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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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耀才證券
BRIGHT SMART SECURITIES
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**


天泰金融
TITAN
Titan Financial Services Limited

A letter from the board of directors of **Bright Smart Securities & Commodities Group Limited** is set out on pages 5 to 17 of this circular.

A letter from the independent board committee containing its recommendation to the independent shareholders is set out on page 18 of this circular. A letter from the Independent Financial Adviser containing its advice to the independent board committee and the independent shareholders is set out on pages 19 to 42 of this circular.

A notice convening an extraordinary general meeting of **Bright Smart Securities & Commodities Group Limited** to be held on 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Tuesday, 22 March 2016 at 10:00 a.m. is set out on pages 48 to 50 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, 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 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.

1 March 2016

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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:

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| “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 |
| “Company” | Bright Smart Securities & Commodities Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange |
| “Connected Person(s)” | Mr. Yip, Mr. Nelson Chan and Mr. Wilson Chan, all of whom are Directors |
| “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 |
| “Financial Services Agreements” | the 3 financial services agreements, all dated 4 February 2016, 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 tenancy agreement dated 4 February 2016 entered into between Victor Tone Limited and Top Sunshine Development Limited for the leasing of the whole of 1/F, Golden Hill Commercial Building, Nos.39-41 Argyle Street, Kowloon |
| “Group” | the Company and its subsidiaries |

DEFINITIONS

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|----------------------------------|--|
| “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 tenancy agreement dated 4 February 2016 entered into between Huge Dynasty Limited and Fortunate State Limited for the leasing of the Entrance (at Left Frontage) of Portion A1 of Shops Nos.6, 7 and 8 on G/F, M/F and 1/F of Honour House, Nos.375-381 & 375A-379A Nathan Road, No.24 Kansu Street and Nos.2-10 Woosung Street, Kowloon |
| “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” | Titan Financial Services Limited, a corporation licensed to carry out type 1 (dealing in securities) and 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 who are not required to abstain from voting at the EGM 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 and Fortunate State Limited, all of which are companies wholly-owned by Mr. Yip |
| “Latest Practicable Date” | 25 February 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |

DEFINITIONS

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Nelson Chan” | Mr. Chan Kai Fung, Co-Chief Executive Officer of the Company and an executive Director |
| “Mr. Wilson 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 tenancy agreement dated 4 February 2016 entered into between Bright Smart Securities and Well Point Limited for the leasing of M/F, Peter Building, Nos.58-60 Queen’s Road Central, Nos.13-17 Stanley Street, Hong Kong |
| “Premises” | collectively, the following premises: <ul style="list-style-type: none"> (i) 10/F, Wing On House, No.71 Des Voeux Road Central, Central, Hong Kong; (ii) M/F, Peter Building, Nos.58-60 Queen’s Road Central, Nos.13-17 Stanley Street, Hong Kong; (iii) Shop No.7 on G/F & 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, Hong Kong; (v) the whole of 1/F, Golden Hill Commercial Building, Nos.39-41 Argyle Street, Kowloon; and (vi) the Entrance (at Left Frontage) of Portion A1 of Shops Nos.6, 7 and 8 on G/F, M/F and 1/F of Honour House, Nos.375-381 & 375A-379A Nathan Road, No.24 Kansu Street and Nos.2-10 Woosung Street, Kowloon |

DEFINITIONS

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| “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 |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.30 each in the share capital of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tai Po Tenancy Agreement” | the tenancy agreement dated 4 February 2016 entered into between Huge Dynasty Limited and Sea Magic Limited for the leasing of G/F and Cockloft, Nos.141-145 Kwong Fuk Road, Tai Po, New Territories, Hong Kong |
| “Tak Lee Building Tenancy Agreement” | the tenancy agreement dated 4 February 2016 entered into between Victor Tone Limited and Resultever Limited for the leasing of Shop No.7 on G/F & Cockloft and Cockloft Nos.1-6, Tak Lee Building, No.993 King’s Road, Hong Kong |
| “Tenancy Agreements” | collectively, the 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 and the Honour House Tenancy Agreement |
| “Wing On Tenancy Agreement” | the tenancy agreement dated 4 February 2016 entered into between Bright Smart Securities and Victory Beauty Limited for the leasing of 10/F, Wing On House, No.71 Des Voeux Road Central, Central, Hong Kong |
| “%” | per cent. |



BRIGHT SMART SECURITIES

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. Chan Kai Fung (*Co-Chief Executive Officer*)
Mr. Hui Yik Bun (*Co-Chief Executive Officer*)
Mr. Kwok Sze Chi
Mr. Chan Wing Shing, Wilson

Registered office:

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Independent non-executive Directors:

Mr. Yu Yun Kong
Mr. Szeto Wai Sun
Mr. Ling Kwok Fai, Joseph

Principal place of business in

Hong Kong:
10th Floor, Wing On House
71 Des Voeux Road Central
Central, Hong Kong

1 March 2016

To the Shareholders

Dear Sir or Madam,

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

(1) INTRODUCTION

On 4 February 2016, the Board announced that the Group as tenants had entered into the Tenancy Agreements with the Landlords for the renewal of the existing tenancies relating to the Premises. The Landlords are companies 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 will exceed HK\$10,000,000 and 5% of one of the applicable percentage ratios calculated under the Listing Rules, 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.

LETTER FROM THE BOARD

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 for provision of financial services including margin financing and IPO financing. As the maximum amount of financing which is likely to be required by each Connected Person (which, for the purpose of Mr. Wilson Chan, shall be aggregated with that of Mr. Yip as Mr. Yip is his uncle) and his associates will exceed HK\$10,000,000 and 5% of some of the applicable percentage ratios calculated under the Listing Rules, 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. Titan Financial Services Limited 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 the Independent Financial Adviser 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.

(2) THE TENANCY AGREEMENTS

A. PRINCIPAL TERMS OF THE TENANCY AGREEMENTS

1. Wing On Tenancy Agreement

(a) Date

4 February 2016

(b) Parties

- (i) Bright Smart Securities, a wholly-owned subsidiary of the Company, 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.

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| LETTER FROM THE BOARD |
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(c) *Premises let*

10/F, Wing On House, No.71 Des Voeux Road Central, Central, Hong Kong.

(d) *Term*

Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive).

(e) *Rental*

HK\$914,000 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 2016.

2. Peter Building Tenancy Agreement

(a) *Date*

4 February 2016

(b) *Parties*

- (i) Bright Smart Securities, a wholly-owned subsidiary of the Company, 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*

M/F, Peter Building, Nos.58-60 Queen's Road Central, Nos.13-17 Stanley Street, Hong Kong.

LETTER FROM THE BOARD

(d) Term

Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive).

(e) Rental

HK\$370,000 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 2016.

