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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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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**

RaffAello
CAPITAL LIMITED

RaffAello Capital 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 pages 18 to 19 of this circular. A letter from RaffAello Capital Limited containing its advice to the independent board committee and the independent shareholders is set out on pages 20 to 34 of this circular.

A notice convening an extraordinary general meeting of **Bright Smart Securities & Commodities Group Limited** to be held at 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Tuesday, 26 March 2013 at 10:00 a.m. is set out on pages 39 to 43 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, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

8 March 2013

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Board”	the board of Directors
“Bright Smart Securities”	Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company and a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 7 (providing automated trading services) regulated activities under the SFO
“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 Persons”	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 and Ms. Li Wan Mei, all of whom are directors of the Company and/or its subsidiaries
“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 10 financial services agreements, all dated 15 February 2013, 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 15 February 2013 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Honour House Tenancy Agreement”	the tenancy agreement dated 15 February 2013 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 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”	4 March 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. 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 15 February 2013 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: (i) 10/F, Wing On House, No. 71 Des Voeux Road Central, Central, Hong Kong;

DEFINITIONS

- (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, No. 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

“RaffAello”	RaffAello Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity 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
“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 15 February 2013 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 15 February 2013 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

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“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 15 February 2013 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 & 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 (*CEO*)
Mr. Kwok Sze Chi
Mr. Chan Wing Shing, Wilson

Registered office:

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
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

8 March 2013

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 15 February 2013, the Board announced that the Group as tenant had entered into the Tenancy Agreements with the Landlords for the renewal or extension 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.14 of the Listing Rules. As the 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 Rule 14A.35 of the Listing Rules.

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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 and his/her 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 Rule 14A.35 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. RaffAello 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 RaffAello 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.

PRINCIPAL TERMS OF THE TENANCY AGREEMENTS

1. Wing On Tenancy Agreement

(a) *Date*

15 February 2013

(b) *Parties*

- (i) Bright Smart Securities International (H.K.) Limited, 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.

(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 2013 to 31 March 2016 (both days inclusive).

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(e) Rental

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)), 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 the 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 2013.

2. Peter Building Tenancy Agreement

(a) Date

15 February 2013

(b) Parties

- (i) Bright Smart Securities International (H.K.) Limited, 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.

(d) Term

Three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the expiry of the term at the prevailing market rental.

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(g) Status of the existing tenancy agreement

The existing tenancy agreement has expired on 28 February 2013 and has been extended on a short-term basis for 1 month.

3. Tak Lee Building Tenancy Agreement

(a) Date

15 February 2013

(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 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the 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 2013.

4. Tai Po Tenancy Agreement

(a) Date

15 February 2013

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(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 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the 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 2013.

5. Golden Hill Tenancy Agreement

(a) Date

15 February 2013

(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.

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(d) Term

Three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the expiry of the term at the prevailing market rental.

(g) Status of the existing tenancy agreement

Once approved by the Independent Shareholders at the EGM, the Golden Hill Tenancy Agreement will supersede the existing tenancy agreement which is due to expire on 15 March 2014 so as to bring it co-terminus with the other tenancy agreements entered into between the Group and Mr. Yip's associates for administrative convenience. Save for the extension of the term and the increase in monthly rental from HK\$90,000 to HK\$135,000, the other material terms and conditions of the Golden Hill Tenancy Agreement remain the same as the existing tenancy agreement.

6. Honour House Tenancy Agreement

(a) Date

15 February 2013

(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 17 October 2012 to 31 March 2016 (both days inclusive).

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(e) Rental

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)), 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 the expiry of the term at the prevailing market rental.

(g) Status of the existing tenancy agreement

The Honour House Tenancy Agreement is entered into as a supplemental agreement to the existing tenancy agreement. It extends the expiry date of the existing tenancy agreement from 16 October 2015 to 31 March 2016 so as to bring it co-terminus with the other tenancy agreements entered into between the Group and Mr. Yip's associates for administrative convenience. Save as aforesaid, the other terms and conditions of the existing tenancy agreement remain unchanged.

ANNUAL CAP FOR THE TENANCY AGREEMENTS

The annual cap in respect of the Tenancy Agreements based on the annual rental payable thereunder for each of the three financial years ending 31 March 2014, 2015 and 2016 are HK\$25,860,000, HK\$25,860,000 and HK\$25,860,000 respectively.

