
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 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 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

香港交易所上市公司(1428)

BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Gram Capital Limited
嘉林資本有限公司

A letter from the board of directors of **Bright Smart Securities & Commodities Group Limited** is set out on pages 5 to 18 of this circular.

A letter from the independent board committee containing its recommendation to the independent shareholders is set out on pages 19 to 20 of this circular. A letter from Gram Capital containing its advice to the independent board committee and the independent shareholders is set out on pages 21 to 34 of this circular.

A notice convening an extraordinary general meeting of **Bright Smart Securities & Commodities Group Limited** to be held on Mezzanine Floor, Honour House, 375-381 Nathan Road, Kowloon on Monday, 7 March 2022 at 10:00 a.m. is set out on pages 41 to 42 of this circular. Whether or not you are able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of **Bright Smart Securities & Commodities Group Limited** in Hong Kong, Tricor Investor Services Limited, of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 4 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks and health declarations
- wearing of a surgical face mask for each attendee
- no refreshments or drinks will be served

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine will be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

16 February 2022

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Accompanying Document:

— *Form of Proxy*

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Board”	the board of Directors
“Bright Smart Securities”	Bright Smart Securities International (H.K.) Limited, a wholly-owned subsidiary of the Company and a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 7 (providing automated trading services) regulated activities under the SFO
“Company”	Bright Smart Securities & Commodities Group Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of the Stock Exchange under stock code 1428
“Connected Persons”	Mr. Yip and Mr. Chan, both of them are Directors and “Connected Person” means either of them
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Financial Services Agreements with Mr. Yip and Mr. Chan and the respective transactions contemplated thereunder
“Financial Services Agreements”	the financial services agreements, dated 28 January 2022, 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
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong Interbank Offered Rate

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IPO”	initial public offering
“Independent Board Committee”	the independent board committee of the Company comprising all of the independent non-executive Directors
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreements and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the execution of the Financial Services Agreements with Mr. Yip and Mr. Chan
“independent third parties”	third party(ies) independent of the Company and its connected persons (within the meaning under the Listing Rules)
“Latest Practicable Date”	10 February 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Wing Shing, Wilson, an executive Director and a nephew of Mr. Yip
“Mr. Yip”	Mr. Yip Mow Lum, the chairman of the Board, an executive Director and the controlling Shareholder

DEFINITIONS

“Prime Rate”	the best lending rate for Hong Kong dollar loans offered by The Hongkong and Shanghai Banking Corporation Limited to its customers from time to time
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and/or otherwise supplemented from time to time
“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

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement, including but not limited to, the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (1) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 36.8 degrees Celsius or subject to any quarantine prescribed by the Hong Kong Government will be denied entry into the EGM venue and be required to leave the EGM venue.
- (2) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a health declaration form confirming their names and contact details, and confirming that they have no symptoms, not travelled outside of Hong Kong, or to their best of knowledge had physical contact with any person who has recently travelled outside of Hong Kong at any time in the preceding 21 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue.
- (3) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Please note that no masks will be provided at the EGM and attendees should wear their own masks.
- (4) No refreshments or drinks will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM. The Company will monitor the development of COVID-19 situation and relevant guidance release by the Hong Kong Government from time to time, and may change the precautionary measures for the EGM as appropriate.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person.

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's Hong Kong branch Share Registrar as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

LETTER FROM THE BOARD



BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

Executive Directors:

Mr. Yip Mow Lum (*Chairman*)
Mr. Hui Yik Bun (*Chief Executive Officer*)
Mr. Chan Wing Shing, Wilson

Independent non-executive Directors:

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

Registered office:

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

Principal place of business in

Hong Kong:

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

16 February 2022

To the Shareholders

Dear Sir or Madam,

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

(1) INTRODUCTION

The Group had entered into the Financial Services Agreements with the Connected Persons on 28 January 2022 to provide the framework within which the Connected Persons and their respective associates may engage the Group to provide financial service including margin financing and IPO financing. As all of the applicable percentage ratios calculated under the Listing

LETTER FROM THE BOARD

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

(2) THE FINANCIAL SERVICES AGREEMENTS

A. PRINCIPAL TERMS OF THE FINANCIAL SERVICES AGREEMENTS

1. Date

28 January 2022

2. Parties

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

3. Services to be provided

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

4. Term

Three years commencing from 1 April 2022 to 31 March 2025 (both days inclusive).

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5. Pricing standards

According to the Financial Services Agreements, the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less favourable to Bright Smart Securities than those offered to other customers who are independent third parties of similar credit standing, trading record and quality of collaterals given and in accordance with the credit policy of Bright Smart Securities from time to time. The credit policy of Bright Smart Securities is subject to regular reviews on at least a quarterly basis and special reviews on an ad hoc basis when there is any actual or potential material change in market conditions that is likely to cause material fluctuations in the market. Such rate would vary from time to time depending on (i) the 1-week HIBOR as announced by the Hong Kong Association of Banks at 11:15 a.m. every business day; (ii) the then effective credit policy of Bright Smart Securities; and (iii) the then market sentiment and the cost of funding to the Group. Currently, interest has been charged at standard rate of 3% to 4% per annum over 1-week HIBOR for margin clients depending on their loan volume, 5% per annum above the Prime Rate for cash clients for margin financing, and on a case by case basis depending on the cost of financing for IPO financing. Such rate is applied across all customers with discounts sometimes given to customers (both independent third party customers and the Connected Persons) depending on the quality of their collaterals, their trading record and their trading size, or under the promotion campaign of Bright Smart Securities. For further details of the internal approval process in connection with any request on the adjustment of interest rates, please refer to the paragraph headed “C. Internal control on transaction under the Financial Services Agreements” in this section.