3. Tak Lee Building Tenancy Agreement

(a) Date

4 February 2016

(b) Parties

- (i)* Victor Tone Limited, a wholly-owned subsidiary of the Company, 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 on G/F & Cockloft and Cockloft Nos.1-6, Tak Lee Building, No.993 King's Road, Hong Kong.

(d) Term

Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive).

LETTER FROM THE BOARD

(e) Rental

HK\$169,000 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 2016.

4. Tai Po Tenancy Agreement

(a) Date

4 February 2016

(b) Parties

- (i) Huge Dynasty Limited, a wholly-owned subsidiary of the Company, 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, Hong Kong.

(d) Term

Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive).

(e) Rental

HK\$214,000 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.

LETTER FROM THE BOARD

(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 2016.

5. Golden Hill Tenancy Agreement

(a) Date

4 February 2016

(b) Parties

(i) Victor Tone Limited, a wholly-owned subsidiary of the Company, 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

The whole of 1/F, Golden Hill Commercial Building, Nos.39-41 Argyle Street, Kowloon.

(d) Term

Three years commencing from 1 April 2016 to 31 March 2019 (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.

LETTER FROM THE BOARD

(g) Status of the existing tenancy agreement

The existing tenancy agreement will expire on 31 March 2016.

6. Honour House Tenancy Agreement

(a) Date

4 February 2016

(b) Parties

(i) Huge Dynasty Limited, a wholly-owned subsidiary of the Company, 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 Portion A1 of Shops Nos.6, 7 and 8 on G/F, M/F and 1/F 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 2016 to 31 March 2019 (both days inclusive).

(e) Rental

HK\$830,000 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 2016.

LETTER FROM THE BOARD

B. 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 2017, 2018 and 2019 are HK\$32,124,000, HK\$32,124,000 and HK\$32,124,000 respectively.

C. REASONS FOR ENTERING INTO THE TENANCY AGREEMENTS

The Directors (including the independent non-executive 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 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 and bullion trading services to customers in the surrounding areas. 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, comparable transactions in the vicinity and the prevailing market conditions. The Directors (including the independent non-executive Directors) 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.

(3) THE FINANCIAL SERVICES AGREEMENTS

A. PRINCIPAL TERMS OF THE FINANCIAL SERVICES AGREEMENTS

1. Date

4 February 2016

2. Parties

- (a) Bright Smart Securities, a wholly-owned subsidiary of the Company, as the service provider; and
- (b) the Connected Persons, 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 Connected Persons and their respective associates during the term on a non-exclusive basis.

LETTER FROM THE BOARD

4. Term

Three years commencing from 1 April 2016 to 31 March 2019 (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 the Group than those offered by Bright Smart Securities 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. In the past, interest has been charged at standard rate of 4.88% per annum for margin clients and 5% per annum above the Prime Rate for cash clients for margin financing, and not more than 3% per annum 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.

6. Payment terms

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.

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 2014, 2015 and 2016, and the three financial years ending 31 March 2017, 2018 and 2019 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 | |
|--------------------------|------------------|--|---------------------------------|
| | | 2014, 2015 and 2016 HK\$'000 | 2017, 2018 and 2019 HK\$'000 |
| Mr. Yip | Margin financing | 300,000 | 500,000 |
| | IPO financing | 1,000,000 | 2,000,000 |

LETTER FROM THE BOARD

| | | 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 | |
|-----------------------------|------------------|--|------------------------------------|
| Name of Connected Person | Financing type | 2014, 2015 and 2016 HK\$'000 | 2017, 2018 and 2019 HK\$'000 |
| | | | |
| Mr. Nelson Chan | Margin financing | 10,000 | 20,000 |
| | IPO financing | 100,000 | 200,000 |
| Mr. Wilson 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 2019.

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 2015 and the nine months ended 31 December 2015, it is justifiable as the demand for such financing very much depends on the overall stock market sentiment. For example, in 2014, the average daily turnover of the securities market was only around HK\$64.2 billion with an aggregate turnover value of approximately HK\$15,847 billion, but the average daily turnover and the aggregate turnover value reached HK\$105.6 billion and HK\$26,091 billion respectively in 2015, representing an increase of approximately 65%. 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 (including the independent non-executive Directors) 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 7 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 2015 and the nine months ended 31 December 2015. The Directors (including the independent non-executive Directors) consider that it is justifiable in view of the increasing number of new listing companies (from 87 in 2013 to 104 in 2015, representing a compound annual growth rate of approximately 9%) and amount of equity funds raised (from approximately HK\$166 billion in 2013 to HK\$259 billion in 2015, representing a compound annual growth rate of approximately 25%) in recent years. It is expected that the IPO fund raising size will

LETTER FROM THE BOARD

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 (including the independent non-executive Directors) consider the proposed annual cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

| Name of Connected Person | Financing type | Maximum outstanding amount provided to such Connected Person and his associates at all times during the financial year ended | | Maximum outstanding amount provided to such Connected Person and his associates at all times during the 9 months ended |
|--------------------------------|------------------|--|-------------------------------------|---|
| | | 31 March 2014 HK\$'000 (approximately) | 2015 HK\$'000 (approximately) | 31 December 2015 HK\$'000 (approximately) |
| Mr. Yip | Margin financing | 1,598 | 183,214 | 187,096 |
| | IPO financing | 983,973 | 176,487 | 270,064 |
| Mr. Nelson Chan | Margin financing | 2,701 | 3,318 | 3,148 |
| | IPO financing | 77,904 | 68,734 | 68,760 |
| Mr. Wilson Chan | Margin financing | 39 | 69 | 1 |
| | IPO financing | 1,967 | 2,668 | 1,809 |

LETTER FROM THE BOARD

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 and bullion trading.

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 (including the independent non-executive 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. The Directors (including the independent non-executive Directors) 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 will exceed HK\$10,000,000 and 5% of one of the applicable percentage ratios calculated under the Listing Rules, 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.

Regarding the Financial Services Agreements, given that the maximum amount of financing which is likely to be required by each Connected Person (which, for the purpose of Mr. Wilson Chan, shall be aggregated with that of Mr. Yip as Mr. Yip is his uncle) and his associates will exceed HK\$10,000,000 and 5% of some of the applicable percentage ratios calculated under the Listing Rules, 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.

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. Wilson Chan 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. Wilson Chan and their respective associates, who together controlled or were entitled to exercise control over approximately 66.87% of the voting rights of the Company as at the Latest Practicable Date, will abstain from voting on resolutions nos.1, 2(a) and 2(c) at the EGM, and Mr. Nelson Chan and his associates, who together controlled or were entitled to exercise control over approximately 0.02% of the voting rights of the Company as at the Latest Practicable Date, will abstain from voting on resolution no.2(b) 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 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Tuesday, 22 March 2016 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) RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 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 the Independent Financial Adviser set out on pages 19 to 42 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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.

