

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Bright Smart Securities & Commodities Group Limited (“Company”), you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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BRIGHT SMART SECURITIES

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)

**CONNECTED TRANSACTION
INVOLVING
SUBSCRIPTION OF SHARES
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



富強金融資本

FORTUNE FINANCIAL CAPITAL

FORTUNE FINANCIAL CAPITAL LIMITED

The circular contains, among other things, a letter from the board of directors of **Bright Smart Securities & Commodities Group Limited** and the respective letters from the independent board committee of **Bright Smart Securities & Commodities Group Limited** (containing its recommendation to the independent shareholders) and Fortune Financial Capital Limited as independent financial adviser containing its advice to the independent board committee and the independent shareholders of **Bright Smart Securities & Commodities Group Limited**, all as referred to in the contents page of this circular.

A notice convening an extraordinary general meeting of **Bright Smart Securities & Commodities Group Limited** to be held at 10/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Monday, 10 March 2014 at 10:00 a.m. is set out at the end of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to **Bright Smart Securities & Commodities Group Limited's** Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

21 February 2014

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DEFINITIONS

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

“associate”	shall have the same meaning as defined under the Listing Rules
“Board”	the board of the Directors
“Chow Tai Fook”	Chow Tai Fook Nominee Limited, which is a limited liability company incorporated in Hong Kong and a Placee
“Company”	Bright Smart Securities & Commodities Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 10/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Monday, 10 March 2014 at 10:00 a.m. as set out in the notice of EGM at the end of this circular or (where the context permits) any adjournment of that meeting, at which the ordinary resolution set out in the notice of EGM to approve the Subscription will be proposed for approval by the Independent Shareholders
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 8 August 2013 to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal amount of the then issued share capital of the Company as at the date of such general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, to advise the Independent Shareholders on the terms of the Subscription
“Independent Financial Adviser” or “Fortune Financial Capital”	Fortune Financial Capital Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders regarding the Subscription

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) Mr. Yip and his associates (including the Vendor and Ms. Yip); and (ii) the Placees and their respective associates
“Independent Third Party(ies)”	party(ies) that is/are not connected with the Company, any directors, chief executives, controlling shareholders or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Last Trading Day”	24 January 2014, being the last day of trading of the Shares on the Stock Exchange prior to the date of the Placing and Subscription Agreements
“Latest Practicable Date”	16 February 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing”	the grant of a listing of and permission to deal in the securities on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yip” or “Vendor Guarantor”	Mr. Yip Mow Lum, the chairman of the Board, an executive Director and the controlling Shareholder
“Ms. Yip”	Ms. Yip Wing Yan Jacquelyn, daughter of Mr. Yip, is an employee of the Group
“Placees”	seven corporate and individual investors to whom the Placing Shares were offered and sold by way of private share placing under the Placing and Subscription Agreements
“Placing”	the placing of the Placing Shares by the Vendor to the Placees pursuant to the Placing and Subscription Agreements
“Placing and Subscription Agreements”	collectively the placing and subscription agreements all dated 27 January 2014 and entered into among the Vendor, Mr. Yip, the Company and the Placees respectively as supplemented and amended by the Placing and Subscription (Supplemental) Agreements
“Placing and Subscription (Supplemental) Agreements”	collectively the supplemental agreements all dated 29 January 2014 and entered into among the Vendor, Mr. Yip, the Company and the Placees respectively to supplement and amend the terms of the Subscription under the Placing and Subscription Agreements entered into on 27 January 2014 as announced in the Previous Announcement

DEFINITIONS

“Placing Price”	HK\$1.30 per Placing Share
“Placing Share(s)”	150,000,000 Share(s) placed by the Vendor pursuant to the Placing and Subscription Agreements
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Previous Announcement”	the announcement of the Company dated 27 January 2014 in relation to the Placing and the Subscription
“Put Options”	the rights of the Placees to require the Vendor to purchase the relevant Put Option Shares, which rights are granted by the Vendor as disclosed in paragraph II of the Previous Announcement
“Put Option Shares”	the Shares subject to the Put Options as disclosed in paragraph II of the Previous Announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.30 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Placing and Subscription Agreements (as amended by the Placing and Subscription (Supplemental) Agreements)
“Subscription Price”	HK\$1.30 per Subscription Share
“Subscription Share(s)”	75,000,000 new Share(s) to be allotted and issued by the Company to the Vendor under the Subscription
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Vendor”	New Charming Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Yip. The Vendor is an investment holding company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



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 (*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

*Head office and principal place of
business in Hong Kong:*

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

21 February 2014

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
INVOLVING
SUBSCRIPTION OF SHARES
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

As announced by the Company on 27 and 29 January 2014, the Company entered into the Placing and Subscription Agreements (including the Placing and Subscription (Supplemental) Agreements) with the seven independent Placees (including Chow Tai Fook as a Placee).

The Placing was completed on 27 January 2014. The Put Options were also granted in favour of the Placees on that date.

The Subscription will constitute a connected transaction for the Company since the Vendor is a connected person of the Company. The Subscription is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee comprising three independent non-executive Directors has been established and Fortune Financial Capital has been appointed as the independent financial adviser in respect of the Subscription.

The Company issues this circular to provide you with, among other things, information relating to the Subscription and other information required by the Listing Rules. This circular also contains the letters from the Independent Board Committee and Fortune Financial Capital, and gives you the notice to convene the EGM. At the EGM, the resolution as set out in the notice of EGM at the end of this circular to approve the Subscription will be proposed for approval by the Independent Shareholders. The Subscription Shares will be issued under a specific mandate under the said ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

2. SUBSCRIPTION

The material terms and the amended terms of the Subscription are restated as below:

Date & Parties: The Placing and Subscription (Supplemental) Agreements all dated 29 January 2014 were made between with the Company, Mr. Yip, the Vendor and the seven independent Placees (including Chow Tai Fook as a Placee).

The relevant parties to the Subscription are:

(a) *Subscriber* — which is the Vendor, a company wholly owned by Mr. Yip. Mr. Yip is the Chairman and an executive Director of the Company. He is holding directly and indirectly (through the Vendor) an aggregate of 606,392,000 Shares representing approximately 57.99% of the existing issued Shares as at the Latest Practicable Date. The Vendor is therefore an associate of Mr. Yip and hence a connected person of the Company.

(b) *Issuer* — which is the Company

Subscription Shares: 75,000,000 Subscription Shares will be subscribed by the Vendor, representing:

— approximately 7.17% of the existing issued share capital of the Company as at the Latest Practicable Date; and

— approximately 6.69% of the issued share capital of the Company as enlarged by the Subscription Shares on issue.

The Subscription Shares will, when fully paid, rank *pari passu* in all respects to the Shares in issue as at the date of completion of the Subscription together with the relevant rights to all dividends and other rights attached as at that date.

LETTER FROM THE BOARD

Subscription Price:

HK\$1.30 per Subscription Share, representing:

- discount of approximately 18.24% to the closing price of HK\$1.59 per Share on the Last Trading Day;
- discount of approximately 18.75% to the average closing price of approximately HK\$1.60 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- discount of approximately 10.34% to the average closing price of approximately HK\$1.45 per Share for the last ninety consecutive trading days up to and including the Last Trading Day.

The Subscription Price, being equivalent to the Placing Price, was agreed after arm's length negotiations among the Company, the Vendor, the Vendor Guarantor and the Placees with reference to the prevailing market price and the liquidity of the Shares.