6. Payment terms

For margin financing, according to the standard client agreement, interest shall be payable on the last day of each calendar month or forthwith upon demand by Bright Smart Securities while the principal amount of the loan shall be repayable on demand by Bright Smart Securities. In the case of IPO financing, such loan would usually be repayable on the date when the listed issuer publishes the allocation results. Pursuant to the Financial Services Agreements and the standard client agreement, the payment terms offered to the Connected Persons and their respective associates shall be the same as those offered to other customers who are independent third parties.

LETTER FROM THE BOARD

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

The Financial Services Agreements with Mr. Yip and Mr. Chan are subject to the condition that they will be approved by the Independent Shareholders on or before 31 March 2022.

8. Other terms

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

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

LETTER FROM THE BOARD

Smart Securities under the same; (iii) call upon or enforce any security which may have been made in favour of Bright Smart Securities as security for such client's obligations under the Agreements; (iv) cancel any or all contracts with such client; and (v) take any action as it shall think fit. Save and except the above-mentioned termination clause, the Connected Persons and their respective associates are subject to the same default terms which also bind other independent third party clients and such terms are determined in accordance with market practices.

B. ANNUAL CAP FOR THE FINANCIAL SERVICES AGREEMENTS

The annual cap (i.e. the maximum outstanding amount at all time during the year) of margin financing and IPO financing which has been or may be provided by the Group to each of the Directors and their respective associates for each of the three financial years ended 31 March 2022 and the three financial years ending 31 March 2025, respectively, is set out as follows:

Name of Connected Person	Financing type	Maximum outstanding amount which may be provided to such Director and his associates at all time during the year ended/ending 31 March	
		2020, 2021 and 2022 <i>HK\$'000</i>	2023, 2024 and 2025 <i>HK\$'000</i>
Mr. Yip	Margin financing	1,000,000	1,000,000
	IPO financing	4,000,000	4,000,000
Mr. Chan	Margin financing	10,000	10,000
	IPO financing	20,000	20,000

The above annual cap is determined after taking into consideration: (i) the historical amount of margin financing and IPO financing advanced by the Group to the Directors and their associates as set forth below; (ii) the number of IPO applications received by the Stock Exchange in recent years; and (iii) the Connected Persons' perception of the securities market for the three financial years ending 31 March 2025.

Although the proposed annual cap for margin financing is substantially higher than the maximum outstanding amount of margin financing advanced by the Group to the Connected Persons and their respective associates at all times during the two financial years ended 31 March 2021 and the six months ended 30 September 2021, it is justifiable as the demand for such financing very much depends on the overall stock market sentiment. For example, the average daily turnover at the Hong Kong stock market increased from approximately HK\$125.7 billion for the first nine months in 2020 to approximately HK\$180.3 billion for the corresponding period in

LETTER FROM THE BOARD

2021, which amounted to an increase of approximately 43.4%. If such trend were to follow, the buffer would be necessary in order to cater for the market upturn in the years to come and reference to the utilisation track records may not be the key criteria in setting the annual cap. Besides, the annual cap is set for each Connected Person with reference to his and his associates' credit status without departing from the collateral requirements for the ordinary customers as set forth in a pre-determined credit table. Given that the provision of margin financing can enhance the revenue of the Group and the risk from margin financing will be closely monitored and controlled, the Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in this circular) consider the proposed annual cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As regards IPO financing, it is noted that the proposed annual cap for IPO financing is substantially higher than the maximum outstanding amount of IPO financing advanced by the Group to the Connected Persons and their respective associates at all times during the two financial years ended 31 March 2021 and the six months ended 30 September 2021. Although the number of new listing companies decreased from 99 for the first nine months ended 30 September 2020 to 72 for the same period of 2021, the funds raised through IPOs increased from approximately HK\$215.9 billion for the nine months ended 30 September 2020 to approximately HK\$285.9 billion for the same period of 2021. With the increasing number of China concept stocks companies that are listed in foreign countries and are looking for secondary listing in Hong Kong, it is expected that the IPO fund raising size will continue to increase in the years to come. Further, the over-subscription rate for newly listed securities has generally been very high in recent years. In order to receive the desired amount of securities, the Connected Persons may need to gross up the application sum. In addition, some IPOs may happen to launch at more or less the same time. This also increases the amount of IPO financing which may be required by the Connected Persons and their respective associates. Given that the actual amount of financing to be extended to each Connected Person and his associates would have to be backed by a sufficient amount of collaterals as determined by the Group in accordance with its internal control margin policy which is applied across all customers and the surplus IPO application money will be directly repaid to the Group, the Group would not be exposed to extraordinary risk by reason of the proposed annual cap. Given that the provision of IPO financing can enhance the revenue of the Group and the risk from IPO financing will be closely monitored and controlled, the Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in this circular) consider the proposed annual cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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

Name of Connected Person	Financing type	Maximum outstanding amount provided to such Connected Person and his associates at all time during the year ended 31 March		Maximum outstanding amount provided to such Connected Person and his associates at all time during the six months ended 30 September
		2020	2021	2021
		HK\$'000	HK\$'000	HK\$'000
Mr. Yip	Margin financing	139,309	593,019	532,883
	IPO financing	1,462,785	2,199,023	2,192,338
Mr. Chan	Margin financing	—	49	19
	IPO financing	960	4,126	4,099