(7) ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Bright Smart Securities & Commodities Group Limited
Chan Kai Fung
Executive Director and Co-Chief Executive Officer



BRIGHT SMART SECURITIES

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)

1 March 2016

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company on 1 March 2016 (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. Titan Financial Services Limited 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 the Independent Financial Adviser 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.

Having taken into account the advice and recommendation of the Independent Financial Adviser, 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 THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Titan Financial Services Limited in respect of the Tenancy Agreements and the Financial Services Agreements and the transactions contemplated thereunder prepared for the purpose of inclusion in this circular.



Titan Financial Services Limited

Suites 3201-02, 32/F

COSCO Tower, Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

1 March 2016

*To the Independent Board Committee
and the Independent Shareholders
of Bright Smart Securities & Commodities Group Limited*

Dear Sirs,

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 (i) Tenancy Agreements; (ii) the Financial Services Agreements and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 1 March 2016 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 4 February 2016, the Board announced that the Group as the tenants entered into the Tenancy Agreements with the Landlords for the renewal and extension of the existing tenancy agreements entered into by the Group and the Landlords on 15 February 2013 relating to the Premises (the “**2013 Tenancy Agreements**”). Under the Tenancy Agreements, the Group will continue to lease the Premises for the three financial years ending 31 March 2019. As the Landlords are companies which are wholly-owned by Mr. Yip (being the chairman of the Board, an executive Director and the controlling Shareholder), the transactions contemplated under the Tenancy Agreements constitute continuing connected transactions for the Company under Rule 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the same day, the Group also entered into the Financial Services Agreements with the Connected Persons for the renewal and extension of the existing financial services agreements dated 15 February 2013 (the “**2013 Financial Services Agreements**”). The Financial Services Agreements shall continue to provide the framework within which the Connected Persons and their respective associates may engage the Group for the provision of financial services including margin financing and IPO financing for the three financial years ending 31 March 2019.

As the (i) aggregate annual rental payable by the Group to the Landlords under the Tenancy Agreements will exceed HK\$10,000,000 and 5% of one of the applicable percentage ratios calculated under the Listing Rules; and (ii) the maximum amount of financing which is likely to be required by each Connected Person (which, for the purpose of Mr. Wilson Chan, shall be aggregated with that of Mr. Yip as Mr. Yip is his uncle) and his associates under the Financial Services Agreements will exceed HK\$10,000,000 and 5% of some of the applicable percentage ratios calculated under the Listing Rules, the transactions contemplated under the Tenancy Agreements and the Financial Services Agreements constitute non-exempt continuing connected transactions (the “**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.

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. Wilson Chan and their respective associates, who together controlled or were entitled to exercise control over approximately 66.87% of the voting rights of the Company as at the Latest Practicable Date, will abstain from voting on resolutions nos.1, 2(a) and 2(c) at the EGM, and Mr. Nelson Chan and his associates, who together controlled or were entitled to exercise control over approximately 0.02% of the voting rights as at the Latest Practicable Date, will abstain from voting on resolution no.2(b) at the EGM. Save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions at the EGM.

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 by the Company to advise the Independent Shareholders as to whether the terms of the Tenancy Agreements and the Financial Services Agreements (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the Continuing Connected Transactions. We, Titan Financial Services Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and any member of the Group or any of their substantial shareholders, directors or chief executives, or their respective associates, that could reasonably be regarded as hindrance to our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions. Apart from our present appointment, we have not acted as the independent financial adviser in respect of any transaction of the Company in the past two years.

BASIS OF OUR OPINION

In formulating our recommendation 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 provided to us by the Directors and/or the management of the Company (the “**Management**”).

We have assumed that all information and representations provided by the Directors and/or the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be true up to 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 enquiries and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or the prospects of the markets in which the Group operates.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquiries, 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 herein or the Circular misleading.

This letter was issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons. Our conclusions are based on the results of our analyses taken as a whole.

A. THE TENANCY AGREEMENTS

I. Background of and reasons for the Tenancy Agreements

Information of the Group

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

Information of the Landlords

The Landlords, namely, Victory Beauty Limited, Well Point Limited, Resultever Limited, Sea Magic Limited, Top Sunshine Development Limited and Fortunate State Limited, are companies wholly-owned by Mr. Yip, an executive Director and the controlling Shareholder. The principal businesses of the Landlords are property investment.

Reasons for entering into the Tenancy Agreements

As advised by the Directors, we understand that the Premises have been used by the Group as its head and branch offices for provision of securities brokerage, margin financing, commodities and futures brokerage and bullion trading services to customers in the surrounding areas for at least 4 years. As disclosed in the circular of the Company dated 8 March 2013, the Company and the Landlords entered into the 2013 Tenancy Agreements, pursuant to which the Landlords agreed to renew or extend their tenancies relating to the Premises to the Group for a term of three years commencing from 1 April 2013 to 31 March 2016. Given that the 2013 Tenancy Agreements will expire after 31 March 2016, the Group thus entered into the Tenancy Agreements with the Landlords so as to renew and extend its tenancies for the Premises for a term of three years commencing from 1 April 2016 to 31 March 2019.

Having considered (i) the fact that the head and branch offices of the Group have been operating at the Premises for at least 4 years and are expected to continue in the future; and (ii) the Tenancy Agreements are in essence a continuation of the 2013 Tenancy Agreements for the Premises continue to be in use by the Group, we concur with the Directors' view that the Tenancy Agreements are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. Principal terms of the Tenancy Agreements

Wing On Tenancy Agreement

Date: 4 February 2016

Parties: (1) Tenant – Bright Smart Securities, a wholly-owned subsidiary of the Company

(2) Landlord – Victory Beauty Limited

Premises let: 10/F, Wing On House, No.71 Des Voeux Road Central, Central, Hong Kong

Term: Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive)

Rental: HK\$914,000 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

Option to renew: The tenant has an option to renew the tenancy for a term of three years from the expiration of the term at the then prevailing market rent

Peter Building Tenancy Agreement

Date: 4 February 2016

Parties: (1) Tenant – Bright Smart Securities, a wholly-owned subsidiary of the Company

(2) Landlord – Well Point Limited

Premises let: M/F, Peter Building, Nos.58-60 Queen's Road Central, Nos.13-17 Stanley Street, Hong Kong

Term: Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Rental: HK\$370,000 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

Option to renew: The tenant has an option to renew the tenancy for a term of three years from the expiration of the term at the then prevailing market rent

Tak Lee Building Tenancy Agreement

Date: 4 February 2016

Parties: (1) Tenant – Victor Tone Limited, a wholly-owned subsidiary of the Company

(2) Landlord – Resultever Limited

Premises let: Shop No.7 on G/F & Cockloft and Cockloft Nos.1-6, Tak Lee Building, No.993 King's Road, Hong Kong

Term: Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive)