The net price per Subscription Share after related expenses is approximately HK\$1.26 per Subscription Share.

As the Subscription Shares represent 50% of the Placing Shares sold under the Placing, the Company agreed to reimburse the Vendor 50% of the seller's ad valorem stamp duty payable by the Vendor for sale of the Placing Shares and related expenses in relation to the Placing and Subscription pursuant to Placing and Subscription Agreements. If the Subscription does not proceed, the reimbursement of 50% of stamp duty and related expenses in relation to the Placing and Subscription will not be paid by the Company to the Vendor.

LETTER FROM THE BOARD

- Conditions precedent:* Completion of the Subscription is conditional upon:
- (a) completion of the Placing having taken place;
 - (b) the passing of an ordinary resolution by the Independent Shareholders approving the Subscription at the EGM; and
 - (c) the Listing for the Subscription Shares being granted.

Condition (a) was fulfilled on 27 January 2014.

Completion of the Subscription: Completion of the Subscription will take place on the first business day (or such other date as may be agreed by the Company and the Vendor) after all conditions mentioned above are fulfilled. If any of the conditions is not fulfilled on or before 13 March 2014 (or such other date as may be agreed between the Company and the Vendor provided always that the Subscription Price and the number of Subscription Shares shall remain unchanged), the Subscription shall terminate (unless otherwise agreed between the Company and the Vendor) and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise.

Specific Mandate: The Subscription Shares will be issued under a specific mandate under an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM. The General Mandate will no longer be used for the issue of the Subscription Shares.

3. PLACING AND PUT OPTIONS

As announced in the Previous Announcement, the Placing of 150,000,000 Shares to the Placees (including Chow Tai Fook) was duly completed on 27 January 2014 and the Vendor has granted the Put Options in favour of the Placees. Details are set out in the Previous Announcement.

The terms of the Placing and the Put Options remain in effect and are not affected by the amendments to the terms of the Subscription under the Placing and Subscription (Supplemental) Agreements.

LETTER FROM THE BOARD

4. SHAREHOLDINGS OF THE COMPANY

The Placing of 150,000,000 Shares by the Vendor to the Placees was completed on 27 January 2014. The impact of the Placing and Subscription on the shareholdings of the Company is illustrated in the following table:

Shareholders (Note 1)	Before entering into the Placing and Subscription Agreements		Latest Practicable Date (after completion of the Placing on 27 January 2014 but before completion of the Subscription)		Immediately after completion of both the Placing and the Subscription		Immediately after exercise of the Put Options in full	
	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %
Mr. Yip (Notes 2 & 3)	756,392,000	72.33	606,392,000	57.99	681,392,000	60.80	831,392,000	74.18
Other Directors (Note 3)	2,647,932	0.26	2,647,932	0.26	2,647,932	0.24	2,647,932	0.24
Ms. Yip (Note 3)	1,400,000	0.13	1,400,000	0.13	1,400,000	0.12	1,400,000	0.12
Placees								
Chow Tai Fook	—	—	100,000,000	9.56	100,000,000	8.92	—	—
Other Placees	—	—	50,000,000	4.78	50,000,000	4.46	—	—
<i>Sub-total:</i>	—	—	150,000,000	14.34	150,000,000	13.38	—	—
Other public Shareholders	285,318,080	27.28	285,338,080	27.28	285,338,080	25.46	285,338,080	25.46
Total	<u>1,045,758,012</u>	<u>100.00</u>	<u>1,045,778,012</u>	<u>100.00</u>	<u>1,120,778,012</u>	<u>100.00</u>	<u>1,120,778,012</u>	<u>100.00</u>

Notes:

- The number of existing Shares held by the Shareholders mentioned in the table above is based on, among other things, the information shown on the website of the Stock Exchange as at the Latest Practicable Date.
- The Shares of Mr. Yip (chairman and executive director of the Company) stated above include direct and indirect interests in the Shares, inclusive of those Shares owned by the Vendor.
- The outstanding Share options granted by the Company under its share option scheme adopted on 4 August 2010 to the above other Directors and Ms. Yip entitle them to subscribe for up to 1,490,000 new Shares.

LETTER FROM THE BOARD

5. REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

Upon completion of the Subscription, the net proceeds to the Company from the Subscription, after related expenses, are approximately HK\$94.16 million. They are intended to be used as the general working capital of the Group.

As set out in the annual report of the Company for the financial year ended 31 March 2013 and the interim report for the six months ended 30 September 2013, the Group has been actively expanding its local network of branches in recent years. Currently, the Group has 16 (excluding the head office in Central) branches across Hong Kong. The extensive branch network of the Group has contributed to the substantial increase in the number of the Group's customers and market share within the industry. It is the intention of the Company to further expand its network of branches to cover all districts in Hong Kong in the event that suitable locations are identified. The Group is also committed to provide one-stop financial services to cater for different needs of customers and has been diversifying its business and introducing a variety of financial products over the past years. The Directors are of the view that the Group's scale of business within the local securities and financial market together with its extensive local branch network will continue to command a strategic position in the industry and provide the Group with a competitive advantage in the securities trading and related businesses to capture future growth opportunities.

The Company considers that the Subscription will have an overall positive impact on the Group and broaden the shareholder base and capital base of the Company as well as to enhance the liquidity of the Shares. The following factors have been taken into consideration by the Company:

- (i) the possible net inflow of cash in the amount of HK\$94.16 million upon completion of the Subscription, which will result in a stronger financial position of the Group and provide greater financial flexibility in pursuing future investment opportunities;
- (ii) the requirement of additional working capital for the implementation of the above expansion strategy of the Group which includes the plan to extend the existing network of branches to cover each district in Hong Kong;
- (iii) the requirement of additional working capital for provision of margin financing and initial public offering financing to clients to sustain the growth in turnover of the Group;
- (iv) the positive effect on the liquid capital requirements under the Securities and Futures (Financial Resources) Rules (FRR) for the licensed subsidiaries of the Company; and
- (v) the confidence of the controlling shareholder of the Company in the future prospects of the Group as revealed by the Subscription.

The terms of the Subscription under the Placing and Subscription Agreements (including the Subscription Price) are determined among the parties thereto after arm's length negotiation, and taking into account the prevailing market price and the liquidity of the Shares.

LETTER FROM THE BOARD

In considering the Subscription Price, the Board, while recognizing the discount of approximately 18.24% to the closing price of HK\$1.59 on the Last Trading Day, has also assessed other factors including (i) discount of approximately 18.75% and 10.34% to the average closing prices of approximately HK\$1.60 and HK\$1.45 per Share for the last five and ninety consecutive trading days up to and including the Last Trading Day respectively as mentioned above; (ii) that the Subscription Price represents a premium of approximately 66.67% over the Company's unaudited consolidated net asset value per Share (of HK\$0.78) as at 30 September 2013; (iii) the relatively low liquidity of the Shares; and (iv) that the Subscription Price is equivalent to the Placing Price.

