BUSINESS ACTIVITIES

The Group is one of the well-established securities brokerage houses with low brokerage commission rates and primarily focuses on providing online brokerage services in Hong Kong. The Group has now extended its service coverage from securities, futures and options brokerage in Hong Kong to a wide range of financial products traded in the US and Singapore exchanges. Apart from its main business of securities, futures and options brokerage, the Group also provides margin and IPO financings to its clients in Hong Kong. The Group generates its turnover from (i) brokerage commission received from its clients in relation to its securities, futures and options brokerage business which was recognised on a trade date basis when relevant transactions are executed; and (ii) interest income generated from its margin and IPO financing to its clients.

Leveraging on its efficient and secure online trading system and low brokerage commission rates, the Group has successfully built up its client base rapidly and recorded significant growth in the number of new securities and futures trading client accounts during the Track Record Period. For each of the three years ended 31 March 2008, 2009 and 2010, Bright Smart Securities had 3,686, 2,063 and 3,682 new client accounts opened respectively, which represented a growth in client base of approximately 68.9%, 23.7% and 35.1% respectively whereas Bright Smart Futures had 385, 776 and 1,176 new client accounts opened respectively, which represented a growth in client base of approximately 60.3%, 83.1% and 73.0% respectively. As a whole, in the same period, the Group had 4,071, 2,839 and 4,858 new securities, futures and options client accounts opened respectively, which represented a growth in overall client base of approximately 68.0%, 29.4% and 40.1% respectively. According to the information from HKEx, since the first half of 2006, Bright Smart Securities has been qualified as a Constituency B Exchange Participant, which represented the group of Exchange Participants ranked fifteenth to sixty-fifth in terms of market share, with the market share of Bright Smart Securities increasing in general since then.

During the Track Record Period, the Group did not have any proprietary trading business.

Securities brokerage

The Group's business in securities brokerage is undertaken by Bright Smart Securities, which is a Stock Exchange Participant and a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Securities brokerage clients can place orders by phone or online. As at the Latest Practicable Date, Bright Smart Securities held 1 Stock Exchange Trading Right and 14.25 throttle rates subscribed from the Stock Exchange, which translated to a capacity of processing 14.25 transaction orders per second. Bright Smart Securities is also a participant of HKSCC and SEOCH.

The Group's online securities trading platform was launched in January 2005. As brokerage commission rates for securities transactions placed online are lower than those of telephone orders, the use of online trading platform increased substantially since its operation. For each of the three years ended 31 March 2008, 2009 and 2010, value of transactions with orders placed online accounted for approximately 75.0%, 85.6% and 87.6% respectively of Bright Smart Securities' total value of transactions. The Group generates turnover from its securities brokerage business from brokerage commission received from its clients which was recognised on a trade date basis when the relevant transactions are executed. For the three years ended 31 March 2008, 2009 and 2010, the respective value of transactions of Bright Smart Securities accounted for approximately 0.909%, 1.074% and 1.091% of the market turnover of the Stock Exchange's securities trading as announced by the Stock Exchange.

The Group has licensed customer service representatives to take telephone orders from its clients. Orders placed through telephone accounted for approximately 25.0%, 14.4% and 12.4% of Bright Smart Securities' total value of transactions for each of the three years ended 31 March 2008, 2009 and 2010 respectively. Since orders placed online are processed automatically, including control procedures such as checking of client's fund and securities on hand with no dealer's handling are normally required, the Group is able to charge a lower brokerage commission rate for online trading. Since the abolishment of the minimum brokerage commission on 1 April 2003, the Group substantially reduced its brokerage commission rate in order to have a more competitive fee structure in the market. As at the Latest Practicable Date, the Group charged its Hong Kong clients a rate of 0.0668% (with a minimum charge of HK$50) of transaction value for online securities trading, 0.085% (with a minimum charge of HK$50) of transaction value for securities trading through telephone orders, and 0.15% (with a minimum charge of HK$100) of transaction value for clients registered as online trading clients but placed orders through telephone. For individual clients with high trading volume, various schemes of brokerage commission rebate are available, where effective brokerage commission rate can be as low as 0.01% for monthly securities transaction amounts (in monetary terms) above certain threshold. Furthermore, the Group, as at the Latest Practicable Date, offered a customer loyalty program (the "Program") to its securities trading clients who have online trading accounts with the Group ("Eligible Clients"). The maximum amount of brokerage commission rebate entitled by Eligible Clients is the total brokerage commission expense incurred by the Eligible Clients during the designated period as stated in the Program. All transaction related levies and applicable stamp duties are borne by the clients of the Group.

The Group will only take orders or instructions from clients who have signed the account opening forms with the Group and agreed that neither the Group nor any of its officers, employees or agents shall be liable to them for any loss or liability which they may incur (including losses and liabilities resulting from any transactions involving securities trading executed by any brokers and dealers) unless due to fraud or willful default on the part of the Group. The Group's clients take full responsibility for all trading decisions in their securities trading accounts and the Group is responsible only for the execution, clearing and carrying out of transactions in such accounts.

Leveraging on its efficient and secure online trading system and low brokerage commission rate, the Group was able to build up its client base rapidly and recorded significant growth in the number of new securities trading client accounts during the Track Record Period. For each of the three years ended 31 March 2008, 2009 and 2010, Bright Smart Securities had 3,686, 2,063 and 3,682 new client account opened respectively, which represented a growth in client base of Bright Smart Securities of approximately 68.9%, 23.7% and 35.1% respectively.