Rental: HK\$169,000 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

Option to renew: The tenant has an option to renew the tenancy for a term of three years from the expiration of the term at the then prevailing market rent

Tai Po Tenancy Agreement

Date: 4 February 2016

Parties: (1) Tenant – Huge Dynasty Limited, a wholly-owned subsidiary of the Company

(2) Landlord – Sea Magic Limited

Premises let: G/F and Cockloft, Nos.141-145 Kwong Fuk Road, Tai Po, New Territories, Hong Kong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Term: Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive)

Rental: HK\$214,000 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

Option to renew: The tenant has an option to renew the tenancy for a term of three years from the expiration of the term at the then prevailing market rent

Golden Hill Tenancy Agreement

Date: 4 February 2016

Parties: (1) Tenant – Victor Tone Limited, a wholly-owned subsidiary of the Company

(2) Landlord – Top Sunshine Development Limited

Premises let: The whole of 1/F, Golden Hill Commercial Building, Nos.39-41 Argyle Street, Kowloon

Term: Three years commencing from 1 April 2016 to 31 March 2019 (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

Option to renew: The tenant has an option to renew the tenancy for a term of three years from the expiration of the term at the then prevailing market rent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Honour House Tenancy Agreement

| | |
|------------------|---|
| Date: | 4 February 2016 |
| Parties: | (1) Tenant – Huge Dynasty Limited, a wholly-owned subsidiary of the Company (2) Landlord – Fortunate State Limited |
| Premises let: | The Entrance (at Left Frontage) of Portion A1 of Shops Nos.6, 7 and 8 on G/F, M/F and 1/F of Honour House, Nos.375-381 & 375A-379A Nathan Road, No.24 Kansu Street and Nos.2-10 Woosung Street, Kowloon |
| Term: | Three years commencing from 1 April 2016 to 31 March 2019 (both days inclusive) |
| Rental: | HK\$830,000 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 |
| Option to renew: | The tenant has an option to renew the tenancy for a term of three years from the expiration of the term at the then prevailing market rent |

As stated in the Letter from the Board, the terms of the Tenancy Agreements were determined after arm's length negotiation between the contracting parties with reference to the market rent as determined by an independent professional valuer (the "**Valuer**") appointed by the Group by comparing transactions in the vicinity and the prevailing market conditions. The Directors are of the view that the terms of the Tenancy Agreements are on normal commercial terms and are no less favourable to the Group than terms available from those landlords which are independent third parties for leasing similar properties.

Our work and analyses

In assessing the fairness and reasonableness of the terms of the Tenancy Agreements, we have obtained and reviewed (i) the 2013 Tenancy Agreements entered into by the Group and the Landlords; (ii) three samples of leasing agreements entered into by the Group with landlords who are independent third parties for other branch offices of the Group; and (iii) the valuation reports issued by the Valuer regarding the monthly market rent of the Premises as at 31 January 2016 (the "**Valuation Reports**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that (i) the principal terms (save for the monthly rental) of the Tenancy Agreements, being the renewal of the 2013 Tenancy Agreements, have no material difference from the principal terms of the 2013 Tenancy Agreements; and (ii) the principal terms of the Tenancy Agreements (save for the monthly rental and other terms which are monetary in nature) are comparable to the leasing agreements entered into by the Group with other landlords who are independent third parties, in particular, the obligations and rights of the tenants under the Tenancy Agreements are comparable to those of other leasing agreements entered into with independent third party landlords. There are no onerous terms found under the Tenancy Agreements which might impose unduly burdensome obligations on the Group as tenants after reviewing the sample leasing agreements between the Group and other independent third parties.

In addition, we note that the monthly rental of the Premises under each of the Tenancy Agreements are the same as the monthly market rent of the Premises determined by the Valuer in the respective Valuation Report.

For our due diligence purposes, we have interviewed with the Valuer regarding its experience and understand that the Valuer is based in Hong Kong and is principally engaged in the provision of independent appraisals of the value of real estate and businesses. We also understand that the person-in-charge for the valuation has over 25 years of experience in property valuation in Hong Kong and China. We have also obtained the engagement letter of the Valuer and noted that its scope of work is to prepare a valuation report and to provide the Company with the opinion of the market rental of the Premises. Based on the aforesaid engagement letter and our discussion with the Valuer in relation to its terms of engagement, in particular, its scope of work, we note that as there is no limitation on the scope of work which might adversely impact the degree of assurance given by them in its report and the scope of works performed by the Valuer is consistent with the market practice appropriate to give the opinion. Based on our discussions with the Valuer and the Management, we understand that, to the best of their knowledge, apart from independent valuation engagements, they have no other current or prior relationships with the Group, and core connected persons of either the Group or the Landlords and is independent to the Group and the Landlords. As set out in the Valuation Report and also based on our discussions with the Valuer, in arriving at their opinion of value, we understand that the Valuer has (i) carried out site inspections; (ii) conducted land searches at the relevant Land Registries; and (iii) made relevant enquiries and obtained further information, in arriving at its opinion. The Valuer adopted the direct comparison approach by making reference to comparable transactions as available in the relevant markets. The market rental is defined as an estimated amount for which a property should be leased on the date of valuation between a willing lessor and a willing lessee in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. We consider that the direct comparison approach is a commonly adopted and well-recognised methodology in valuing the market rental for properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the terms of the Tenancy Agreements (save for the monthly rental) have no material difference from the 2013 Tenancy Agreements; (ii) the rights and obligations of the tenants under the Tenancy Agreements are comparable to the leasing agreements entered into by the Group with independent third party landlords and no onerous terms were found under the Tenancy Agreements; (iii) the terms (including the rental) of the Tenancy Agreements were determined after arm's length negotiation between the contracting parties with reference to the market rent as determined by the Valuer, comparable transactions in the vicinity and the prevailing market conditions; and (iv) the monthly rental of the Premises under each of the Tenancy Agreements are the same as the monthly market rental of the Premises determined by the Valuer as at 31 January 2016, 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 and in the interests of the Company and the Shareholders as a whole.

III. The proposed annual caps

Set out below are (i) the approved annual caps of the 2013 Tenancy Agreements for each of the three financial years ending 31 March 2016; and (ii) the proposed annual caps under the Tenancy Agreements for each of the three financial years ending 31 March 2019.