The Directors have considered various ways of raising funds for the remarkable growth of the Group. The Board is mindful of the fact that as at 30 September 2013, the Group had an unaudited total liability of approximately HK\$5.42 billion, of which approximately HK\$4.35 billion was bank loans of the Group. Given the considerable amount of the borrowings, the Directors are of the view that it may be difficult for the Group to obtain additional unsecured bank loans or bank loans on favourable terms to the Group. In addition, other fund raising alternatives through bank borrowing or other debt financing, such as issue of bonds, will generate additional finance costs to the Group, increase the gearing ratio of the Group and affect the cash flow position of the Group. The Company accordingly preferred equity financing to debt financing.

As to other equity financing options such as rights issue or open offer to existing Shareholders, the Directors are of the view that rights issue and open offer may incur extra underwriting fees and arrangement costs; and involve longer completion time. Such fund raising exercises may not be attractive unless the proposed issue price represents a substantial discount to the trading price of the Shares to encourage participation. After assessment of the above factors and the fact that no equity fund raising activities have been conducted by the Company in the past twelve months immediately preceding to the Latest Practicable Date, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise funds through the Subscription.

As stated in the Previous Announcement, the Put Options were granted by the Vendor in favour of the Placees in relation to the Put Option Shares, which comprise the Placing Shares placed to the Placees to the extent they remain to be beneficially owned by, and registered in the name of, the relevant Placees on the settlement date, being 27 January 2016, as provided under the terms of the Put Options. The Put Options will lapse and cease to have any effect on the settlement date unless exercised by the Placees during the period from 27 October 2015 to 27 November 2015 (both dates inclusive). The exercise price of the Put Options granted to all Placees are the same, being at HK\$1.63 per Share less any cash dividend entitlements accrued in respect of each Share before the settlement date. The exercise price and the terms of the Put Options were agreed to after arm's length negotiations between the Vendor and the respective Placees themselves, with regard to the prevailing market price of the Shares on the Stock Exchange. The Directors have also noted that as stated in the Previous Announcement, the Company is not a party to the Put Options.

LETTER FROM THE BOARD

The views and opinion of the independent non-executive Directors in respect of the Subscription are contained in the “The Letter from the Independent Board Committee” set out immediately after this letter. As set out in that letter, the independent non-executive Directors, having considered the principal factors and reasons considered by Fortune Financial Capital and its recommendations, consider that the Subscription is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

After taken into account the above relevant factors, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription under it are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

Mr. Yip is the Chairman and an executive Director of the Company. He is also controlling Shareholder holding directly and indirectly (through the Vendor) holding an aggregate of 606,392,000 Shares representing approximately 57.99% of the existing issued Shares as at the Latest Practicable Date. Since the Vendor is a company wholly owned by Mr. Yip, it is an associate of Mr. Yip and hence a connected person of the Company; and the Subscription will constitute a connected transaction for the Company. The Subscription is subject to the announcement, reporting and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. In accordance with the Listing Rules, the completion of the Subscription has been made conditional on, among other things, the approval by the Independent Shareholders.

The Independent Board Committee comprising the independent non-executive Directors has been established and Fortune Financial Capital has been appointed as the independent financial adviser in respect of the Subscription.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

7. EXTRAORDINARY GENERAL MEETING

The notice of EGM set out at the end of this circular is issued to convene the EGM at 10/F Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Monday, 10 March 2014 at 10:00 a.m.. At the EGM, the Independent Shareholders will consider and if appropriate, pass the ordinary resolution as set out in the notice of EGM to approve the Subscription.

In accordance with Rule 13.39(4) of the Listing Rules, the votes on the resolution will be taken by poll. Mr. Yip and his associates (including the Vendor and Ms. Yip) are holding and controlling an aggregate of 607,792,000 Shares representing approximately 58.12% of the existing issued Shares as at the Latest Practicable Date. Based on information given by or on behalf of the Placees, they held and controlled an aggregate of 150,000,000 Placing Shares, representing approximately 14.34% of the existing issued Shares as at the Latest Practicable Date. These Placing Shares held and controlled by Chow Tai Fook and the other six Placees and the respective percentages of such shareholdings to the existing issued Shares as at the Latest Practicable Date were 100 million (approximately 9.56%), 14 million (approximately

LETTER FROM THE BOARD

1.34%), 10 million (approximately 0.96%), 9 million (approximately 0.86%), 8 million (approximately 0.76%), 7 million (approximately 0.67%) and 2 million (approximately 0.19%). In accordance with the Listing Rules, (i) Mr. Yip and his associates; and (ii) the Placees and their respective associates will abstain from voting on the ordinary resolution at the EGM to approve the Subscription. Mr. Yip has also abstained from voting on the relevant board resolutions on the Subscription.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

8. RECOMMENDATION AND ADDITIONAL INFORMATION

The Board recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of EGM to approve the Subscription.

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser in respect of the Subscription set out after this letter.

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

Yours faithfully,
By order of the Board
Bright Smart Securities & Commodities Group Limited
Chan Kai Fung
Executive Director and Chief Executive Officer



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)

21 February 2014

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
INVOLVING
SUBSCRIPTION OF SHARES
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 21 February 2014 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the Subscription is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board and the letter from Fortune Financial Capital appointed as the Independent Financial Adviser in relation to the Subscription, which form part of the Circular. Having considered the principal factors and reasons considered by Fortune Financial Capital and its recommendations, we consider that the Subscription is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote at the EGM in favour of the ordinary resolution set out in the notice of EGM to approve the Subscription.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Yu Yun Kong

Mr. Szeto Wai Sun

Mr. Ling Kwok Fai, Joseph

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



Fortune Financial Capital Limited
35th Floor
Office Tower Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

21 February 2014

*To: The Independent Board Committee and
the Independent Shareholders*

Bright Smart Securities & Commodities Group Limited
10th Floor, Wing On House
71 Des Voeux Road Central, Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE

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 Subscription. Details of the Subscription, among other things, are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 21 February 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 27 and 29 January 2014 in respect of the Placing and Subscription. The Company, Mr. Yip and the Vendor entered into the Placing and Subscription Agreements with seven independent Placees (including Chow Tai Fook as a Placee) on 27 January 2014 and the Placing and Subscription (Supplemental) Agreements on 29 January 2014, respectively, pursuant to which the Vendor agreed to, among other things, subscribe for the Subscription Shares at the Subscription Price. The Placing was

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

completed and the Put Options were granted by the Vendor in favour of the Placees on 27 January 2014. Completion of the Subscription is subject to, among other things, the passing of an ordinary resolution by the Independent Shareholders approving the Subscription at the EGM.

As at the Latest Practicable Date, Mr. Yip was holding (directly and indirectly) an aggregate of 606,392,000 Shares, representing approximately 57.99% of the issued share capital of the Company. As Mr. Yip is a substantial Shareholder under the Listing Rules and the Vendor, being a company wholly-owned by Mr. Yip, is also a connected person of the Company under Chapter 14A of the Listing Rules, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising Mr. Yu Yun Kong, Mr. Szeto Wai Sun and Mr. Ling Kwok Fai, Joseph (all being independent non-executive Directors), has been established to advise the Independent Shareholders as to whether the Subscription is in the interests of the Company and its Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned. We, Fortune Financial Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 14A.54 of the Listing Rules, any connected person and/or shareholder and their respective associate(s), who has/have material interest(s) in relation to the Subscription is/are required to abstain from voting on the resolution(s) in respect of the Subscription at the EGM. Accordingly, Mr. Yip and his associates (including the Vendor and Ms. Yip) and the Placees and their respective associates are required to abstain from voting on the resolution in respect of the Subscription at the EGM.