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 in the ordinary and usual course of business of the Group and in line with the Group's plan to expand its business and customer base. 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 and commodities and futures brokerage 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.

PRINCIPAL TERMS OF THE FINANCIAL SERVICES AGREEMENTS

1. Date

15 February 2013

LETTER FROM THE BOARD

2. Parties

- (a) Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company, as the service provider; and
- (b) 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 and Ms. Li Wan Mei, directors of the Company and/or its subsidiaries, as the customers.

3. Services to be provided

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

4. Term

Three years commencing from 1 April 2013 to 31 March 2016 (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 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.

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.

LETTER FROM THE BOARD

ANNUAL CAP FOR THE FINANCIAL SERVICES AGREEMENTS

The annual cap (i.e. the maximum outstanding amount) of margin financing and IPO financing which may be provided by the Group to each of the Connected Persons and their respective associates (which, for the purpose of Mr. Yip, shall exclude Mr. Chan Wing Shing, Wilson and his associates who are connected with Mr. Yip only by reason of his/her/its relationship with Mr. Chan Wing Shing, Wilson, and for the purpose of Mr. Chan Wing Shing, Wilson, shall exclude Mr. Yip and his associates who are connected with Mr. Chan Wing Shing, Wilson only by reason of his/her/its relationship with Mr. Yip) for each of the three financial years ending 31 March 2014, 2015 and 2016 is set out as follows:

Name of Connected Person	Financing type	For the year ending 31 March		
		2014 HK\$	2015 HK\$	2016 HK\$
Yip Mow Lum	Margin financing	300,000,000	300,000,000	300,000,000
	IPO financing	1,000,000,000	1,000,000,000	1,000,000,000
Chan Kai Fung	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	100,000,000	100,000,000	100,000,000
Kwok Sze Chi	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	100,000,000	100,000,000	100,000,000
Chan Wing Shing, Wilson	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Yu Yun Kong	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Szeto Wai Sun	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Ling Kwok Fai, Joseph	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Cheung Ka Wong, Henry	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Chan Kei	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Li Wan Mei	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000

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The above annual cap is determined after taking into consideration: (i) the historical amount of margin financing and IPO financing advanced by the Group to the Connected Persons and their associates as set forth below; (ii) the number of IPO applications received by the Stock Exchange in recent years; (iii) the Connected Persons' perception of the securities market for the three financial years ending 31 March 2016; and (iv) the trend of the general economic conditions in Hong Kong. Although the proposed annual cap is substantially higher than the historical amount of margin financing and IPO financing advanced by the Group to the Connected Persons and their respective associates, the Directors (including the independent non-executive Directors) are of the view that it is fair and reasonable as the demand for such financing very much depends on the overall stock market sentiment. The historical amount may be low because the average turnover value of the securities market for the past three years is only around HK\$15,800,000 million per year, but market statistics show that such turnover value can reach HK\$21,500,000 million a year, for example, in 2007, representing an increase of approximately 26.51%. The Directors are of the view that the stock market would gradually pick up the momentum of economic recovery, and therefore the buffer is necessary in order to cater for the market upturn in the years to come. Besides, it is noted that the over-subscription rate for newly listed securities has 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. Further, 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/her 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, the Group would not be exposed to extraordinary risk by reason of the proposed increase of the annual cap.

Name of Connected Person	Financing type	Maximum amount for the year ended 31 March		Maximum amount for the 10 months ended 31
		2011 HK\$	2012 HK\$	January 2013 HK\$
Yip Mow Lum	Margin financing	6,827,495	—	1,175
	IPO financing	—	98,691,911	97,157,070
Chan Kai Fung	Margin financing	844,226	417,854	1,289,373
	IPO financing	41,045,007	26,043,699	17,547,461
Kwok Sze Chi	Margin financing	—	—	669,657
	IPO financing	—	—	1,831,780
Chan Wing Shing, Wilson	Margin financing	—	—	—
	IPO financing	445,445	581,806	836,348
Yu Yun Kong	Margin financing	—	—	93,603
	IPO financing	—	—	—