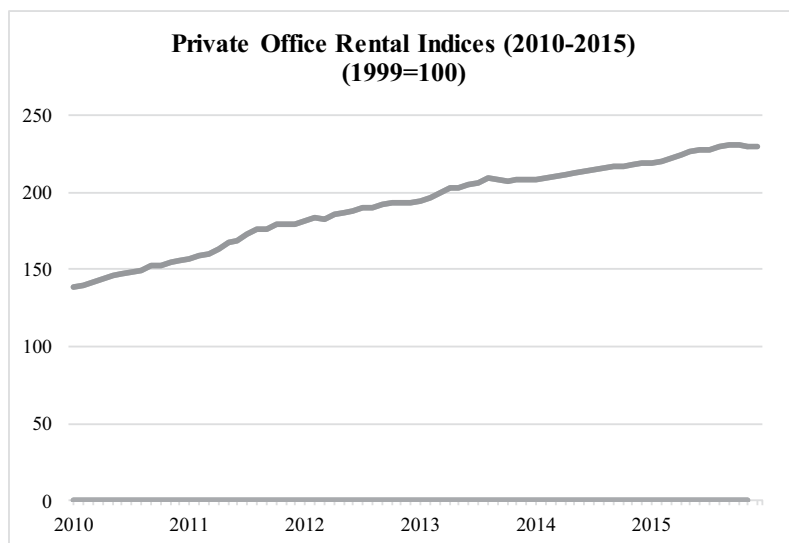
| | For each of the three financial years ending 31 March 2016 under the 2013 Tenancy Agreements HK\$'000 | For each of the three financial years ending 31 March 2019 under the Tenancy Agreements HK\$'000 |
|-------------------------------|--|---|
| Approved/proposed annual caps | 25,860 | 32,124 |

Our work and analyses

As set out in the Letter from the Board, the proposed annual caps of the Tenancy Agreements were determined based on the aggregate annual rental payable thereunder for each of the three financial years ending 31 March 2017, 2018 and 2019 are HK\$32,124,000, HK\$32,124,000 and HK\$32,124,000 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the proposed annual caps of the Tenancy Agreements, we have also performed the following market analyses on the property rental market in Hong Kong:



Source: Rating and Valuation Department of Hong Kong

We have reviewed the rental index for private office for all districts in Hong Kong for the period from January 2010 to December 2015 (the “**Rental Review Period**”), which represents the recent trend and outlook of the property rental market in Hong Kong. As shown in the graph above, the rental index for private office (the “**Office Rental Index**”) indicated a positive trend for the Rental Review Period although the growth has decelerated since early 2013. The Office Rental Index has been growing relatively steadily, with compound annual growth rate of approximately 10.5% from 2010 to 2015.

Having considered (i) the terms (including the rental) of the Tenancy Agreement were determined after arm’s length negotiation between the contracting parties with reference to the market rent as determined by the Valuer, comparable transactions in the vicinity and the prevailing market conditions and are on normal commercial terms which are no less favourable to the Group than other landlords who are independent third parties; (ii) the monthly rental of the Premises under each of the Tenancy Agreements are the same as the monthly market rental of the properties determined by the Valuer as at 31 January 2016; and (iii) our reference to the historical transaction amounts under the 2013 Tenancy Agreements and the steady growth of private office rental market of Hong Kong during the Rental Review Period as analysed above, we concur with the Directors’ view that the proposed annual caps of HK\$ 32,124,000 for each of the three financial years ending 31 March 2017, 2018 and 2019 are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. THE FINANCIAL SERVICES AGREEMENTS

I. Background of and reasons for the Financial Services Agreements

Information of the Group

The Group is principally engaged in the provision of financial services, including securities brokerage, margin and IPO financing, commodities and futures brokerage, and bullion trading. According to the interim report of the Company for the six months ended 30 September 2015, the revenue generated from the margin financing and IPO financing for the six months ended 30 September 2015 amounted to approximately HK\$122.5 million and HK\$10.4 million, respectively, accounted for approximately 29.3% and 2.5% of its total revenue and representing an increase of approximately 77.4% and 196.6% as compared to the corresponding period in 2014.

Information of the Connected Persons entering into the Financial Services Agreements with the Group

| Connected Persons | Relationship with the Group | Aggregation of transactions |
|--------------------------|---|---|
| Mr. Yip | Chairman of the Board, executive Director and the controlling Shareholder | Mr. Yip and his associates (collectively as “ Mr. Yip’s Group ”) |
| Mr. Nelson Chan | Co-Chief Executive Officer and executive Director | Mr. Nelson Chan and his associates (collectively as “ Mr. Nelson Chan’s Group ”) |
| Mr. Wilson Chan | Executive Director | Mr. Wilson Chan and his associates (collectively as “ Mr. Wilson Chan’s Group ”) |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for entering into the Financial Services Agreements

As advised by the Management, we understand that, prior to the listing of the Company on the Stock Exchange in 2010, Bright Smart Securities has been, upon request, providing financial services to the Connected Persons and their respective associates, including margin financing and IPO financings on normal commercial terms at the interest rate are no less favourable to the Group than that offered to other clients of Bright Smart Securities who are independent third parties of similar credit standing, trading record and/or quality of collaterals given and in accordance with the policy of Bright Smart Securities from time to time. Given that the 2013 Financial Services Agreements will expire on 31 March 2016, the Group thus entered into the Financial Services Agreements with the Connected Persons so as to continue to provide the financial services to the Connected Persons and their respective associates for a term of three years commencing from 1 April 2016 to 31 March 2019.

Save for the extension of provision of financial services to the period ending 31 March 2019 and the revised annual caps for margin financings and IPO financing, we note that there are no other material changes made to the principal terms of the Financial Services Agreements as compared to the 2013 Financial Services Agreement. We were also advised by the Management that by entering into the Financial Services Agreements, Bright Smart Securities will be able to provide margin financing and IPO financing services to the Connected Persons and their respective associates which eventually generate interest income and return to the Group.

Given the (i) principal business which the Group engages in; and (ii) provision of the relevant financial services to the Connected Persons and their respective associates will generate interest income to the Group, we consider that the Financial Services Agreements are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

II. Principal terms of the Financial Services Agreements

Date: 4 February 2016

Parties:

- (1) Service provider – Bright Smart Securities, a wholly-owned subsidiary of the Company
- (2) Customers – Mr. Yip, Mr. Nelson Chan and Mr. Wilson Chan, all being Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | |
|--------------------------|---|
| 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 2016 to 31 March 2019 (both days inclusive) |
| Pricing standards: | Interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less favourable to the Group than those offered by Bright Smart Securities 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. In the past, interest has been charged at the standard rates of 4.88% per annum for margin clients and 5% per annum above the Prime Rate for cash client for margin financing and not more than 3% for IPO financing. Such rate is applied across all customers with discounts sometimes given to customers depending on the quality of their collaterals, their trading record and their trading size |
| Payment terms: | 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 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our work and analyses

In assessing the fairness and reasonableness of the terms of the Financial Services Agreements, we have (i) obtained and reviewed the 2013 Financial Services Agreements entered into by the Group and the Connected Persons; (ii) obtained and reviewed standard account opening form (the “**Account Opening Form**”) for all clients of the Group; (iii) discussed with the Management how Bright Smart Securities determine the interest rate to be charged to each margin client and obtained and reviewed samples of daily statement of account (the “**Account Statements**”) of the Connected Persons and clients who are independent third parties in relation to the interest rate charged and the margin ratio of the margin financing from Bright Smart Securities under similar timing; (iv) examined samples of IPO subscription financing report (the “**IPO Financing Reports**”) of IPO during 2013 to 2015 in relation to the interest rate charged by Bright Smart Securities to all of its clients (including the Connected Persons) during the IPO; and (v) discussed with the Management and reviewed the internal policies of the Group in relation to the provision of financial services.