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

Name of Connected Person	Financing type	Historical interest rates for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical interest rates for margin financing and IPO financing to such Connected Person and his associates during the six months ended 30 September
		2020	2021	2021
		Mr. Yip	Margin financing	1-week HIBOR plus 2% per annum – Prime Rate plus 5% per annum
IPO financing	2.28%–3.90%		1.98%–3.48%	1.40%–1.57%

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Name of Connected Person	Financing type	Historical interest rates for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical interest rates for margin financing and IPO financing to such Connected Person and his associates during the six months ended 30 September 2021
		2020	2021	2021
Mr. Chan	Margin financing	Prime Rate plus 5% per annum	Prime Rate plus 5% per annum	Prime Rate plus 5% per annum
	IPO financing	2.58%	2.18%–2.98%	1.68%–1.98%

Name of Connected Person	Financing type	Historical interest income for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical interest income for margin financing and IPO financing to such Connected Person and his associates during the six months ended 30 September 2021
		2020	2021	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Yip	Margin financing	1,378	2,866	3,317
	IPO financing	1,154	6,571	1,388
Mr. Chan	Margin financing	—	—	—
	IPO financing	1	13	4

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Name of Connected Person	Financing type	Historical percentage of interest income to the total income of the Company for margin financing and IPO financing to such Connected Person and his associates during the year ended 31 March		Historical percentage of interest income of the Company for margin financing and IPO financing to such Connected Person and his associates during the six months ended
		2020	2021	30 September 2021
Mr. Yip	Margin financing	0.46%	1.06%	1.86%
	IPO financing	3.45%	3.26%	3.72%
Mr. Chan	Margin financing	—	—	—
	IPO financing	0.001%	0.01%	0.01%

C. INTERNAL CONTROL ON TRANSACTIONS UNDER THE FINANCIAL SERVICES AGREEMENTS

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

Depending on the trading size, credit standing, trading record and/or quality of collaterals of the client, the Group might adjust and lower the margin interest rate offered to clients which is subject to the internal approval process. Upon receiving the requests to adjust the margin interest rate by clients, the sales department will first take the initiative to review and analyse the background and information of the specific clients, then evaluate the eligibility of the specific clients in making such requests in accordance with the credit policy of the Group, which consists of, among others, the factors as mentioned above as well as the cost of funding of the Group from time to time. If the preliminary evaluation reflects positive feedback in favour of the specific clients, the sales department will fill in an interest rate adjustment approval form for submitting the clients' requests regarding any adjustment of the margin interest rate to the management. The interest rate adjustment approval form will be presented to the credit committee of the Group which consists of the heads of the Group's sales department, finance department, operations department and other management level including the responsible officers of the Group. After due and careful consideration by the credit committee, which is primarily responsible for, among others, reviewing and approving the credit risk limits as well as the credit facilities of the Group's customers, the clients' requests may be approved or declined on a fair and reasonable basis. The

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margin interest rate offered to the Connected Persons and their respective associates are also subject to the same approval process, and in particular, the sales department and the finance department will be responsible for making references to at least two independent third parties of similar credit standing in order to ensure that the interest rate provided to the Connected Persons and their respective associate were no less favourable to the Group than that offered to other clients who are independent third parties from time to time.

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

The Group has also established adequate internal control policies to regularly monitor the utilisation rates of the margin financing and IPO financing granted to the Connected Persons and their respective associates to ensure compliance with the Listing Rules. In particular, the Group's sales department and finance department are informed of the applicable annual caps under the Financial Services Agreements in respect of each Connected Person and his associates to ensure that the provision of the financial services is in accordance with the Financial Services Agreements and the respective annual caps are not exceeded.

To monitor the general compliance with the relevant Listing Rules applicable to continuing connected transactions, including but not limited to any pricing adjustment and discount as well as the annual caps under the Financial Services Agreements, the Group will adopt the following measures:

- (i) the sales department and finance department are responsible for the day-to-day monitoring of the level of the margin financing and IPO financing provided to each Connected Person and his respective associates and shall report to the chief executive officer or chief financial officer of the Company when the utilisation of the margin financing facility or IPO financing facility approaches 60% of their respective annual caps;
- (ii) the sales department and finance department will observe the market conditions and monitor the prevailing market prices on timely basis including the pricings of contemporaneous transactions with other customers who are independent third parties. The rates charged by the Group shall be updated as soon as practicable in accordance with the internal approval mechanism as explained above. Furthermore, the sales department and finance department will compare other concurrent and similar

LETTER FROM THE BOARD

transactions with customers who are independent third parties and ensure that the terms offered by the Group to the Connected Persons and their associates are no less favourable to the Group than those available to independent third parties;

- (iii) the compliance department will review the appropriateness of the internal control system and report the results of the review to the management on an annual basis;
- (iv) sufficient information will be provided to the independent non-executive Directors for them to review the continuing connected transactions on an annual basis to ensure compliance with Rule 14A.55 of the Listing Rules. In particular, the independent non-executive Directors shall ensure that, among others, (i) the pricing mechanism and the terms of the Financial Services Agreements are clear and specific; (ii) the methods and procedures established are sufficient to ensure that the continuing connected transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders; and (iii) appropriate internal control procedures are in place; and
- (v) sufficient information will be provided to the Company's auditors for them to review the continuing connected transactions on an annual basis to ensure compliance with Rule 14A.56 of the Listing Rules.

After taking into account (i) the established internal control policies as mentioned above; and (ii) the stringent and comprehensive internal approval process, which is generally applicable to all customers of Bright Smart Securities, in connection with any adjustment and/or discount in the interest rates offered to the respective customers, the Directors are of the opinion that the terms of the Financial Services Agreements, in particular the pricing standards including any mechanism for pricing adjustment and provision of discounts, are reasonable and in the interests of the Company and its Independent Shareholders as a whole.