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 as provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, 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 so up to the date of despatch of the Circular. 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 enquires and careful considerations 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

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independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the purpose of giving information with regard to the Company. The Directors have confirmed, after having made all reasonable enquires, which 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 is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration regarding the Subscription.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription

Background and principal terms of the Subscription

On 27 January 2014, the Company, Mr. Yip and the Vendor entered into the Placing and Subscription Agreements with the Placees, pursuant to which (i) a total of 150,000,000 Placing Shares were placed by the Vendor to the Placees at a price of HK\$1.30 per Placing Share upon completion of the Placing; and (ii) the Vendor agreed to subscribe for a total of 75,000,000 Subscription Shares at the same price of HK\$1.30 per Subscription Share upon completion of the Subscription. Completion of the Placing took place immediately after execution of the Placing and Subscription Agreements.

On 29 January 2014, the Company, Mr. Yip and the Vendor entered into the Placing and Subscription (Supplemental) Agreements with the Placees to amend relevant terms of the Subscription to the effect that the completion of the Subscription will be conditional upon, among other things, the passing of an ordinary resolution by the Independent Shareholders approving the Subscription at the EGM. The long stop date for the fulfilment of conditions was extended to 13 March 2014 accordingly. Save for the aforesaid amendments to the terms, other terms of the Subscription remain unchanged.

The terms of the Placing and the Put Options remain in effect and are not affected by the entering into of the Placing and Subscription (Supplemental) Agreements by the parties.

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For further details on the Placing and the Put Options, please refer to the announcement of the Company dated 27 January 2014 in respect of the Placing and Subscription. For further details on the material terms and amended terms of the Subscription, please refer to the section headed “Subscription” in the Letter from the Board on pages 5 to 7 of the Circular.

Business and financial highlights of the Group

The Company is an investment holding company. The Group is principally engaged in the provision of financial services, including securities broking, margin financing, commodities and futures broking and bullion broking.

Set out below is a summary of the financial results of the Group extracted from the Company’s annual report for the year ended 31 March 2013 (the “**AR 2012/13**”) and the interim report for the six months ended 30 September 2013 (the “**IR 2013/14**”):

	For the six months ended 30 September			For the year ended 31 March		
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	Increase/ (decrease) Approx. %	2013 HK\$ (audited)	2012 HK\$ (audited)	Increase/ (decrease) Approx. %
Turnover	186,880,889	110,372,797	69.32	273,280,728	228,707,159	19.49
Profit attributable to shareholders	72,387,964	31,349,290	130.91	92,226,158	60,635,866	52.10
	As at 30 September			As at 31 March		
	2013 (unaudited)	2012 (unaudited)		2013 (audited)	2012 (audited)	
Cash and cash equivalents	455,884,176	245,768,199	85.49	381,477,585	397,052,989	(3.92)
Net asset value attributable to owners of the Company	812,164,438	691,973,797	17.37	757,475,702	493,798,465	53.40

For the six months ended 30 September 2013, the Group recorded an unaudited turnover and profit attributable to shareholders of approximately HK\$186.88 million (2012: approximately HK\$110.37 million) and HK\$72.39 million (2012: approximately HK\$31.35 million), respectively, representing an increase of approximately 69.32% and 130.91%, respectively, as compared to those recorded for the six months ended 30 September 2012.

For the financial year ended 31 March 2013, the Group recorded an audited turnover and profit attributable to shareholders of approximately HK\$273.28 million (2012: approximately HK\$228.71 million) and HK\$92.23 million (2012: approximately HK\$60.64 million), respectively, representing an increase of approximately 19.49% and 52.10%, respectively, as compared to those recorded for the financial year ended 31 March 2012.

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As provided in the IR 2013/14 and the AR 2012/13, the aforesaid increases in turnover and profit attributable to shareholders for the relevant periods were mainly due to the opening of new branches and introduction of new investment products which resulted in a significant increase in the total number of client accounts and trading activities.

As at 30 September 2013, unaudited cash and cash equivalents and net assets of the Group amounted to approximately HK\$455.88 million (as at 31 March 2013: approximately HK\$381.48 million) and HK\$812.16 million (as at 31 March 2013: approximately HK\$757.48 million), respectively, representing an increase of approximately 19.50% and 7.22%, respectively, as compared to those recorded as at 31 March 2013.

The aforesaid changes in the cash and cash equivalents and net assets of the Group for the relevant periods were mainly due to bank borrowings and profit generated from operations.

Expansion strategy of the Group

As provided in the IR 2013/14 and the AR 2012/13, the Group achieved significant growth in turnover and profit attributable to shareholders for the periods under review. These substantial increases were mainly due to the opening of new branches and the introduction of a variety of investment products, extensive marketing promotion strategy as well as its good reputation. These contributed to the solid growth of client accounts and trading activities of the Group.

According to the IR 2013/14 and AR 2012/13, the Group has been actively expanding its local network of branches in recent years. Currently, the Group has 16 branches (excluding the head office in Central) scattered throughout Hong Kong. The extensive branch network of the Group has contributed to the substantial increase in the number of the Group's customers and market share within the industry. It is the intention of the Company to further expand its network of branches to cover all districts in Hong Kong in the event that suitable locations are identified.

It was also stated in the IR 2013/14 and the AR 2012/13 that the Group is committed to provide one-stop financial services to cater for different needs of customers and has been diversifying its business and introducing a variety of financial products over the past years.

The Directors are of the view that the Group's scale of business within the local securities and financial market together with its extensive local branch network will continue to command a strategic position in the industry and provide the Group with a competitive advantage in the securities trading and related businesses to capture future growth opportunities.

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Financial effects of the Subscription on the Group

(a) Cashflow

According to the IR 2013/14, the Group had unaudited cash and cash equivalents of approximately HK\$455.88 million as at 30 September 2013. Upon completion of the Subscription, the liquidity and cash position of the Group will be significantly improved as the Subscription will raise an estimated net cash proceeds of approximately HK\$94.16 million.

(b) Net asset value

According to the IR 2013/14, the Group had unaudited consolidated net asset value of approximately HK\$812.16 million as at 30 September 2013. Upon completion of the Subscription, the consolidated net asset value attributable to owner of the Company is expected to increase by the estimated net proceeds from the Subscription to approximately HK\$906.32 million.

(c) Gearing ratio

As disclosed in the IR 2013/14, the Group had bank borrowings amounted to HK\$4,353 million and total equity of approximately HK\$812.16 million as at 30 September 2013. The gearing ratio of the Group, which is defined as total bank borrowings divided by total shareholders' equity of the Group, was approximately 535.98% as at 30 September 2013 (and 252.78% in case of loans for initial public offering(s) ("IPO(s)") being excluded). Immediately upon completion of the Subscription, the equity is expected to increase by the amount of the estimated net cash proceeds of approximately HK\$94.16 million and accordingly, the then gearing ratio of the Group is expected to decrease to 480.29% assuming that no further debt will be raised by the Group (and 226.52% in case of loans for IPOs being excluded).

Reasons for and benefits of the Subscription

As advised by the Company, upon completion of the Subscription, the net proceeds to the Company from the Subscription, after related expenses, are estimated to be approximately HK\$94.16 million and the net proceeds are intended to be used as the general working capital of the Company.