Upon our review of the 2013 Financial Services Agreements, we note that the terms of the Financial Services Agreements are similar to the 2013 Financial Services Agreements. We also note that it is under the terms of the Financial Services Agreements that 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. We have also obtained and reviewed the standard Account Opening Form designed for all the clients of the Group, which sets out all the terms and conditions a client is subject to upon their signing and shall be bound by them from time to time. Based on our review of the above, we are of the view that the Connected Persons and their respective associates are subject to the same standard terms which also bind other independent third party clients.

In regard to margin financing, we have discussed with the Management and noted that each client (including the Connected Persons and their respective associates) is charged at the standard interest rate of 4.88% per annum for margin clients and 5% per annum above the Prime Rate for cash clients for margin financing as published on the website of the Group. 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, we note that 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. We note that the margin interest rate offered to the Connected Persons and their respective associates are subject to the same approval

process, and in particular, we note that 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. Upon our review of the samples of the Account Statements of the Connected Persons and other clients who are independent third parties under similar timing, we note that each client account, including those of the Connected Persons, is subject to the same margin ratio as published on the website of Bright Smart Securities, and the interest rate provided to the Connected Persons were no less favourable to the Group than that offered to other clients who are independent third parties.

For IPO financing, we have obtained and reviewed samples of the IPO Financing Reports by comparing the interest rate charged to Connected Persons and to other independent clients for such IPO financing service, and noted that the interest rates offered to the Connected Persons for IPO financing are no less favourable to the Group than those offered to other clients who are independent third parties.

In addition, we also discussed with the Management and reviewed the existing internal policies and procedures of the Company in relation to the provision of financial services, in particular, the granting of margin financing and IPO financing to its clients. We understand that 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. We have obtained and examined the internal policies and operation manual of Bright Smart Securities in relation to margin financing and IPO financing and noticed that all the clients' accounts are governed and regulated by the aforementioned internal control margin policies. The Management also confirmed that there is no preferential treatment towards the Connected Persons and their respective associates in relation to granting of financing and collateral requirements as compared with other independent third party clients of the Group. Upon our review of the Account Statements and the IPO Financing Reports above, we are not aware of the interest rates charged to the Connected Persons are less favourable to the Group than that offered to the independent customers. In this regard, we are of the view that 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 are no less favourable to the Group than rates offered to other independent third party clients.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) the terms of the Financial Services Agreements are similar to the 2013 Financial Services Agreements and it is under the terms of the Financial Services Agreements that 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; (ii) the interest rates charged or to be charged to the Connected Persons (and their respective associates) under margin financing and IPO financing are no less favourable to the Group than the rates offered to other independent third party clients; and (iii) the internal policies in relation to provision of margin financing and IPO financing are strictly enforced by the Management and there is no preferential treatment towards the Connected Persons and their respective associates as compared with other independent third party clients of the Group, we concur with the Director 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 and in the interests of the Company and the Shareholders as a whole.

III. The proposed annual caps

The proposed annual caps (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 under the Financial Services Agreements for each of the three financial years ending 31 March 2017, 2018 and 2019 are 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 the year ending 31 March | | |
|--------------------------|------------------|---|------------------|------------------|
| | | 2017 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 |
| Mr. Yip | Margin financing | 500,000 | 500,000 | 500,000 |
| | IPO financing | 2,000,000 | 2,000,000 | 2,000,000 |
| Mr. Nelson Chan | Margin financing | 20,000 | 20,000 | 20,000 |
| | IPO financing | 200,000 | 200,000 | 200,000 |
| Mr. Wilson Chan | Margin financing | 10,000 | 10,000 | 10,000 |
| | IPO financing | 20,000 | 20,000 | 20,000 |

As stated in the Letter from the Board, the annual caps of the Financial Services Agreements are 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 2019. Although the proposed annual caps are substantially higher

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

than the historical amount of margin financing and 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 2015 and the nine months ended 31 December 2015, the Directors are of the view that it is justifiable as the demand for such financing very much depends on the overall stock market sentiment. For example, in 2014, the average daily turnover of the securities market was only around HK\$64.2 billion with an aggregate turnover value of approximately HK\$15,847 billion, but the average daily turnover and the aggregate turnover value reached HK\$105.6 billion and HK\$26,091 billion respectively in 2015, representing an increase of approximately 65%, if such trend is 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 caps are 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 (including the independent non-executive Directors) consider the proposed annual caps 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 caps for IPO financing is approximately 2 to 7 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 2015 and the nine months ended 31 December 2015. The Directors (including the independent non-executive Directors) consider that it is justifiable in view of the increasing number of new listing companies (from 87 in 2013 to 104 in 2015, representing a compound annual growth rate of approximately 9%) and amount of equity funds raised (from approximately HK\$166 billion in 2013 to HK\$259 billion in 2015, representing a compound annual growth rate of approximately 25%) in recent years. 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 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 account of the Group if the application is made through 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 (including the independent non-executive Directors) consider the proposed annual caps to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the existing annual caps granted under the 2013 Financial Services Agreements for each of the three years ending 31 March 2016 and the historical maximum outstanding amount of margin financing and IPO financing provided by the Group to each of the Connected Persons and their respective associates at all times during the two financial years ended 31 March 2014 and 2015 and the nine months ended 31 December 2015:

| Name of the Connected Person | Financing type | Existing annual caps granted under the 2013 Financial Services Agreements for each of the three years ending 31 March 2016 <i>HK\$'000</i> | Maximum outstanding amount provided to such Connected Person and his associates at all times during the year ended 31 March | | | Maximum outstanding amount provided to such Connected Person and his associates at all times during the nine months ended 31 December 2015 <i>HK\$'000</i> |
|---------------------------------|------------------|--|--|--|--|--|
| | | | 2014 <i>HK\$'000</i> (approximately) | 2015 <i>HK\$'000</i> (approximately) | | (approximately) |
| Mr. Yip | Margin financing | 300,000 | 1,598 | 183,214 | | 187,096 |
| | IPO financing | 1,000,000 | 983,973 | 176,487 | | 270,064 |
| Mr. Nelson Chan | Margin financing | 10,000 | 2,701 | 3,318 | | 3,148 |
| | IPO financing | 100,000 | 77,904 | 68,734 | | 68,760 |
| Mr. Wilson Chan | Margin financing | 10,000 | 39 | 69 | | 1 |
| | IPO financing | 20,000 | 1,967 | 2,668 | | 1,809 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our work and analyses