D. REASONS FOR ENTERING INTO THE FINANCIAL SERVICES AGREEMENTS

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

Given that the terms of the Financial Services Agreements have been determined after arm's length negotiations between the parties and the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less favourable to Bright Smart Securities than those offered by Bright Smart Securities to other customers who are independent third parties of similar credit standing, trading record and quality of collaterals given and in accordance with the credit policy of Bright Smart Securities from time to time, the

LETTER FROM THE BOARD

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

(3) LISTING RULES IMPLICATIONS

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

In accordance with the Listing Rules, each of the Connected Persons had abstained from voting on the relevant Board resolutions approving the Financial Services Agreement to which he or any person connected with him is a party and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any shareholder with a material interest in the relevant transaction is required to abstain from voting in favour of the resolution relating to such transaction. Accordingly, Mr. Yip, Mr. Chan and their respective associates, who together controlled or were entitled to exercise control over approximately 63.85% of the voting rights of the Company as at the Latest Practicable Date, will abstain from voting on resolutions 1 and 2 at the EGM. Save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions at the EGM.

LETTER FROM THE BOARD

(4) EGM

A notice convening the EGM to be held on Mezzanine Floor, Honour House, 375–381 Nathan Road, Kowloon on Monday, 7 March 2022 at 10:00 a.m. is set out at the end of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, on Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

(5) CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the EGM, from Wednesday, 2 March 2022 to Monday, 7 March 2022 (both days inclusive), during this period no transfer of Shares will be registered. In order to attend and vote at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Tuesday, 1 March 2022.

(6) RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders in relation to the Financial Services Agreements and the letter from Gram Capital set out on pages 21 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 Financial Services Agreements at the EGM.

LETTER FROM THE BOARD

(7) ADDITIONAL INFORMATION

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

Yours faithfully,

By order of the Board

Bright Smart Securities & Commodities Group Limited

Hui Yik Bun

Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



BRIGHT SMART SECURITIES & 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)

16 February 2022

To the Independent Shareholders

Dear Sirs or Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company on 16 February 2022 (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 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 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 Financial Services Agreements and the annual caps in respect thereof. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

Yu Yun Kong
Independent *Non-executive*
Director

Szeto Wai Sun
Independent Non-executive
Director

Ling Kwok Fai, Joseph
Independent Non-executive
Director

LETTER FROM GRAM CAPITAL

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



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

16 February 2022

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

Dear Sirs/Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 16 February 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 January 2022, the Group 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, for a term of three years commencing from 1 April 2022 to 31 March 2025 (both days inclusive).

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

LETTER FROM GRAM CAPITAL

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

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Financial Services Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Connected Persons or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Financial Services Agreements. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and the Shareholders will be notified as soon as possible if there is any material changes in our opinion up to the date of EGM. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

Information on the Company

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

LETTER FROM GRAM CAPITAL

Set out below is the consolidated financial information of the Group for the two years ended 31 March 2021 and the six months ended 30 September 2021 as extracted from the Group's annual report for the year ended 31 March 2021 (the "2020/21 Annual Report") and interim report for the six months ended 30 September 2021 (the "2021 Interim Report"):

	Six months ended 30 September 2021 <i>HK\$'000</i> (unaudited)	For the year ended 31 March 2021 <i>HK\$'000</i> (audited)	For the year ended 31 March 2020 <i>HK\$'000</i> (audited)	Year-on-year change %
Revenue	566,523	1,285,201	864,017	48.75
— Brokerage commission	346,111	793,820	516,249	53.77
— Dealing income from bullion trading	3,918	15,177	10,423	45.61
— Dealing income from leveraged foreign exchange trading	1,296	3,305	1,385	138.63
— Interest income from margin financing	177,908	271,238	302,486	(10.33)
— Interest income from IPO financing	37,290	201,661	33,474	502.44
Profit from operations	428,587	1,056,411	667,089	58.36
Profit for the year	294,911	703,905	470,978	49.46

As illustrated in the above table, the Group's revenue and profit amounted to approximately HK\$1,285.20 million and HK\$703.91 million respectively for the year ended 31 March 2021 ("FY2020/21"), representing significant increase of approximately 48.75% and 49.46% respectively as compared with those for the year ended 31 March 2020. With reference to the 2020/21 Annual Report, the aforesaid increases in both of the Group's revenue and profit for FY2020/21 were mainly due to substantial increase in interest income from IPO financing and rise in commission income from securities brokerage.

According to the 2020/21 Annual Report, with 26 years of operating history in Hong Kong, the Group has been listed on the Main Board of the Stock Exchange for more than ten years. With a sound financial foundation and competitive edge, the Group will carry on its proactive business model in order to take on new challenges. To further strengthen its competitiveness and increase its market share, the Group will maintain its prudent, flexible and innovative operating approach in seeking breakthrough on its existing businesses while actively exploring new markets and new financial products.

LETTER FROM GRAM CAPITAL

With reference to the 2021 Interim Report, the Group will continue adopting an aggressive development strategy and launch new products, services and market offers to expand its clientele. The Group will regularly enhance the functions of the BS Baobao and BS Doudou apps and pick up the speed to place an order. Moreover, as the Group keeps growing in size, it will continuously optimise its online order placement channels and pay attention to clients' needs for trading systems, in order to support the business development.