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The Company considers that the Subscription will have an overall positive impact on the financial position of the Group and is in the interests of the Company and the Shareholders as a whole. The following factors have been taken into consideration by the Board in forming such view: (i) the possible net inflow of cash in the amount of HK\$94.16 million upon completion of the Subscription which will result in a stronger financial position of the Group and provide greater financial flexibility in pursuing future investment opportunities; (ii) the requirement of additional working capital for the implementation of the aforementioned expansion strategy of the Group which includes the plan to extend the existing network of branches to cover each district in Hong Kong; (iii) the requirement of additional working capital for provision of margin financing and IPO financing to clients to sustain the growth in turnover of the Group; (iv) the positive effect on the liquid capital requirements under the Securities and Futures (Financial Resources) Rules (FRR) for the licensed subsidiaries of the Company; and (v) the confidence of the controlling shareholder of the Company in the future prospects of the Group as revealed by the Subscription.

In view of the foregoing and the aforesaid favourable effects on the working capital position, net asset value and gearing ratio of the Group, we concur with the view of the Company that the Subscription is in the interests of the Company and the Shareholders as a whole and it is beneficial for the Group to raise additional funds to strengthen its working capital position and maintain a strong capital base for its future expansion plan.

2. Evaluation of the Subscription Price

Basis of the Subscription Price

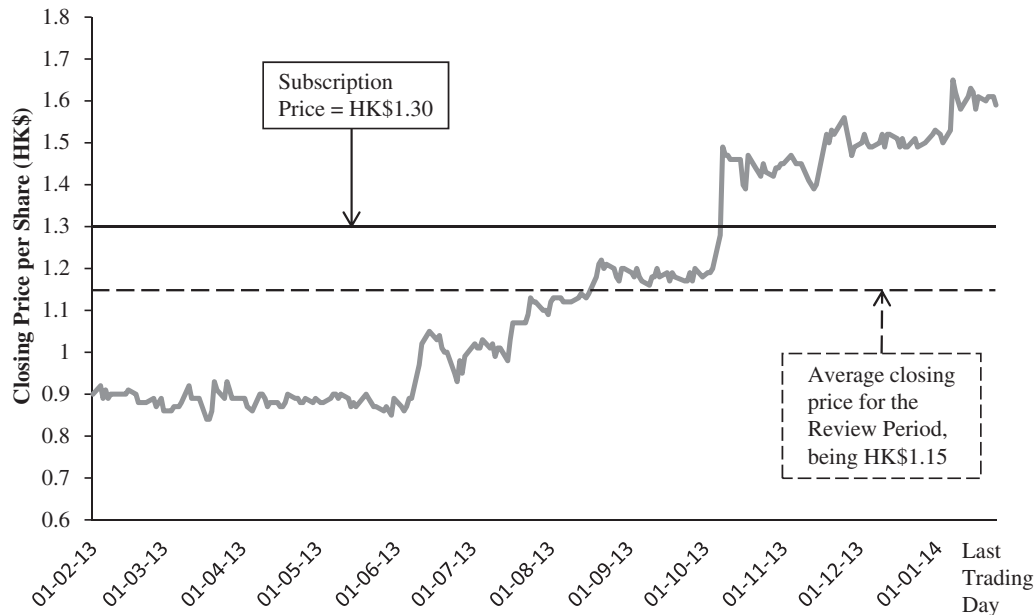
The Company confirmed that the Subscription Price was determined with reference to the prevailing market price of the Shares and the liquidity of the Shares, and has been arrived at after arm's length negotiations between the Company and the Vendor. We consider such basis is fair and reasonable.

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Subscription Price as compared to the historical price performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period from 1 February 2013 up to and including the Last Trading Day (the “**Review Period**”) as compared to the Subscription Price of HK\$1.30.

Historical Share price performance



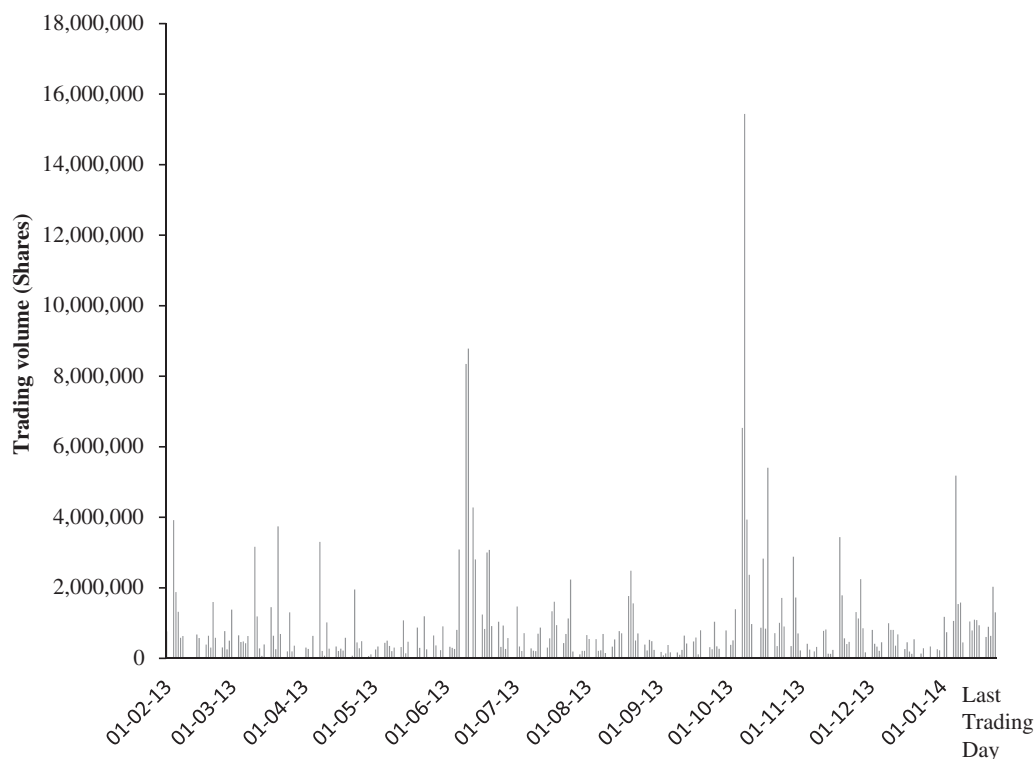
Source: <http://www.hkex.com.hk>

During the Review Period, the closing price per Share ranged from HK\$0.84 to HK\$1.65. The Subscription Price represents a premium of approximately 54.76% over the said lowest closing price per Share, and a discount of approximately 21.21% to the said highest closing price per Share during the Review Period. The average closing price of the Shares was approximately HK\$1.15 per Share. The Subscription Price represents a premium of approximately 13.04% over the average closing price of the Shares of approximately HK\$1.15 per Share during the Review Period. By taking into consideration that the Subscription Price lies within the range of the closing prices of the Shares during the Review Period and is higher than the average closing price of the Shares during the Review Period, we are of the view that the Subscription Price is fair and reasonable.

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Trading volume of the Shares

Trading volume of the Shares



Source: <http://www.hkex.com.hk>

During the Review Period, the average daily trading volume of the Shares was approximately 965,195 Shares, representing approximately 0.09% of the total number of issued Shares as at the Latest Practicable Date.