LETTER FROM THE BOARD

Name of Connected Person	Financing type	Maximum amount for the year ended 31 March		Maximum amount for the 10 months ended 31
		2011 HK\$	2012 HK\$	January 2013 HK\$
Szeto Wai Sun	Margin financing	—	—	—
	IPO financing	—	—	—
Ling Kwok Fai, Joseph	Margin financing	—	—	—
	IPO financing	—	—	—
Cheung Ka Wong, Henry	Margin financing	—	—	—
	IPO financing	—	—	—
Chan Kei	Margin financing	—	—	—
	IPO financing	—	—	—
Li Wan Mei	Margin financing	—	—	—
	IPO financing	—	—	—

REASONS FOR ENTERING INTO THE FINANCIAL SERVICES AGREEMENTS

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

The Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreements were entered into on normal commercial terms in the ordinary and usual course of business of the Group. Given that the interest rate to be charged by Bright Smart Securities to the Connected Persons shall be comparable to those offered by Bright Smart Securities to other customers who are independent third parties, 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 terms of the Financial Services Agreements have been determined after arm's length negotiation between the parties and the Directors (including the independent non-executive Directors) are of the view that the terms of the Financial Services Agreements and the annual cap in respect thereof are fair and reasonable.

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.14 of the Listing Rules. As the 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

LETTER FROM THE BOARD

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 Rule 14A.35 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 and his/her 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 Rule 14A.35 of the Listing Rules.

In accordance with the Listing Rules, Mr. Yip, who is considered to have a material interest in the Tenancy Agreements, has abstained from voting on the relevant resolution of the Board approving the Tenancy Agreements and the transactions contemplated thereunder while each Director also abstained from voting on the relevant Board resolution approving the Financial Services Agreement to which he is a party and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any connected person with a material interest in the relevant transaction, and any Shareholder with a material interest in the relevant transaction are required to abstain from voting in favour of the resolution relating to such transaction. Accordingly, Mr. Yip and his associates (including Mr. Chan Wing Shing, Wilson), who together held approximately 73.13% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on resolutions nos. 1, 2(a) and 2(d) at the EGM, Mr. Chan Kai Fung and his associates, who together held approximately 0.08% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on resolution no. 2(b) at the EGM while Mr. Kwok Sze Chi and his associates, who together held approximately 0.03% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on resolution no. 2(c) at the EGM. Save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions at the EGM.

EGM

A notice convening the EGM to be held at 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Tuesday, 26 March 2013 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, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 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 RaffAello set out on pages 20 to 34 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.

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 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)

8 March 2013

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company on 8 March 2013 (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. RaffAello 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 RaffAello 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 RaffAello, we consider that 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,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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.

Yu Yun Kong
*Independent Non-executive
Director*

Yours faithfully,
Szeto Wai Sun
*Independent Non-executive
Director*

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



Rm 1302, Tower One, Lippo Centre,
89 Queensway, Admiralty, Hong Kong.

8 March 2013

*To the Independent Board Committee and
the Independent Shareholders*

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 terms of the Tenancy Agreements, the Financial Services Agreements and the respective transactions contemplated thereunder, details of which are contained in the letter from the Board (the "Letter") in the circular dated 8 March 2013 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

On 15 February 2013, the Board announced that the Group as tenant had entered into the Tenancy Agreements with the Landlords for the renewal or extension 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.14 of the Listing Rules.

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

As the annual rental payable by the Group to the Landlords under the Tenancy Agreements and the maximum amount of financing which is likely to be required by each Connected Person and his/her 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 accordingly constitute non-exempt continuing connected transactions ("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 Rule 14A.35 of the Listing Rules.

LETTER FROM RAFFAELLO

We have been retained by the Company to advise the Independent Board Committee and the Independent Shareholders as to the terms of the Tenancy Agreements and the Financial Services Agreements and the relevant cap amounts in respect of the Continuing Connected Transactions and how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Tenancy Agreements and the Financial Services Agreements and the relevant cap amounts at the EGM.

The Independent Board Committee comprising all independent non-executive Directors, has been established for the purpose of advising the Independent Shareholders on the terms of the Continuing Connected Transactions and the relevant cap amounts.

BASIS OF OPINION

In formulating our advice and 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 senior management of the Company. We have assumed that all information and representations that have been provided by the Directors and senior management of the Company, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at 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 are reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background and reasons for the Tenancy Agreements and the Financial Services Agreements

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 in the ordinary and usual course of business of the Group and in line with the Group's plan to expand its business and customer base. 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 and commodities and futures brokerage 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 comparable transactions and the prevailing market conditions.