Information on the Connected Persons

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

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

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

Reasons for and benefits of entering into the Financial Services Agreements

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

As set out under the section headed "Information on the Company" above, the Group's interest income from margin financing and interest income from IPO financing for FY2020/21 amounted to approximately HK\$271.24 million and HK\$201.66 million respectively. According to the Board Letter, the Group received interest income of approximately HK\$2.87 million and HK\$6.58 million in FY2020/21 from the Connected Persons for margin financing and IPO financing respectively.

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

LETTER FROM GRAM CAPITAL

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

2. The Financial Services Agreements

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

Date:	28 January 2022
Parties:	Bright Smart Securities, a wholly-owned subsidiary of the Company, as the service provider; and The Connected Persons, both being Directors, as the customers.
Services to be provided:	Subject to the terms and conditions of the Financial Services Agreements, Bright Smart Securities may, upon request, (but not obliged to) provide financial services, including margin financing and IPO financing, to the Connected Persons and their respective associates during the term on a non-exclusive basis.
Term:	Three years commencing from 1 April 2022 to 31 March 2025 (both days inclusive).

LETTER FROM GRAM CAPITAL

**Pricing
standards:**

According to the Financial Services Agreements, the interest rate to be charged by Bright Smart Securities to the Connected Persons and their respective associates shall be no less favourable to Bright Smart Securities than those offered to other customers who are independent third parties of similar credit standing, trading record and quality of collaterals given and in accordance with the credit policy of Bright Smart Securities from time to time. The credit policy of Bright Smart Securities is subject to regular reviews on at least a quarterly basis and special reviews on an ad hoc basis when there is any actual or potential material change in market conditions that is likely to cause material fluctuations in the market. Such rates may vary from time to time depending on (i) the 1-week HIBOR as announced by the Hong Kong Association of Banks at 11:15 a.m. every business day; (ii) the then effective credit policy of Bright Smart Securities; and (iii) the then market sentiment and the cost of funding to the Group, and are applied across all customers with discounts sometimes given to customers (both independent third party customers and the Connected Persons) depending on the quality of their collaterals, their trading record and their trading size, or under the promotion campaign of Bright Smart Securities.

With reference to the Board Letter, the internal policies and procedures in relation to margin financing and IPO financing are in place and can ensure that the interest rates for the margin financings and IPO financing offered to the Connected Persons and their respective associates will be conducted on normal commercial terms and not prejudicial to the interests of the issuer and its minority shareholders. Details of the internal approval process in connection with any request on the adjustment of interest rates (the “**Rates Approval Process**”) are set out under the section headed “C. Internal control on transaction under the Financial Services Agreements” of the Board Letter.

LETTER FROM GRAM CAPITAL

Payment terms: For margin financing, according to the standard client agreement, interest shall be payable on the last day of each calendar month or forthwith upon demand by Bright Smart Securities while the principal amount of the loan shall be repayable on demand by Bright Smart Securities. In the case of IPO financing, such loan would usually be repayable on the date when the listed issuer publishes the allocation results. Pursuant to the Financial Services Agreements and the standard client agreement, the payment terms offered to the Connected Persons and their respective associates shall be the same as those offered to other customers who are independent third parties.

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

For our due diligence purpose, we obtained (i) all of the Group's interest rate adjustment approval forms in respect of internal approval of interest rates charged to Mr. Yip, his associates (Mr. Chan and his associates did not request any interest rate adjustment during the two years ended 31 March 2021 and the six months ended 30 September 2021); and (ii) three of the Group's interest rate adjustment approval forms in respect of internal approval of interest rates charged to independent third parties, during the two years ended 31 March 2021 and the six months ended 30 September 2021. We noted from the aforesaid approval forms that the same internal approval process was applied for Mr. Yip and his associates and independent third parties and nothing had come to our attention that causes us to believe that the internal approval of adjusted interest rates charged to Mr. Yip and his associates deviated from the Rates Approval Process.

Upon our enquiry, the Company provided us record of the Group's interest charged for margin financing and IPO financing provided to the Connected Persons and their respective associates in FY2020/21, together with relevant interest charged for margin financing and IPO financing provided to independent third parties. From the aforesaid record, we noticed that the rates charged by the Group on the Connected Persons and their respective associates for (i) margin financing are within the range of rates charged on independent margin financing clients; and (ii) IPO financing are within the range of rates charged on independent IPO financing clients.

In addition, we also obtained the standard client agreement from the Company which demonstrates the payment terms of the Group's independent clients and we noticed that such payment terms are the same with the payment terms under the Financial Services Agreements.

LETTER FROM GRAM CAPITAL

With reference to the 2020/21 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, among other things, the Group's continuing connected transactions for FY2020/21 and in their opinion, the Group's continuing connected transactions (including the margin financing and IPO financing provided to the Connected Persons) were (a) entered into in the ordinary and usual course of business of the Group; (b) conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole (the "INED Confirmation").

The Company's auditors were also engaged to report on the Group's continuing connected transactions in accordance with "Hong Kong Standard on Assurance Engagements 3000" "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditors of the Company confirmed to the Board that nothing had come to their attention that causes them to believe that the Group's continuing connected transactions (including the margin financing and IPO financing provided to the Connected Persons) (i) had not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) had exceeded their annual caps (the "Auditor Confirmation").