Price comparison of the Subscription Price

The Subscription Price of HK\$1.30 per Subscription Share represents:

- (a) a discount of approximately 18.24% to the closing price of HK\$1.59 per Share on the Last Trading Day;
- (b) a discount of approximately 18.75% to the average closing price of approximately HK\$1.60 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 10.34% to the average closing price of approximately HK\$1.45 per Share for the last ninety consecutive trading days up to and including the Last Trading Day;

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- (d) a discount of approximately 2.26% to the closing price of HK\$1.33 per Share on 14 February 2014, being the last trading day prior to the Latest Practicable Date;
- (e) a premium of approximately 78.08% to the net asset value per Share of approximately HK\$0.73 as at the 31 March 2013 (based on a total of 1,031,136,040 Shares and the Group's audited consolidated net asset value attributable to the owners of the Company of HK\$757,475,702 as at 31 March 2013); and
- (f) a premium of approximately 66.67% to the net asset value per Share of approximately HK\$0.78 as at the 30 September 2013 (based on a total of 1,042,007,472 Shares and the Group's unaudited consolidated net asset value attributable to the owners of the Company of HK\$812,164,438 as at 30 September 2013).

We noted that the Subscription Price represents discounts to the recent closing price around the Last Trading Day and the closing price on 14 February 2014, being the last trading day prior to the Latest Practicable Date. However, given that (i) the Subscription Price represents a significant premium over the Company's audited consolidated net asset value per Share as at 31 March 2013 and the Company's unaudited consolidated net asset value per Share as at 30 September 2013; (ii) the relatively low liquidity of the Shares as discussed above; (iii) the possible benefits of the Subscription as discussed under the paragraph headed "Reasons for and benefits of the Subscription" above; and (iv) the fact that the Subscription Price is equivalent to the price the Vendor placed the Placing Shares to the Placees, we consider such discounts are acceptable.

Comparable company analysis

In assessing the fairness and reasonableness of the Subscription Price, we have also identified, after taken reasonable efforts, an exhaustive list of companies listed on the Stock Exchange which issued new shares for cash to their respective connected person(s) under specific mandates during the period from 1 March 2013 to the Latest Practicable Date (the "**Comparables**"), details of which are summarised in the table below.

As a vast majority of the Comparables offered discount on the subscription price to the closing price of the respective shares on the last trading day and the average closing price of the respective shares for the last five consecutive trading days prior to the date of the corresponding announcement (the "**Selected Comparables**", as identified by "*" in the summary table below) and the fact that the Subscription will also be conducted on a discount basis, we have limited the scope of our comparison between the Subscription Price and the available historical subscription prices to those of the Selected Comparables only. We take the view that the Selected Comparables represent a fair and representative sample population for such comparison.

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The few companies which charges premium of the subscription price over the closing price on the last trading day and the average closing price of the last five consecutive trading days prior to the date of the corresponding announcement are included in the following summary table for information only.

Announcement Date	Company	Stock Code	Subscription Price (HK\$)	Premium/ (Discount) of the Subscription Price over/(to) the last trading day prior to the date of the corresponding announcement	Premium/ (Discount) of the Subscription Price over/(to) the average closing price of the last 5 trading days prior to the date of the corresponding announcement	Premium/ (Discount) of the Subscription Price over/(to) the net asset value per share	
12 February 2014	China Mengniu Dairy Company Limited	2319	42.5	15.33%	17.63%	322.89%	
27 January 2014	Yusei Holdings Limited*	96	0.8	(5.88)%	(4.76)%	(51.52)%	
21 January 2014	Credit China Holdings Limited*	8207	0.8	(13.04)%	(3.38)%	45.45%	
2 January 2014	Brockman Mining Limited*	159	0.4	(13.98)%	(16.49)%	14.56%	
28 October 2013	Sino Credit Holdings Limited* (Note 1)	628	0.65 0.7 0.75	(8.45)% (1.41)% 5.63%	(8.45)% (1.41)% 5.63%	(46.93)% (42.85)% (38.77)%	
22 October 2013	Beautiful China Holdings Company Limited*	706	0.1	(22.48)%	(22.72)%	38.89%	
2 October 2013	New Times Energy Corporation Limited	166	0.61	1.67%	0.66%	(85.00)%	
2 October 2013	Guangzhou Shipyard International Company Limited* (Note 2)	317	7.29	(5.32)%	(5.62)%	(70.97)%	
27 September 2013	Sino-Ocean Land Holdings Limited	3377	4.74	1.72%	1.41%	(38.91)%	
18 August 2013	Gemdale Properties and Investment Corporation Limited*	535	0.96	(9.43)%	(6.61)%	64.67%	
2 June 2013	Yunbo Digital Synergy Group Limited*	8050	0.225	(15.09)%	(26.71)%	548.41%	
24 May 2013	China Traditional Chinese Medicine Co. Limited*	570	3.1	(19.06)%	(18.42)%	443.86%	
22 April 2013	Great China Properties Holdings Limited*	21	0.305	(18.67)%	(19.95)%	22.00%	
				Minimum discount	(1.41)%	(1.41)%	—
				Maximum discount	(22.48)%	(26.71)%	—
				Average of the Selected Comparables	(12.07)%	(12.23)%	—
				Median of the Selected Comparables	(13.04)%	(8.45)%	—
				The Subscription	(18.24)%	(18.75)%	66.67%

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Note 1: The issuance of new shares announced by Sino Credit Holdings Limited on 28 October 2013 was in three tranches. All three subscription prices are tabularised for calculation and consideration.

Note 2: The net asset value of Guangzhou Shipyard International Company Limited as at 30 June 2013 was Renminbi 4,099,647,256. As such, the computation of the net asset value per share was calculated based on the exchange rate of Renminbi 1 : HK\$ 1.2533 on 30 June 2013 as extracted from <http://www.oanda.com>

Although we noted that the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day of 18.24% and the average closing price of the Shares for the last five consecutive trading days of 18.75% (the “**Subscription Discounts**”) are higher than the averages of the Selected Comparables, by taking into consideration (i) the Subscription Discounts are within the range of the minimum and maximum discounts offered by the Selected Comparables and well below the maximum discount of 22.48% offered by the Selected Comparables; (ii) the Subscription Price represents a significant premium over the Company’s audited consolidated net asset value per Share as at 31 March 2013 and the Company’s unaudited consolidated net asset value per Share as at 30 September 2013; and (iii) the other factors as mentioned under the paragraph headed “Price comparison of the Subscription Price” above which we have considered in forming our view that the Subscription Discounts are acceptable, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

3. Alternative fund raising methods available

As advised by the Directors, apart from the Subscription, the Company has also considered other financing alternatives such as debt financings and other equity financing methods for raising of additional working capital of the Group.

Debt financing

As disclosed in the IR 2013/14, the Group had an unaudited total liability of approximately HK\$5.42 billion as at 30 September 2013, of which approximately HK\$4.35 billion was bank loans obtained by the Group. Given the considerable amount of the borrowings, the Directors are of the view that it may be difficult for the Group to obtain additional unsecured bank loans or bank loans in favourable terms to the Group. We have been advised by the Directors that as bank borrowing or other debt financing methods, such as issue of bonds, will generate additional finance costs to the Group, increase the gearing ratio of the Group and affect the cash flow position of the Group, the Company preferred equity financing to debt financing to maintain its capital structure at an optimal and sustainable level. Moreover, debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available.