The Financial Services Agreements

The Group is principally engaged in the provision of financial services, including securities brokerage, margin financing and commodities and futures brokerage. The Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreements were entered into on normal commercial terms in the ordinary and usual course of business of the Group. Given that the interest rates to be charged by Bright Smart Securities to the Connected Persons shall be comparable to those offered by Bright Smart Securities to other customers who are independent third parties, 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 terms of the Financial Services Agreements have been determined after arm's length negotiation between the parties.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Tenancy Agreements and the Financial Services Agreements and the annual cap in respect thereof are fair and reasonable.

We are of the opinion that the Tenancy Agreements and the Financial Services Agreements are entered into in the ordinary and usual course of business of the Group, we concur with the Board that the entering into of the Tenancy Agreements and the Financial Services Agreements will benefit the Company and its Shareholders as a whole.

II. The Tenancy Agreements

(A) Principal terms

1. Wing On Tenancy Agreement

(a) Date

15 February 2013

(b) Parties

(i) Bright Smart Securities International (H.K.) Limited, 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.

(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 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the 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 2013.

2. Peter Building Tenancy Agreement

(a) Date

15 February 2013

LETTER FROM RAFFAELLO

(b) Parties

- (i) Bright Smart Securities International (H.K.) Limited, 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.

(d) Term

Three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the expiry of the term at the prevailing market rental.

(g) Status of the existing tenancy agreement

The existing tenancy agreement has expired on 28 February 2013 and has been extended on a short-term basis for 1 month.

3. *Tak Lee Building Tenancy Agreement*

(a) Date

15 February 2013

(b) Parties

- (i) Victor Tone Limited, a wholly-owned subsidiary of the Company, as tenant; and

LETTER FROM RAFFAELLO

(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 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the 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 2013.

4. *Tai Po Tenancy Agreement*

(a) Date

15 February 2013

(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.

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(d) Term

Three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive).

(e) Rental

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)), 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 the 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 2013.

5. *Golden Hill Tenancy Agreement*

(a) Date

15 February 2013

(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 2013 to 31 March 2016 (both days inclusive).

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(e) Rental

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)), 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 the expiry of the term at the prevailing market rental.

(g) Status of the existing tenancy agreement

Once approved by the Independent Shareholders at the EGM, the Golden Hill Tenancy Agreement will supersede the existing tenancy agreement which is due to expire on 15 March 2014 so as to bring it co-terminus with the other tenancy agreements entered into between the Group and Mr. Yip's associates for administrative convenience. Save for the extension of the term and the increase in monthly rental from HK\$90,000 to HK\$135,000, the other material terms and conditions of the Golden Hill Tenancy Agreement remain the same as the existing tenancy agreement.

6. *Honour House Tenancy Agreement*

(a) Date

15 February 2013

(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 17 October 2012 to 31 March 2016 (both days inclusive).

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(e) Rental

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)), 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 the expiry of the term at the prevailing market rental.

(g) Status of the existing tenancy agreement

The Honour House Tenancy Agreement is entered into as a supplemental agreement to the existing tenancy agreement. It extends the expiry date of the existing tenancy agreement from 16 October 2015 to 31 March 2016 so as to bring it co-terminus with the other tenancy agreements entered into between the Group and Mr. Yip's associates for administrative convenience. Save as aforesaid, the other terms and conditions of the existing tenancy agreement remain unchanged.

Our works and analysis

To assess whether the terms of the Tenancy Agreements are fair and reasonable, we have discussed with the management of the Group, reviewed the Tenancy Agreements and reviewed other tenancy agreements with other landlords independent of the Group. We note that the terms and conditions of the Tenancy Agreements are no more favourable than those of other landlords independent of the Group. We have also reviewed valuation reports issued by independent valuers, and found that the rental stated in the Tenancy Agreements are the same as the monthly market rent as stated in the valuation reports. The Group gives no preferential treatment towards the Landlords in relation to rental payment as compared with market rate.

Golden Hill Tenancy Agreement will early terminate the existing tenancy agreement and renew it with an increase in monthly rental from HK\$90,000 to HK\$135,000, the prevailing market rental (while other material terms and conditions remain the same as the existing tenancy agreement). We have checked with independent sources, including websites of and published reports issued by some leading property agency companies, and noted that the rental index for office in Kowloon is expected to increase by approximately 36% from 2014 to 2017. Given the pressure of rental increment and low vacancy rate of office spaces in Kowloon area (ranged from approximately 3.6% to 5.63% in the fourth quarter of 2012), it would benefit the Group to early terminate and renew the tenancy agreement at the prevailing market rental.