The proposed annual caps

Set out below are the annual caps (i.e. the maximum outstanding amount at all time during the year) for margin financing and IPO financing which may be provided by the Group to each of the Connected Person and their respective associates for the three financial years ending 31 March 2025 as extracted from the Board Letter:

Name of Connected Person	Financing type	Maximum outstanding amount which may be provided to such Connected Person and his associates at all time during the year ending 31 March		
		2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Mr. Yip	Margin financing	1,000,000	1,000,000	1,000,000
	IPO financing	4,000,000	4,000,000	4,000,000
Mr. Chan	Margin financing	10,000	10,000	10,000
	IPO financing	20,000	20,000	20,000

LETTER FROM GRAM CAPITAL

Set out below are the historical figures for margin financing and IPO financing advanced by the Group to the Connected Persons and their associates as extracted from the Board Letter and their respective annual caps, for the two years ended 31 March 2021 and the six months ended 30 September 2021:

Name of Connected Person	Financing type	Maximum outstanding amount provided to such Connected Person and his associates at all time during the year ended 31 March		Maximum outstanding amount provided to such Connected Person and his associates at all time during the six months ended 30 September
		2020	2021	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Yip	Margin financing	139,309	593,019	532,883
		Cap: 1,000,000	Cap: 1,000,000	Cap: 1,000,000 <i>(Note)</i>
	IPO financing	1,462,785	2,199,023	2,192,338
		Cap: 4,000,000	Cap: 4,000,000	Cap: 4,000,000 <i>(Note)</i>
Mr. Chan	Margin financing	—	49	19
		Cap: 10,000	Cap: 10,000	Cap: 10,000 <i>(Note)</i>
	IPO financing	960	4,126	4,099
		Cap: 20,000	Cap: 20,000	Cap: 20,000 <i>(Note)</i>

Note: Annual cap for the year ending 31 March 2022.

With reference to the Board Letter, the Group has established adequate internal control policies to regularly monitor the utilisation rates of the margin financing and IPO financing granted to the Connected Persons and their respective associates to ensure compliance with the Listing Rules. In particular, the Group's sales department and finance department are informed of the applicable annual caps under the Financial Services Agreements in respect of each Connected Person and his associates to ensure that the provision of the financial services is in accordance with the Financial Services Agreements and the respective annual caps are not exceeded. The sales department and finance department are responsible for the day-to-day monitoring of the level of the margin financing and IPO financing provided to each Connected Person and his respective

LETTER FROM GRAM CAPITAL

associates and shall report to the chief executive officer or chief financial officer of the Company when the utilisation of the margin financing facility or IPO financing facility approaches 60% of their respective annual caps.

Upon our enquiry, the Company advised us that the Group also set up an automatic notification (the “**Automatic Notification**”) mechanism under its information system to notify the sales department and finance department when the utilisation of the margin financing facility or IPO financing facility approaches 60% of the Connected Persons’ respective annual caps. The Company also provided us setting logic and formulae of the Automatic Notification under its information system and a notification sample. Nevertheless, as utilisations of the historical annual caps for margin financing and IPO financing advanced by the Group to the Connected Persons and their associates for the two years ended 31 March 2021 and the six months ended 30 September 2021 were below 60%, there was no record of notification for us to review. We do not doubt the efficiency of the aforesaid monitoring and notification mechanism.

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

We noticed that (i) the proposed annual caps for margin financing and IPO financing are substantially higher than the maximum outstanding amount of margin financing and IPO financing advanced by the Group to the Connected Persons and their respective associates at all times during the two financial years ended 31 March 2021 and the six months ended 30 September 2021; and (ii) the historical utilisation rates of the proposed annual caps for the Connected Persons for the six months ended 30 September 2021 were low.

In this regard, we discussed with the Company which advised us that utilisation track records may not be the key criteria in setting the annual caps as the demand for such financing heavily depends on the overall stock market sentiment.

From our independent research, we found the historical turnover of listed securities on the Stock Exchange for the ten months ended 31 October 2021 (with comparative figures in 2020) from the Stock Exchange’s website as set out below:

LETTER FROM GRAM CAPITAL

Main board	Monthly turnover		Average daily turnover		
	<i>HK\$ million</i>		<i>HK\$ million</i>		
	2021	2020	2021	2020	
January	4,897,286	2,072,063	244,864	103,603	
February	4,194,513	2,296,865	233,028	114,843	
March	4,552,433	3,113,304	197,932	141,514	
April	2,953,865	1,905,987	155,467	100,315	
May	3,055,380	2,290,408	152,769	114,520	
June	3,049,643	2,629,212	145,221	125,201	
July	3,863,046	3,622,193	183,955	164,645	
August	3,498,433	2,829,493	159,020	134,738	
September	3,199,659	2,689,116	152,365	122,233	
October	2,343,111	2,108,521	130,173	117,140	
Total	<u>35,607,369</u>	<u>25,557,162</u>	Average	<u>175,406</u>	<u>124,669</u>
GEM board	Monthly turnover		Average daily turnover		
	<i>HK\$ million</i>		<i>HK\$ million</i>		
	2021	2020	2021	2020	
January	16,892	6,619	845	331	
February	15,529	5,589	863	279	
March	12,141	4,099	528	186	
April	5,098	3,459	268	182	
May	7,564	3,845	378	192	
June	6,089	8,356	290	398	
July	7,883	10,064	375	457	
August	7,090	8,843	322	421	
September	5,383	9,411	256	428	
October	4,068	7,006	226	389	
Total	<u>87,737</u>	<u>67,291</u>	Average	<u>432</u>	<u>328</u>

As depicted from the above table, the average turnovers of listed securities on both main board and GEM board of the Stock Exchange were substantially higher for the ten months ended 31 October 2021 as compared with those for the corresponding period in 2020.

LETTER FROM GRAM CAPITAL

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

- (i) There were 76 newly listed companies for the ten months ended 31 October 2021; and
- (ii) funds raised through IPOs for the ten months ended 31 October 2021 were approximately HK\$290.7 billion, representing an increase of approximately 16% when compared with HK\$250.7 billion for the same period of 2020.