Equity financing

The Directors have also considered alternative methods of equity financing which would not affect the debt position of the Group, including rights issue or open offer to existing Shareholders.

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As compared to other equity financing alternatives, the Directors are of the view that rights issue and open offer may (i) incur extra underwriting fees and arrangement costs; (ii) involve longer completion time; and (iii) not be attractive unless the proposed issue price represents a substantial discount to the trading price of the Shares.

Given the above and the fact that no fund raising activities have been conducted by the Company in the past twelve months immediately preceding to the Latest Practicable Date, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to have the fund to be raised from the Subscription for maintaining financial flexibility and efficiency in pursuing future investment opportunities.

In view of the foregoing, we concur with the view of the Directors and consider that the fund raising exercise carried out by the Group through the Subscription is reasonable.

4. Potential dilution to the shareholdings of the Shareholders

For illustrative purpose only, the following table shows the shareholding structure of the Company (i) before entering into the Placing and Subscription Agreements; (ii) after completion of the Placing but before completion of the Subscription; (iii) immediately after completion of the Placing and Subscription; and (iv) immediately after exercise of the Put Option in full (assuming there being no other changes in the issued share capital of the Company and no disposal of Placing Shares by any of the Placees immediately prior to the exercise of the Put Option):

Shareholders	Before entering into the Placing and Subscription Agreements		Latest Practicable Date (after completion of the Placing on 27 January 2014 but before completion of the Subscription)		Immediately after completion of both the Placing and the Subscription		Immediately after exercise of the Put Option in full	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Mr. Yip (Notes 1 & 2)	756,392,000	72.33	606,392,000	57.99	681,392,000	60.80	831,392,000	74.18
Other Directors (Note 2)	2,647,932	0.26	2,647,932	0.26	2,647,932	0.24	2,647,932	0.24
Ms. Yip (Note 2)	1,400,000	0.13	1,400,000	0.13	1,400,000	0.12	1,400,000	0.12
Placees								
Chow Tai Fook	—	—	100,000,000	9.56	100,000,000	8.92	—	—
Other Placees	—	—	50,000,000	4.78	50,000,000	4.46	—	—
<i>Sub-total:</i>	—	—	150,000,000	14.34	150,000,000	13.38	—	—
Other public Shareholders	285,318,080	27.28	285,338,080	27.28	285,338,080	25.46	285,338,080	25.46
Total	1,045,758,012	100.00	1,045,778,012	100.00	1,120,778,012	100.00	1,120,778,012	100.00

Notes:

- The Shares of Mr. Yip (chairman and executive director of the Company) stated above include direct and indirect interests in the Shares, inclusive of those Shares owned by the Vendor.

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2. The outstanding Share options granted by the Company under its share option scheme adopted on 4 August 2010 to the above other Directors and Ms. Yip entitle them to subscribe for up to 1,490,000 new Shares.

As at the Latest Practicable Date, the Independent Shareholders held 285,338,080, representing approximately 27.28% of the issued shares of the Company. Upon completion of the Subscription, the shareholdings of the Independent Shareholders are expected to be diluted to approximately 25.46%. Nonetheless, taken into account the benefits mentioned in the paragraph headed “Reasons for and benefits of the Subscription”, we are of the view that the dilution effect, i.e. a decrease by less than two percentage points to the aggregate shareholding percentage of the Independent Shareholders, is limited and acceptable so far as the Independent Shareholder are concerned.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolution(s) to approve the Subscription at the EGM.

Yours faithfully,
For and on behalf of

FORTUNE FINANCIAL CAPITAL LIMITED

Eric Koo
Managing Director

Alan Chung
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executive of the Company in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the Company (long position)

Director	Capacity/nature of interests	Number Shares	Underlying Shares	Total	Approximate percentage of issued share of the Company
Mr. Yip Mow Lum	(a) Interest in a controlled corporation (Note 1)	600,000,000 (Note 1)	150,000,000 (Note 2)	750,000,000	71.72%
	(b) Beneficial owner	81,392,000	—	81,392,000	7.78%
Mr. Chan Kai Fung	Beneficial owner	200,000	—	200,000	0.02%
Mr. Kwok Sze Chi	Beneficial owner	1,000,000	—	1,000,000	0.10%
Mr. Chan Wing Shing, Wilson	Beneficial owner	—	200,000 (Note 3)	200,000	0.02%
Mr. Yu Yun Kong	Beneficial owner	478,644	100,000 (Note 3)	578,644	0.06%
Mr. Szeto Wai Sun	Beneficial owner	280,644	100,000 (Note 3)	380,644	0.04%
Mr. Ling Kwok Fai, Joseph	Beneficial owner	688,644	100,000 (Note 3)	788,644	0.08%

Notes:

1. New Charming Holdings Limited (the “Vendor”) is wholly owned by Mr. Yip, the Chairman of the Board. The Vendor was holding 525,000,000 Shares as at the Latest Practicable Date. In addition, the Vendor was also deemed to have interested in 75,000,000 new Shares to be issued to it pursuant to the Subscription under Part XV of the SFO. The Vendor and hence Mr. Yip had interests in a total of 600,000,000 Shares.
2. The Vendor and hence Mr. Yip are deemed to have interest in 150,000,000 underlying Shares being the subject of the Put Options under Part XV of the SFO.
3. The interests arose from the outstanding share options granted to the relevant Directors under the share option scheme of the Company adopted on 4 August 2010.

(b) Interests in associated corporations of the Company (long position)

Name of associated corporation	Director	Capacity/nature of interests	Number of underlying shares interested	Approximate percentage of issued share of the relevant company
New Charming Holdings Limited	Mr. Yip	Beneficial owner	1	100.00%

All the interests disclosed above represent long positions in the shares and underlying shares. Other than the interests as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange. Mr. Yip, the Chairman of the Board and Executive Director, is also director of New Charming Holdings Limited which had interests in the Shares and underlying Shares as disclosed above which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Other interests

- (i) Certain premises are leased to the members of the Group under several tenancy agreements (“Tenancy Agreements”) made with associates of Mr. Yip. The material terms of the Tenancy Agreements are summarized below. Further details with respect to the relevant Tenancy Agreement as set out in the circular dated 8 March 2013 issued by the Company may be referred to.

Date of tenancy	Parties	Term	Premises	Rental	Options to renew
1. 15 February 2013	<i>Landlord</i> — Victory Beauty Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company	3 years commencing from 1 April 2013 to 31 March 2016 (both days inclusive)	10/F, Wing On House, No. 71 Des Voeux Road Central, Central, Hong Kong	HK\$800,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges))	The tenant has an option to renew the tenancy for a further term of 3 years immediately after the expiry of the term at the prevailing market rental.
2. 15 February 2013	<i>Landlord</i> — Well Point Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company	3 years commencing from 1 April 2013 to 31 March 2016 (both days inclusive)	M/F, Peter Building, Nos. 58–60 Queen’s Road Central, Nos. 13–17 Stanley Street, Hong Kong	HK\$300,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges))	The tenant has an option to renew the tenancy for a further term of 3 years immediately after the expiry of the term at the prevailing market rental.
3. 15 February 2013	<i>Landlord</i> — Resultever Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Victor Tone Limited, a wholly-owned subsidiary of the Company	3 years commencing from 1 April 2013 to 31 March 2016 (both days inclusive)	Shop No. 7 on G/F & Cockloft and Cockloft Nos. 1–6, Tak Lee Building, No. 993 King’s Road, Hong Kong	HK\$130,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges))	The tenant has an option to renew the tenancy for a further term of 3 years immediately after the expiry of the term at the prevailing market rental.