In assessing the fairness and reasonableness of the proposed annual caps of the Financial Services Agreements, we have performed analyses on the overall stock market and IPO market in Hong Kong:

a. Overview of the stock market in Hong Kong in the recent years

Set out below are (i) the historical closing points of the benchmark Hang Seng Index (“**HSI**”) from 5 February 2015 and to 4 February 2016, which is the one year period prior to the date of entering the Financial Services Agreements (the “**HSI Review Period**”), and (ii) the historical turnover of the listed securities of the Stock Exchange for the year ended 31 December 2014 and 2015:



Source: Bloomberg

| | Monthly turnover (HK\$ million) | | | Average daily turnover (HK\$ million) | |
|--------------|------------------------------------|-------------------|----------------|--|----------------|
| | 2014 | 2015 | | 2014 | 2015 |
| January | 1,427,057 | 2,046,296 | | 67,955 | 97,443 |
| February | 1,242,000 | 1,241,234 | | 65,368 | 68,957 |
| March | 1,498,370 | 1,984,477 | | 71,351 | 90,203 |
| April | 1,308,746 | 3,801,844 | | 65,437 | 200,097 |
| May | 1,109,875 | 2,948,827 | | 55,494 | 155,201 |
| June | 1,028,798 | 3,143,397 | | 51,440 | 142,882 |
| July | 1,425,595 | 2,773,195 | | 64,800 | 126,054 |
| August | 1,516,775 | 1,979,765 | | 72,227 | 94,275 |
| September | 1,593,397 | 1,642,300 | | 75,876 | 82,115 |
| October | 1,403,548 | 1,592,211 | | 66,836 | 79,611 |
| November | 1,564,001 | 1,580,228 | | 78,200 | 75,249 |
| December | 2,037,569 | 1,356,846 | | 97,027 | 61,675 |
| Total | 15,846,985 | 26,090,620 | Average | 64,158 | 105,630 |

Source: the website of the Stock Exchange (www.hkex.com.hk)

As illustrated from the chart above, the performance of HSI was fluctuated primarily due to factors, including but not limited to the investor's concern over the timing of the interest rate hike from the US Federal Reserve and the anxiety in relation to China's economic situation. According to the public information available on the website of the Stock Exchange, we note that (i) the average daily turnover of securities for 2015 was approximately HK\$105.6 billion, representing an increase of approximately 64.6% compared to approximately HK\$64.2 billion in 2014 and (ii) the total turnover of securities in 2015 was approximately HK\$26,091 billion, while the total turnover was approximately HK\$15,847 billion in 2014. We note that the stock market, despite facing a downturn pressure, has remained active in 2015.

b. Overview of the IPO market in Hong Kong

In recent years, there has been an increasing number of newly listed companies and the over-subscription of the IPO suggested an active IPO market in Hong Kong. According to the statistics available on the website of the Stock Exchange, we note that there were 138 newly listed companies in 2015, representing an increase of approximately 13.1% as compared to 122 newly listed companies in 2014. In addition, the proceeds raised from the IPO market increased by approximately 12.4% from approximately HK\$232.5 billion in 2014 to approximately HK\$261.3 billion in 2015. We also note that the applications of the IPO shares have been active and reached several hundred times in over-subscription. According to the Fact Book 2014 published by the Hong Kong Exchanges and Clearing Limited, the average over-subscription rate of Main Board listed companies was approximately 252.8 times. According to the "Hong Kong IPO Market Update" issued by KPMG in July 2015, the average over-subscription rate for the first half of the year 2015 was approximately 123.2 times. Based on the above, we concur with the Directors' view that the IPO activities were active with high over-subscription rates in the recent years.

In addition, in order to assess the fairness and reasonableness of the proposed annual caps under the Financial Services Agreements, we have (i) obtained and reviewed the historical maximum amounts of the margin financing and IPO financing of the Connected Persons for the two financial years ended 31 March 2015 and the nine months ended 31 December 2015 under the 2013 Financial Services Agreements; (ii) discussed with the Management regarding their considerations in determining the annual caps to be offered to the Connected Persons; and (iii) reviewed the internal control procedures of the Company regarding its provision of the margin and IPO financing services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the historical maximum amount of margin financing and IPO financing services provided to Mr. Yip's Group, Mr. Nelson Chan's Group, and Mr. Wilson Chan's Group during the two financial years ended 31 March 2015 and the nine months ended 31 December 2015. We note that the historical maximum outstanding amount of margin financing provided to them were approximately HK\$187.1 million, HK\$3.3 million and HK\$0.07 million respectively, representing approximately 62.4%, 33.2% and 0.7% of utilisation of the respective existing annual cap granted under the 2013 Financial Services Agreements. As for the IPO financing, the historical maximum outstanding amount granted to them were approximately HK\$984.0 million, HK\$77.9 million and HK\$2.7 million respectively, representing approximately 98.4%, 77.9% and 13.3% of utilisation of the respective existing annual caps granted under the 2013 Financial Services Agreements. We note that there is a substantial increase for the proposed annual caps of Mr. Yip's Group and Mr. Nelson Chan's Group under their respective Financial Services Agreements than that of the historical amount of margin financing and IPO financing advanced by the Group to the Connected Persons and their respective associates.

As discussed with the Management, we were given to understand that, in light of (i) the demand for such financing very much depends on the overall stock market sentiment which may not be predictable in nature; (ii) it is the Management's experience that the allotment basis of the IPO depends on the number of valid applications for subscription for the IPO shares and the clients would intend to gross up their application sums for the possible over-subscription of the IPO shares in order to have a higher chance of the allotted IPO shares; and (iii) the consideration of the historical maximum outstanding amount of the margin financing and IPO financing to Mr. Yip's Group and Mr. Nelson Chan's Group and their relevant utilisation rate to the existing approved annual caps under the respective 2013 Financial Services Agreements, and in particular, Mr. Yip's Group has almost fully utilised the existing annual caps granted under the 2013 Financial Services Agreement, the Directors consider it is reasonable to grant a buffer for the annual cap for the three years ending 31 March 2019. Moreover, 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 as discussed in the paragraph headed "II. Principal terms of the Financial Services Agreement" above and the surplus IPO application money will be directly repaid to the Group, we are of the view that the Group would not be exposed to extraordinary risk by reason of the proposed increase of the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the overall stock market, in particular, the IPO market, has remained active in the recent years as demonstrated above; (ii) the maximum historical amounts of the margin financing and IPO financings to Mr. Yip's Group, Mr. Nelson Chan's Group and Mr. Wilson Chan's Group and the relevant utilisation rates to the existing annual caps under the 2013 Financial Services Agreements; (iii) the need for reasonable buffer in the proposed annual caps under the Financing Services Agreements for the reasons set out above; and (iv) the internal control policy of the Group which is applied across all customers including the Connected Persons, we concur with the Directors' view that the proposed annual caps for the Financial Services Agreements for the years ending 31 March 2017, 2018 and 2019 are fair and reasonable.