With reference to an article titled "Mainland China and Hong Kong IPO markets: 2021 Q3 review" published by KPMG China on 28 September 2021, Hong Kong continues to be the natural choice for homecomings of US-listed mainland Chinese companies. During the period from January 2021 to present, two US-listed Chinese electric-vehicle makers completed dual primary listings in Hong Kong, raising a total of HK\$29.5 billion, representing approximately 10% of total funds raised for the first three quarters of 2021. With the strategic benefits such as expanding investor base and mitigating market risks, more homecomings of US-listed mainland Chinese companies are expected. The biotech sector in Hong Kong has expanded rapidly since a new listing chapter was added in 2018. Solid market sentiment and investor appetite are present in the biotech sector. As of 22 September 2021, there were 56 active healthcare or life sciences applicants in the pipeline, of which 27 are pre-revenue biotech companies. The IPO pipeline in Hong Kong remains robust with more than 200 companies seeking listings by the end of the third quarter of 2021. Hong Kong is expected to be among the top listing destinations in 2021.

The above statistics demonstrates an active stock market in Hong Kong. It is possible that the Connected Persons and their associates require more IPO financing or margin financing for their investment activities in future. Therefore, it is reasonable to set annual caps for the Connected Persons at the same level.

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

Having considered the principal terms of the Financial Service Agreements (including the proposed annual caps), we are of the view that the terms of the Financial Services Agreements are on normal commercial terms and are fair and reasonable.

3. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Financial Services Agreements must be restricted by their respective proposed annual caps for the period concerned; (ii) the terms of the Financial Services Agreements (including the proposed annual caps) must be reviewed by the independent non-executive Directors

LETTER FROM GRAM CAPITAL

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

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

RECOMMENDATION

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

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

(a) Interests in the Company

Name of Director	Long/Short position	Nature of interests	Number of shares interested	Approximate percentage of issued share capital
Mr. Yip	Long Position	Interest in a controlled corporation	900,000,000 (Note 1)	53.02%
	Long Position	Beneficial Owner	183,776,280	10.83%
Mr. Szeto Wai Sun	Long Position	Beneficial Owner	631,666 (Note 2)	0.03%
Mr. Hui Yik Bun	Long Position	Beneficial Owner	600,000	0.03%
Mr. Yu Yun Kong	Long Position	Beneficial Owner	608,829	0.03%
Mr. Ling Kwok Fai, Joseph	Long Position	Beneficial Owner	210,700	0.01%

Notes:

1. The 900,000,000 shares were held by New Charming Holdings Limited, a company wholly owned by Mr. Yip. Mr. Yip is also a director of New Charming Holdings Limited.
2. As a beneficiary of a trust, Mr. Szeto Wai Sun is deemed to be interested in the 631,666 shares by virtue of the SFO.

(b) Interests in associated corporations of the Company

Name of associated corporation	Name of Director	Long/Short position	Nature of interests	Number of shares interested	Approximate percentage of issued share capital of the relevant company
New Charming Holdings Limited	Mr. Yip	Long Position	Beneficial Owner	1	100%

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**(a) Interests in assets**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited consolidated accounts of the Group were made up.

The related companies of Mr. Yip and Ideal Magic Limited (“**Ideal Magic**”), an indirect wholly-owned subsidiary of the Company, have entered into certain tenancy agreements with a lease term up to 31 March 2022 (the “**Previous Tenancy Agreements**”), under which the related companies of Mr. Yip lease certain properties to the Group to be used for (i) its head and branch offices for the provision of securities brokerage, margin financing, commodities and futures brokerage, bullion trading and forex trading services to customers in the surrounding areas; (ii) entertainment by VIP clients of the Group; and (iii) its car parking spaces of the vehicles of the

Group. Since 31 March 2021 and up to the Latest Practicable Date, the Group had paid the related companies of Mr. Yip a total amount of HK\$46.46 million attributable to the Previous Tenancy Agreements.

On 28 January 2022, the related companies of Mr. Yip and Ideal Magic entered into certain tenancy agreements which will commence on 1 April 2022 (the “**New Tenancy Agreements**”), under which the related companies of Mr. Yip lease certain properties to the Group to be used for (i) its head and branch offices for the provision of securities brokerage, margin financing, commodities and futures brokerage, bullion trading and forex trading services to customers in the surrounding areas; (ii) entertainment by VIP clients of the Group; and (iii) its car parking spaces of the vehicles of the Group. As at the Latest Practicable Date, the Group had paid the related companies of Mr. Yip a total amount of HK\$3.93 million attributable to the New Tenancy Agreements, being the rent for the first month of the lease term.

(b) Interests in contracts

Save as disclosed below, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group since 31 March 2021, being the date to which the latest published audited consolidated accounts of the Group were made up.

On 9 July 2018, the Company entered into a loan facility letter with World Mix Limited (“**WML**”), a company which is 100% beneficially owned by Mr. Yip, for the provision of HK\$1,000,000,000 revolving loan facility from WML to the Company for the Company’s general working capital purpose. The loan bore interest at HIBOR plus 2.75% per annum, is unsecured and repayable on demand. As at the Latest Practicable Date, the provision of the revolving loan facility by WML remained in full force and effect.

On 9 July 2018, 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 the provision of a revolving loan facility of HK\$1,000,000,000 by CFW to Bright Smart Securities for Bright Smart Securities’ general working capital purposes. The loan bore interest at HIBOR plus 2.75% per annum, is unsecured and repayable on demand. As at the Latest Practicable Date, the provision of the revolving loan facility by CFW remained in full force and effect.