LETTER FROM RAFFAELLO

Taking into account the aforesaid factors, we are of the view that the terms of the Tenancy Agreements 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.

(B) Proposed annual cap amount

The annual cap in respect of the Tenancy Agreements based on the annual rental payable thereunder for each of the three financial years ending 31 March 2014, 2015 and 2016 are HK\$25,860,000, HK\$25,860,000 and HK\$25,860,000 respectively.

Our works and analysis

As the annual cap in respect of the Tenancy Agreements is calculated based on the annual rental payable which is in line with market rental, we concur with the Directors that the proposed annual cap of HK\$25,860,000, HK\$25,860,000 and HK\$25,860,000 respectively for the year ending 31 March 2014, 2015 and 2016 is fair and reasonable.

III. The Financial Services Agreements

(A) Principal terms

1. Date

15 February 2013

2. Parties

- (a) Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company, as the service provider; and
- (b) 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 and Ms. Li Wan Mei, directors of the Company and/or its subsidiaries, as the customers.

3. Services to be provided

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

4. Term

Three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive).

LETTER FROM RAFFAELLO

5. Pricing standards

The interest rates 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.

Our works and analysis

To assess whether the terms of the Financial Services Agreements are fair and reasonable, we have discussed with the management of the Group, reviewed the Financial Services Agreements, standard commercial rates published on the Group's website and historical pricing plan of the Connected Persons and other independent clients of the Group, showing the margin ratios, commission rates and interest rates charged. We note that the terms and conditions of the Financial Services Agreements are no more favourable than and similar to those offered to other independent clients of the Group. We have also reviewed the existing internal policies and procedures of the Company in relation to granting of financing to its clients (including the Connected Persons). We understand that the grant of financing to all clients (including the Connected Persons) is based on internal credit assessment of the clients with reference to their repayment records, underlying securities and availability of collateral.

We further examined the fulfillment of acceptable collaterals and the settlement requirements of each margin account of the relevant Connected Persons. We are of the view that all such margin accounts are governed and regulated by the internal control margin policy.

The Directors have confirmed that there is no preferential treatment towards the Connected Persons in relation to granting of financing and collateral requirements as compared with other independent clients of the Group.

Taking into account the aforesaid factors, we are of the view that the terms of the Financial Services Agreements 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.

LETTER FROM RAFFAELLO

(B) Proposed annual cap amount

The annual cap (i.e. the maximum outstanding amount) of margin financing and IPO financing which may be provided by the Group to each of the Connected Persons and their respective associates (which, for the purpose of Mr. Yip, shall exclude Mr. Chan Wing Shing, Wilson and his associates who are connected with Mr. Yip only by reason of his/her/its relationship with Mr. Chan Wing Shing, Wilson, and for the purpose of Mr. Chan Wing Shing, Wilson, shall exclude Mr. Yip and his associates who are connected with Mr. Chan Wing Shing, Wilson only by reason of his/her/its relationship with Mr. Yip) for each of the three financial years ending 31 March 2014, 2015 and 2016 is set out as follows:

Name of Connected Person	Financing type	For the year ending 31 March		
		2014 HK\$	2015 HK\$	2016 HK\$
Yip Mow Lum	Margin financing	300,000,000	300,000,000	300,000,000
	IPO financing	1,000,000,000	1,000,000,000	1,000,000,000
Chan Kai Fung	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	100,000,000	100,000,000	100,000,000
Kwok Sze Chi	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	100,000,000	100,000,000	100,000,000
Chan Wing Shing, Wilson	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Yu Yun Kong	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Szeto Wai Sun	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Ling Kwok Fai, Joseph	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Cheung Ka Wong, Henry	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Chan Kei	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000
Li Wan Mei	Margin financing	10,000,000	10,000,000	10,000,000
	IPO financing	20,000,000	20,000,000	20,000,000

LETTER FROM RAFFAELLO

The above annual cap is determined after taking into consideration: (i) the historical amount of margin financing and IPO financing advanced by the Group to the Connected Persons and their associates as set forth below; (ii) the number of IPO applications received by the Stock Exchange in recent years; (iii) the Connected Persons' perception of the securities market for the three financial years ending 31 March 2016; and (iv) the trend of the general economic conditions in Hong Kong.

