, (but not obliged to) provide brokerage services to Mr. Yip and Mr. Chan 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

The brokerage fee to be charged by the Group to Mr. Yip and Mr. Chan and their respective associates shall be no less favourable to the Group than those offered to other customers who are independent third parties of similar trading record and in accordance with the pricing policy of the Group from time to time which may be affected by the overall economy and the prevailing stock market sentiment.

6. Payment terms

According to the standard client agreement, brokerage fee shall be payable on the settlement date of the relevant transactions.

B. ANNUAL CAP FOR THE BROKERAGE SERVICES AGREEMENTS

The annual cap in respect of brokerage fee which may be received by the Group from each of Mr. Yip and Mr. Chan (together with their respective associates) for each of the three financial years ending 31 March 2020, 2021 and 2022 is set out as follows:

Name of Director	Maximum amount which may be received from such Director and his associates during the year ending 31 March		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Mr. Yip	10,000	10,000	10,000
Mr. Chan	2,900	2,900	2,900

The above annual cap is determined after taking into consideration: (i) the historical amount of brokerage fee payable by Mr. Yip and Mr. Chan and their respective associates to the Group as set forth below; (ii) the average turnover of the securities market in recent years; (iii) the Directors' perception of the securities market for the three financial years ending 31 March 2022; and (iv) the trend of the general economic conditions in Hong Kong. Although the proposed annual cap is substantially higher than the historical amount of brokerage fee payable by Mr. Yip and Mr. Chan and their respective associates to the Group, the Directors (including the independent non-executive Directors) are of the view that it is fair and reasonable as brokerage fee is very much dependent on the level of trading activities and such buffer is considered necessary in view of the recent market volatility.

The historical figures of brokerage fee payable by Mr. Yip and Mr. Chan and their respective associates to the Group is set out as follows:

Name of Director	Brokerage fee received from such Director and his associates during the year ended 31 March		Brokerage fee received from such Director and his associates during the 6 months ended 30 September
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Mr. Yip	690	426	84
Mr. Chan	1	1	1

C. REASONS FOR ENTERING INTO THE BROKERAGE SERVICES AGREEMENTS

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

Given that the terms of the Brokerage Services Agreements have been determined after arm's length negotiations between the parties and that the commission rate to be charged by the Group to Mr. Yip and Mr. Chan and their respective associates shall be no less favourable to the Group than those offered to other customers who are independent third parties, the Directors (including the independent non-executive Directors) are of the view that the Brokerage 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 brokerage services to Mr. Yip and Mr. Chan 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 (including the independent non-executive Directors) are also of the view that the terms of the Brokerage Services Agreements and the annual cap in respect thereof are fair and reasonable.

Mr. Yip and Mr. Chan had abstained from voting on the relevant Board resolution approving the Brokerage Services Agreements.

(4) INFORMATION ABOUT THE GROUP

The principal activity of the Company is investment holding, while the principal activity of the Group is the provision of financial services, including securities broking, margin financing, commodities & futures broking, bullion trading and forex trading. The Tenant is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company. Its principal activity is the provision of administrative services to the Group.

(5) INFORMATION ABOUT THE LANDLORDS

The Landlords, save and except Resultever Limited which is a company incorporated in the British Virgin Islands and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance in Hong Kong, are companies incorporated in Hong Kong which are wholly-owned by Mr. Yip. Mr. Yip is the chairman of the Board, an executive Director and a controlling Shareholder as at the date of this announcement. The principal business of each of the Landlords is property investment.