Date of tenancy	Parties	Term	Premises	Rental	Options to renew
4. 15 February 2013	<i>Landlord</i> — Sea Magic Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Huge Dynasty Limited, a wholly-owned subsidiary of the Company	3 years commencing from 1 April 2013 to 31 March 2016 (both days inclusive)	G/F and Cockloft, Nos. 141–145 Kwong Fuk Road, Tai Po, New Territories, Hong Kong	HK\$130,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges))	The tenant has an option to renew the tenancy for a further term of 3 years immediately after the expiry of the term at the prevailing market rental.
5. 15 February 2013	<i>Landlord</i> — Top Sunshine Development Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Victor Tone Limited, a wholly-owned subsidiary of the Company	3 years commencing from 1 April 2013 to 31 March 2016 (both days inclusive)	The whole of 1/F, Golden Hill Commercial Building, Nos. 39–41 Argyle Street, Kowloon, Hong Kong	HK\$135,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges))	The tenant has an option to renew the tenancy for a further term of 3 years immediately after the expiry of the term at the prevailing market rental.
6. 15 February 2013	<i>Landlord</i> — Fortunate State Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Huge Dynasty Limited, a wholly-owned subsidiary of the Company	From 17 October 2012 to 31 March 2016 (both days inclusive)	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, Hong Kong	HK\$660,000 per month (exclusive of Government rent and rates, management fee and other charges (including, but not limited to, water and electricity charges))	The tenant has an option to renew the tenancy for a further term of 3 years immediately after the expiry of the term at the prevailing market rental.
7. 30 July 2013	<i>Landlord</i> — Prolong Treasure Limited, a company wholly owned by Mr. Yip <i>Tenant</i> — Victor Tone Limited, a wholly-owned subsidiary of the Company	2 years commencing from 1 August 2013 to 31 July 2015 (both days inclusive)	Flat D, 16/F, Block 1, The Zenith, 3 Wan Chai Road, Wanchai, Hong Kong	HK\$37,000 per month (inclusive of Government rent and rates, and management fee)	Nil

- (ii) Bright Smart Securities International (H.K.) Limited (“Bright Smart Securities”, a wholly-owned subsidiary of the Company) as a service provider entered into ten (10) financial services agreements all dated 15 February 2013 (“Financial Services Agreements”) with Messrs. Yip Mow Lum, Chan Kai Fung, Kwok Sze Chi, Chan Wing Shing, Wilson, Yu Yun Kong, Szeto Wai Sun, Ling Kwok Fai, Joseph, Cheung Ka Wong, Henry, Chan Kei (who resigned on 13 June 2013) and Ms. Li Wan Mei (“Connected Persons”, all being directors of the Company and/or its subsidiaries) as customers respectively in relation to the provision of financial services to the Connected Persons and their respective associates.

Under the Financial Services Agreements, Bright Smart Securities may, upon request, (but not obliged to) provide financial services, including margin financing and initial public offering (“IPO”) financing, to the Connected Persons and their respective associates during the term on a non-exclusive basis. The term of each Financial Services Agreement is three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive). The interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be comparable to 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. In reality, the Connected Persons are charged the same interest rate as announced by Bright Smart Securities from time to time which is determined with reference to the prevailing market conditions and applied across all customers. Discounts are sometimes offered to other customers who are independent third parties depending on the quality of their collaterals and their trading record, but not to the Connected Persons. Under the standard client agreements with customers, interest shall be payable on the last day of each calendar month or forthwith upon demand by Bright Smart Securities 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.

Further details are set out in the circular dated 8 March 2013 issued by the Company.

- (iii) China Finance (Worldwide) Limited (“CFW”), a company which is 100% beneficially owned by Mr. Yip, entered into a loan facility letter dated 13 June 2012 (“Facility Letter CFW”) with Bright Smart Securities International (H.K.) Limited (“BSSI”), an indirect wholly owned subsidiary of the Company, under which a \$600,000,000 revolving loan facility was granted by CFW to BSSI for general working capital purposes. The loan bears interest at HIBOR (that is, Hong Kong Interbank Borrowing Rate) plus 2.75% per annum, is unsecured and repayable on demand.

- (iv) World Mix Limited (“WML”), a company which is 100% beneficially owned by Mr. Yip, entered into a loan facility letter dated 31 March 2011 (“Facility Letter WML”) with the Company, under which a HK\$310,000,000 revolving loan facility was granted by WML to the Company for general working capital purposes. The loan bears interest at HIBOR plus 2.25% per annum, is unsecured and repayable on demand.

Save for the Subscription and as disclosed above, none of the Directors had any direct or indirect interests in any assets which have since 31 March 2013 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors was materially interested in any other contracts or arrangements subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. SERVICE CONTRACTS

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

4. COMPETING INTERESTS

As at the Latest Practicable Date, 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.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited accounts of the Company were made up.

6. EXPERT AND CONSENT

Fortune Financial Capital is a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription.

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

As at the Latest Practicable Date, Fortune Financial Capital did not have (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (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 2013, the date to which the latest published audited accounts of the Company were made up.

7. MISCELLANEOUS

- (a) The registered office of the Company is at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.
- (b) The Company's Head Office and Principal Place of Business in Hong Kong is at 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The company secretary is Mr. Chan Kwan Pak, who is a member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copies of:

- (a) the Placing and Subscription Agreements (including the Placing and Subscription (Supplemental) Agreements); and
- (b) the Tenancy Agreements, the Financial Services Agreements, the Facility Letter CFW and the Facility Letter WML (as defined in sections 2(c)(i), (ii), (iii) and (iv) respectively in this Appendix)

will be available for inspection at the head office and principal place of business of the Company at 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong during a period of 14 days from the date of this circular.

NOTICE OF EGM



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 IS HEREBY GIVEN that an extraordinary general meeting of Bright Smart Securities & Commodities Group Limited (the “Company”) will be held at 10/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Monday, 10 March 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution to be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Subscription (as defined in the circular of the Company dated 21 February 2014 (the “Circular”)) in relation to the issue of 75,000,000 new ordinary shares of the Company at a price of HK\$1.30 per share to New Charming Holdings Limited under the Placing and Subscription Agreements (as defined in the Circular), a copy of each of such agreements having been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, be and is hereby approved; the execution of the Placing and Subscription Agreements and any other agreements, documents and actions taken or to be taken in connection with the Subscription by any director of the Company (“Director”), notwithstanding any interest he/she may have in any matters in connection with the Subscription, be and are hereby approved, confirmed and ratified; and any Director be and is hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she may determine to be appropriate, necessary or desirable to give effect to or in connection with the Subscription and, subject to and in accordance with the applicable law and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating to the Subscription in the interests of the Company and its shareholders as a whole.”

By order of the board

Chan Kai Fung

Executive Director and Chief Executive Officer

Hong Kong, 21 February 2014

NOTICE OF EGM

*Head Office and Principal Place of Business
in Hong Kong:*
10th Floor, Wing On House
71 Des Voeux Road Central, Central
Hong Kong

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

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
4. Where there are joint registered holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he was solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.