Name of Connected Person	Financing type	Maximum amount for the year ended 31 March		Maximum amount for the 10 months ended
		2011 HK\$	2012 HK\$	31 January 2013 HK\$
Yip Mow Lum	Margin financing	6,827,495	—	1,175
	IPO financing	—	98,691,911	97,157,070
Chan Kai Fung	Margin financing	844,226	417,854	1,289,373
	IPO financing	41,045,007	26,043,699	17,547,461
Kwok Sze Chi	Margin financing	—	—	669,657
	IPO financing	—	—	1,831,780
Chan Wing Shing, Wilson	Margin financing	—	—	—
	IPO financing	445,445	581,806	836,348
Yu Yun Kong	Margin financing	—	—	93,603
	IPO financing	—	—	—
Szeto Wai Sun	Margin financing	—	—	—
	IPO financing	—	—	—
Ling Kwok Fai, Joseph	Margin financing	—	—	—
	IPO financing	—	—	—
Cheung Ka Wong, Henry	Margin financing	—	—	—
	IPO financing	—	—	—
Chan Kei	Margin financing	—	—	—
	IPO financing	—	—	—
Li Wan Mei	Margin financing	—	—	—
	IPO financing	—	—	—

LETTER FROM RAFFAELLO

Our works and analysis

The transaction volume of margin loan and IPO financing depends very much on the overall stock market sentiment and the volume of the stock trading in the market.

For margin loan financing, it is the normal brokerage industry practice to grant a margin facility for each margin client with respect to each individual and particular credit status, as well as the latest stock market conditions. Further, the Company will provide margin finance on the condition of adequate collaterals specified in the pre-determined credit table. Risk from the margin financing will be closely monitored and controlled. Such margin credit line or cap is set for each Connected Person, without departing from the collateral requirements for the ordinary customers. The reference to the utilization track records in the past may not be relevant in setting the annual cap. We consider that the proposed caps are fair and reasonable in terms of the credit status of each of the Connected Persons.

For the IPO financing, statistics issued by the Stock Exchange from 2003 to 2012 reveal that IPO funds raised have been fluctuated by approximately 8 times throughout good and bad times for the past ten years. Forecast issued by leading CPA firm foresees IPO fund raising size to rise by approximately 11% to 67% from 2012 to 2013. Based on the performance and volume of stock market and IPO activities in recent years and market forecast, in addition to a variety of substantial sized RMB-traded products brought about by China's government and enterprises, we understand that the maximum amounts of IPO financing as stated above is largely in line with the trend of the capital market. In each case of such IPO financing, the Company provides the necessary margin finance to all clients upon the receipt of the pre-determined margin deposit. For the IPO cases in recent years, the applications reached several hundred times in over-subscription. Clients would intend to gross up the application sum in view of the possible over-subscription. The allocated shares under the IPO application would be merely a few percentages of the applied quantity. The risk exposure to the Company is thus under strict control. Further, several IPO cases may happen to launch its application in almost same period of time in which the IPO financing requirement for each client, including each Connected Person, can be very substantial. In one single case in 2007, a client of the Company placed one application with HK\$878 million. The IPO financing line or cap is set for each Connected Person without departing from the requirements and terms for the ordinary customers of the Company. The reference to the IPO financing utilization track records of the Connected Persons in the past will not be relevant to the future caps. We consider the proposed caps are fair and reasonable in terms of the unexpected upturning IPO exercises and the credit status of each of the Connected Persons.

We consider that although the proposed annual cap is well above the latest maximum amount of margin loans and IPO financing extended to each Connected Person, it actually provides a reasonable buffer to cater for the market upturn in 2013 and subsequently, allowing the Group to benefit from potential opportunities to

LETTER FROM RAFFAELLO

strengthen its performance. Based on the above, we concur with the Directors that the proposed annual cap for the Financial Services Agreements for the years ending 31 March 2014, 2015 and 2016 is fair and reasonable.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the view 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 interests 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.