(6) 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. Hui, Mr. Yu, Mr. Szeto and Mr. Ling (together with their respective associates) are less than 5% but such annual maximum amount of financing exceeds HK\$3,000,000, the transactions contemplated under the Financial Services Agreements with Mr. Hui, Mr. Yu, Mr. Szeto and Mr. Ling are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On the other hand, 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 with Mr. Yip and Mr. Chan 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 Brokerage Services Agreements, although all of the applicable percentage ratios calculated under the Listing Rules with reference to the aggregate annual brokerage fee payable by Mr. Yip and Mr. Chan (when aggregated with Mr. Yip) and their associates do not exceed 5%, such aggregate annual brokerage fee payable by Mr. Yip and Mr. Chan (when aggregated with Mr. Yip) and their associates will exceed HK\$3,000,000. Therefore, the transactions contemplated under the Brokerage Services Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

An Independent Board Committee was established to make recommendation to the Shareholders regarding (i) the renewal of the existing Tenancy Agreements relating to the Premises and the transactions contemplated thereunder; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan and the transactions contemplated thereunder. Gram Capital was appointed to advise the Independent Board Committee and the Shareholders in relation to (i) the renewal of the existing Tenancy Agreements relating to the Premises and the transactions contemplated thereunder; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve: (i) the renewal of the existing Tenancy Agreements relating to the Premises; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan.

A circular containing, among other things, further particulars of the Tenancy Agreements and the Financial Services Agreements with Mr. Yip and Mr. Chan, the letter from the Independent Board Committee and the advice from Gram Capital together with the notice convening the EGM will be despatched to the Shareholders on or about 24 January 2019.

(7) DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“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 Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)

“Brokerage Services Agreements”	the 2 brokerage services agreements, both dated 3 January 2019, entered into by each of Mr. Yip and Mr. Chan with Bright Smart Securities, Bright Smart Futures & Commodities Company Limited, Bright Smart Global Bullion Limited and Bright Smart Forex Limited in relation to the provision of brokerage services by the Group to Mr. Yip and Mr. Chan and their respective associates
“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 person(s)”	has the meaning ascribed to such term in the Listing Rules
“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 with Mr. Yip and Mr. Chan and the respective transactions contemplated thereunder

“Financial Services Agreements”	the 6 financial services agreements, all dated 3 January 2019, entered into by each of the Directors with Bright Smart Securities in relation to the provision of financial services by Bright Smart Securities to the Directors 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
“IPO”	initial public offering
“Independent Board Committee”	the independent board committee of the Company comprising all of the independent non-executive Directors

“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
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving (i) the renewal of the existing Tenancy Agreements relating to the Premises; and (ii) the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan
“Independent third party(ies)”	third party(ies) independent of the Company and its connected persons (within the meaning under the Listing Rules)
“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
“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. Hui”	Mr. Hui Yik Bun, Chief Executive Officer of the Company and an executive Director
“Mr. Ling”	Mr. Ling Kwok Fai, Joseph, an independent non-executive Director
“Mr. Szeto”	Mr. Szeto Wai Sun, an independent non-executive Director
“Mr. Yip”	Mr. Yip Mow Lum, the chairman of the Board, an executive Director and the controlling Shareholder
“Mr. Yu”	Mr. Yu Yun Kong, an independent non-executive Director

“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
“Premises”	<p>collectively, the following premises:</p> <ul style="list-style-type: none"> <li data-bbox="679 889 1445 1090">(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); <li data-bbox="679 1144 1445 1223">(ii) Mezzanine Floor, Peter Building, 58–60 Queen’s Road Central, 13–17 Stanley Street, Hong Kong; <li data-bbox="679 1272 1445 1435">(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; <li data-bbox="679 1485 1445 1563">(iv) G/F and Cockloft, Nos.141–145 Kwong Fuk Road, Tai Po, New Territories; <li data-bbox="679 1612 1445 1691">(v) Whole of First Floor, Golden Hill Commercial Building, Nos.39–41 Argyle Street, Kowloon; <li data-bbox="679 1740 1445 1984">(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”	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
“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 in 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, 23F, Wing On House, No.71 Des Voeux Road Central, Hong Kong (as shown in the floor plan annexed thereto)

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

Hong Kong, 3 January 2019

As at the date of this announcement, 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*