On 3 January 2019, all the Directors entered into brokerage services agreements (the “**Previous Brokerage Services Agreements**”) with Bright Smart Securities, Bright Smart Futures & Commodities Company Limited, Bright Smart Global Bullion Limited and Bright Smart Forex Limited, all being indirect wholly-owned subsidiaries of the Company. Under the Previous Brokerage Services Agreements, the Group may provide brokerage services to the Directors and their respective associates on a non-exclusive basis with a contractual term commencing from 1 April 2019 to 31 March 2022 (both dates inclusive). As at the Latest Practicable Date, the Previous Brokerage Services Agreements between the Group and the Directors remained in full force and effect.

On 3 January 2019, all the Directors entered into financial services agreements (the “**Previous Financial Services Agreements**”) with Bright Smart Securities. Under the Previous Financial Services Agreements, the Group may, upon request, (but not obliged to) provide financial services, including margin financing and IPO financing, to the Directors and their respective associates on a non-exclusive basis with a contractual term commencing from 1 April 2019 to 31 March 2022 (both dates inclusive). As at the Latest Practicable Date, the Previous Financial Services Agreements between the Group and the Directors remained in full force and effect.

On 28 January 2022, all the Directors entered into brokerage services agreements (the “**New Brokerage Services Agreements**”) with Bright Smart Securities, Bright Smart Futures & Commodities Company Limited, Bright Smart Global Bullion Limited and Bright Smart Forex Limited, all being indirect wholly-owned subsidiaries of the Company. Under the New Brokerage Services Agreements, the Group may provide brokerage services to the Directors and their respective associates on a non-exclusive basis with a contractual term commencing from 1 April 2022 to 31 March 2025 (both dates inclusive). As at the Latest Practicable Date, the New Brokerage Services Agreements between the Group and the Directors remained valid but have not yet commenced.

On 28 January 2022, all the Directors entered into financial services agreements (the “**New Financial Services Agreements**”) with Bright Smart Securities, including the two Financial Services Agreements between each of the Connected Persons with Bright Smart Securities which are conditional upon the approval of the Independent Shareholders at the EGM. Under the New Financial Services Agreements, the Group may, upon request, (but not obliged to) provide financial services, including margin financing and IPO financing, to the Directors and their respective associates on a non-exclusive basis with a contractual term commencing from 1 April 2022 to 31 March 2025 (both dates inclusive). As at the Latest Practicable Date, the New Financial Services Agreements between the Group and the Directors (excluding the Connected Persons) remained valid but have not yet commenced.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

6. CONSENT OF EXPERT

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

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

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

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

- (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or
- (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any member of the Group.

8. 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 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.bsgroup.com.hk) for a period of not less than 14 days from the date of this circular up to and including the date of the EGM:

- (i) the Financial Services Agreements;
- (ii) the letter from the Independent Board Committee dated 16 February 2022, the text of which is set out on pages 19 to 20 of this circular;
- (iii) the letter from Gram Capital dated 16 February 2022, the text of which is set out on pages 21 to 34 of this circular; and
- (iv) the written consent given by Gram Capital referred to in paragraph 6 of this Appendix.

NOTICE OF EGM



BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Bright Smart Securities & Commodities Group Limited (the “**Company**”) will be held on Mezzanine Floor, Honour House, 375–381 Nathan Road, Kowloon on Monday, 7 March 2022 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

“**THAT:**

1. the execution of the Financial Services Agreement (as defined in the circular of the Company dated 16 February 2022 (the “**Circular**”) of which this notice forms part) by Bright Smart Securities International (H.K.) Limited as service provider and Mr. Yip Mow Lum as customer (a copy of which has been produced to the meeting marked “1” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Financial Services Agreement and the transaction contemplated thereunder; and
2. the execution of the Financial Services Agreement (as defined in the Circular) by Bright Smart Securities International (H.K.) Limited as service provider and Mr. Chan Wing Shing, Wilson as customer (a copy of which has been produced to the meeting marked “2” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised to do all such acts and things as he may consider necessary or expedient to implement the Financial Services Agreement and the transaction contemplated thereunder.”

By order of the Board

Bright Smart Securities & Commodities Group Limited
Hui Yik Bun

Executive Director and Chief Executive Officer

Hong Kong, 16 February 2022

NOTICE OF EGM

Registered office:
P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

*Principal place of business in
Hong Kong:*
10th Floor and 23rd Floor
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Notes:

1. All resolutions put to 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the above meeting or any adjournment thereof.
4. The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, from Wednesday, 2 March 2022 to Monday, 7 March 2022 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the EGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Tuesday, 1 March 2022.
5. Precautionary Measures for the EGM:

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement relevant preventive measures at the EGM. Details of which please refer to page 4 of the circular.
6. If Typhoon Signal No. 8 or above, or a Black Rainstorm Warning Signal or extreme conditions caused by super typhoon is in force in Hong Kong at or at any time after 8:00 a.m. on the date of the EGM, the meeting will be adjourned. The Company will publish an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bsgroup.com.hk) to notify Shareholders of the date, time and venue of the adjourned meeting.

As at the date of this notice, the Board comprises Mr. Yip Mow Lum (Chairman), Mr. Hui Yik Bun (Chief Executive Officer), Mr. Chan Wing Shing, Wilson as Executive Directors; and Mr. Yu Yun Kong, Mr. Szeto Wai Sun and Mr. Ling Kwok Fai, Joseph as Independent Non-executive Directors.