Yours faithfully,

For and on behalf of

RaffAello Capital Limited

Sam Lum

Ricky Tsang

Director

Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(a) Interests in the Company

Name of Director	Long/short position	Nature of interests	Number of shares interested	Number of underlying shares under share options (Note 1)	Total	Approximate percentage of issued share capital
Yip Mow Lum	Long position	Interest in a controlled corporation	675,000,000 (Note 2)	—	675,000,000	65.46%
	Long position	Beneficial owner	79,076,000	—	79,076,000	7.67%
Chan Kai Fung	Long position	Beneficial owner	834,000	—	834,000	0.08%
Kwok Sze Chi	Long position	Beneficial owner	300,000	2,068,000	2,368,000	0.23%
Chan Wing Shing, Wilson	Long position	Beneficial owner	—	200,000	200,000	0.02%
Yu Yun Kong	Long position	Beneficial owner	—	688,644	688,644	0.07%
Szeto Wai Sun	Long position	Beneficial owner	—	688,644	688,644	0.07%
Ling Kwok Fai, Joseph	Long position	Beneficial owner	—	688,644	688,644	0.07%

Notes:

- The share options were granted on 13 October 2011 pursuant to the share option scheme adopted by the Company on 4 August 2010. The exercise price of the share options is HK\$0.67 per share and the exercise period is 13 October 2011 to 12 October 2013.

2. The 675,000,000 shares were held by New Charming Holdings Limited, a company wholly owned by Mr. Yip. Mr. Yip is also a director of New Charming Holdings Limited.

(b) Interests in associated corporations of the Company

Name of associated corporation	Name of Director	Long/short positions	Nature of interests	Number of shares interested	Approximate percentage of issued share capital of the relevant company
New Charming Holdings Limited	Yip Mow Lum	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 2012, the date to which the latest published audited financial statements of the Group were made up.

On 31 March 2011, the Company entered into a loan facility letter with World Mix Limited ("WML"), a company which is 100% beneficially owned by Mr. Yip, for provision of a HK\$310,000,000 revolving loan facility by WML to the Company for general working capital purposes. The loan bears interest at Hong Kong Interbank Offered Rate plus 2.25% per annum, is unsecured and repayable on demand.

On 13 June 2012, Bright Smart Securities entered into a loan facility letter with China Finance (Worldwide) Limited ("CFW"), a company which is 100% beneficially owned by Mr. Yip, for provision of a HK\$600,000,000 revolving loan facility by CFW to Bright Smart Securities for 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
RaffAello Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

RaffAello 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, RaffAello 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 2012, 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 2012, 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 8 March 2013, the text of which is set out on pages 18 to 19 of this circular;
- (d) the letter from RaffAello dated 8 March 2013, the text of which is set out on pages 20 to 34 of this circular; and
- (e) the written consent given by RaffAello referred to in section 6 of this Appendix.



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 at 10th Floor, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong on Tuesday, 26 March 2013 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 8 March 2013 (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 identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is

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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 8 March 2013 (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 said Financial Services Agreement and the transaction contemplated thereunder;
- (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

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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 said Financial Services Agreement and the transaction contemplated thereunder;

- (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 Kwok Sze Chi 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 said Financial Services Agreement and the transaction contemplated thereunder;
- (d) 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 “2D” 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 said Financial Services Agreement and the transaction contemplated thereunder;
- (e) the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Yu Yun Kong as customer (a copy of which has been produced to the meeting marked “2E” 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 said Financial Services Agreement and the transaction contemplated thereunder;
- (f) the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Szeto Wai Sun as customer (a copy of which has been produced to the meeting marked “2F” 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 said Financial Services Agreement and the transaction contemplated thereunder;
- (g) the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Ling Kwok Fai, Joseph as customer (a copy of which has been produced to the meeting marked “2G” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and

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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 said Financial Services Agreement and the transaction contemplated thereunder;

- (h) the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Cheung Ka Wong, Henry as customer (a copy of which has been produced to the meeting marked “2H” 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 said Financial Services Agreement and the transaction contemplated thereunder;
- (i) 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 Kei as customer (a copy of which has been produced to the meeting marked “2I” 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 said Financial Services Agreement and the transaction contemplated thereunder; and
- (j) the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Li Wan Mei as customer (a copy of which has been produced to the meeting marked “2J” 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 said 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 Chief Executive Officer

Hong Kong, 8 March 2013

Registered office:

Scotia Centre, 4th Floor

P.O. Box 2804

George Town

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

NOTICE OF EGM

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 at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.