C. OTHER INTERNAL CONTROL PROCEDURES

The independent non-executive Directors will perform an annual review pursuant to Rule 14A.55 of the Listing Rules and confirm in the annual report of the Company that the Continuing Connected Transactions are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors will also provide a letter to the Board confirming that the Continuing Connected Transactions (i) have received the approval of the Board; (ii) are in accordance with the pricing policies of the Group; (iii) have been entered into in accordance with the Tenancy Agreements and the Financial Services Agreements; and (iv) have not exceeded their respective proposed annual caps under the Tenancy Agreements and the Financial Services Agreements.

We have reviewed the annual reports of the Company for the two financial years ended 31 March 2015 and noted that both the independent non-executive Directors and auditors of the Company, have confirmed that the continuing connected transactions under the 2013 Tenancy Agreements and the 2013 Financial Services Agreements are in accordance with the requirements set out above for the two years ended 31 March 2015.

Based on the above internal control procedures, we consider that there are adequate measures in place to ensure that the Continuing Connected Transactions will be entered into in accordance with the policy of the Group and in normal commercial terms which will not be prejudicial to the interest of the Company and its Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having considered the factors and reasons as mentioned above, we consider that the terms of the Tenancy Agreements and the Financial Services Agreements are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group. Further, we are of the view that the Tenancy Agreements and the Financial Services Agreements and the respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Tenancy Agreements and the Financial Services Agreements and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
Titan Financial Services Limited
Eric Koo **Arthur Kan**
Managing Director *Executive Director*

Mr. Eric Koo is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in corporate finance.

Mr. Arthur Kan is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 14 years of experience in corporate finance.

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 | Number of underlying shares under share options | Total | Approximate percentage of issued share capital |
|------------------|---------------------|--------------------------------------|-----------------------------|---|-------------|--|
| Mr. Yip | Long position | Interest in a controlled corporation | 900,000,000 (Note 1) | – | 900,000,000 | 53.05% |
| | Long position | Beneficial owner | 234,410,280 | – | 234,410,280 | 13.82% |
| Mr. Nelson Chan | Long position | Beneficial owner | 400,000 | 500,000 (Note 4) | 900,000 | 0.05% |
| Mr. Hui Yik Bun | Long position | Beneficial owner | 600,000 | 500,000 (Note 4) | 1,100,000 | 0.06% |
| Mr. Kwok Sze Chi | Long position | Beneficial owner | 600,000 | 500,000 (Note 4) | 1,100,000 | 0.06% |

| Name of Director | Long/short position | Nature of interests | Number of shares interested | Number of underlying shares under share options | Total | Approximate percentage of issued share capital |
|---------------------------|---------------------|---------------------|-----------------------------|---|---------|--|
| Mr. Wilson Chan | Long position | Beneficial owner | – | 200,000 (Note 3) 400,000 (Note 4) | 600,000 | 0.04% |
| Mr. Yu Yun Kong | Long position | Beneficial owner | 708,829 | 100,000 (Note 4) | 808,829 | 0.05% |
| Mr. Szeto Wai Sun | Long position | Beneficial owner | 631,666 | 100,000 (Note 4) | 731,666 | 0.04% |
| Mr. Ling Kwok Fai, Joseph | Long position | Beneficial owner | – | 110,700 (Note 2) 100,000 (Note 3) 100,000 (Note 4) | 310,700 | 0.02% |

Notes:

1. 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.
2. The share options were granted on 26 June 2013 pursuant to the share option scheme adopted by the Company on 4 August 2010. The exercise price of the share options is HK\$0.89 per share and the exercise period is 26 June 2013 to 25 June 2016.
3. The share options were granted on 27 October 2014 pursuant to the share option scheme adopted by the Company on 4 August 2010. The exercise price of the share options is HK\$1.29 per share and the exercise period is 27 October 2014 to 26 October 2017.
4. The share options were granted on 23 June 2015 pursuant to the share option scheme adopted by the Company on 4 August 2010. The exercise price of the share options is HK\$3.85 per share and the exercise period is 23 June 2015 to 22 June 2018.

(b) Interests in associated corporations of the Company

| Name of associated corporation | Name of Director | Long/short positions | 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 2015, 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, a company which is 100% beneficially owned by Mr. Yip, for provision of three revolving loan facilities of up to HK\$310,000,000, HK\$80,000,000 and HK\$50,000,000 respectively to the Company for its general working capital purposes. The first loan bears interest at Hong Kong Interbank Offered Rate plus 2.25% per annum while the other two loans bear interest at Hong Kong Interbank Offered Rate plus 2.75% per annum. All loans are unsecured and repayable on demand.

On 13 June 2012, Bright Smart Securities entered into a loan facility letter with China Finance (Worldwide) Limited, a company which is 100% beneficially owned by Mr. Yip, for provision of a HK\$600,000,000 revolving loan facility to Bright Smart Securities for its general working capital purposes. The loan bears interest at Hong Kong Interbank Offered Rate 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 |
|----------------------------------|--|
| Titan Financial Services Limited | A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

The Independent Financial Adviser 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, the Independent Financial Adviser 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 2015, 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 2015, 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:

- (a) the Tenancy Agreements;
- (b) the Financial Services Agreements;
- (c) the letter from the Independent Board Committee dated 1 March 2016, the text of which is set out on page 18 of this circular;
- (d) the letter from the Independent Financial Adviser dated 1 March 2016, the text of which is set out on pages 19 to 42 of this circular; and
- (e) the written consent given by the Independent Financial Adviser referred to in section 6 of this Appendix.



BRIGHT SMART SECURITIES
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 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Tuesday, 22 March 2016 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 Wing On Tenancy Agreement (as defined in the circular of the Company dated 1 March 2016 (the "**Circular**") of which this notice forms part) by Bright Smart Securities International (H.K.) 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 Wing On Tenancy Agreement and the transaction contemplated thereunder;
 - (b) the execution of the Peter Building Tenancy Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) 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;
 - (c) the execution of the Tak Lee Building Tenancy Agreement (as defined in the Circular) by Victor Tone 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

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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 Huge Dynasty 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 Victor Tone 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; and
- (f) the execution of the Honour House Tenancy Agreement (as defined in the Circular) by Huge Dynasty 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."

2. "THAT:

- (a) the execution of the Financial Services Agreement (as defined in the circular of the Company dated 1 March 2016 (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;

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- (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 Kai Fung 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; and
- (c) 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 “2C” 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
Chan Kai Fung
Executive Director and Co-Chief Executive Officer

Hong Kong, 1 March 2016

Registered office:
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Principal place of business in Hong Kong:
10th 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.