Bright Smart Securities	Movement of client account number of Bright Smart Securities For the year ended 31 March		
	2008	2009	2010
Number of client accounts at the beginning of the financial year	5,348	8,708	10,494
Number of new client accounts opened	3,686	2,063	3,682
Number of client accounts closed	(326)	(277)	(368)
Number of client accounts at the end of the financial year	8,708	10,494	13,808
Number of Active Securities Trading Clients at the end of the financial year	5,933	5,380	7,736
Net brokerage commission — securities brokerage (HK$ million)	100.3	62.3	92.7

As at 31 March 2008, 2009 and 2010, Bright Smart Securities had approximately 5,933, 5,380 and 7,736 Active Securities Trading Client Accounts respectively, which have recorded at least one trading activity in the past twelve months. These Active Securities Trading Client Accounts comprise principally accounts of retail clients. Set out below is the breakdown of the Active Securities Trading Client Accounts of Bright Smart Securities by ranges of brokerage commission income (net of rebate) as at 31 March 2008, 2009 and 2010:

Bright Smart Securities	Number of Active Securities Trading Client Accounts		
	As at 31 March		
Brokerage commission income (net of rebate) (in HK$)	2008	2009	2010
Less than or equal to 300	734	1,476	2,010
301–500	159	405	575
501–1,000	230	660	887
1,001–5,000	542	1,445	2,073
5,001–10,000	285	514	741
Over 10,000	3,983	880	1,450
	5,933	5,380	7,736

During the six months from 1 October 2009 to 31 March 2010, the average utilisation rate of securities trading capacity of Bright Smart Securities in terms of throttle usage was approximately 5.3%, calculated based on approximately 12,270 orders a day placed by clients (which is the average number of orders placed per day during the period) divided by Bright Smart Securities' trading capacity of approximately 230,850 orders a day (which is based on its 14.25 throttle rates and assuming 4.5 trading hours each day). Maximum utilisation of securities trading capacity usually occurs at peak hours when the trading session just starts. Depending on the business requirements of the Group in the future, the Directors confirmed that the Group is capable of increasing its throttle rates without substantial costs incurred. As at the Latest Practicable Date, the one-time charge by HKEx for each additional throttle rate was HK$100,000.

Bright Smart Securities provides research to its clients in order to complement the Group's securities brokerage business. The Group's research team issues daily, weekly and monthly research reports, which provide the Group's clients with relevant news summaries, commentaries on general market trends, stock picks, historical performance of particular securities as well as other relevant information such as lists of suspensions, resumptions and placing by listed companies in Hong Kong. The Group's research team also organises weekly seminars for the public, and attends interviews in television financial programs and seminars organised by outside bodies.

The Group also provides other related services including real time stock quotes, application for IPO issues, collection of cash and scrip dividends, and other services such as exercises of rights/ warrants, privatisations and open offers.

The largest securities brokerage client of Bright Smart Securities contributed approximately 4.9%, 3.3% and 1.7% respectively of Bright Smart Securities' brokerage commission income (net of rebate) for each of the three years ended 31 March 2008, 2009 and 2010. For the same years, the five largest securities brokerage clients of Bright Smart Securities in aggregate accounted for approximately 15.1%, 10.1% and 6.3% respectively of Bright Smart Securities' brokerage commission income (net of rebate).

For each of the three years ended 31 March 2008, 2009 and 2010, brokerage commission income (net of rebate) from securities brokerage business of Bright Smart Securities accounted for approximately 96.3%, 85.9% and 80.9% respectively of the Group's total brokerage commission income (net of rebate).

Financing

Margin financing

Credit facilities are offered by the Group to its clients who would like to purchase securities on a margin basis, which offers funding flexibility to the Group's clients. All financing extended to the Group's clients is secured by securities listed on the Stock Exchange and pledged to the Group. A list of securities acceptable as pledges to the Group and their respective margin ratios are regularly updated and communicated to clients through the website of the Group. Margin ratio for each of the acceptable securities is generally determined by the Responsible Officers with reference to those set by other financial institutions, and is reviewed on a regular basis and also on an urgent basis when qualities of particular securities deteriorate rapidly. As at the Latest Practicable Date, the Group lent between 40%

and 75% of the value of the HSI constituent stocks and between 10% and 70% of the value of approved non-HSI constituent stocks, depending on the quality of the individual stock. It is the Group's policy not to provide financing for purchase of derivative products and stocks listed on the GEM.

For each of the three years ended 31 March 2008, 2009 and 2010, interest income derived from the Group's margin financing business accounted for approximately 9.2%, 7.7% and 11.0% of the Group's total turnover respectively.

As at 31 March 2010, the Group had approximately 1,844 Active Margin Client Accounts which have recorded at least one transaction for purchase and/or sale of securities in the past twelve months.

Interest rates charged by the Group to margin clients during the Track Record Period ranged from 3.68% to 7.5% per annum. As at 31 March 2008, 2009 and 2010, the Group's loans to margin clients amounted to approximately HK$152.5 million, HK$132.7 million and HK$608.6 million respectively, and the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$649.6 million, HK$435.3 million and HK$1,934.2 million respectively.

IPO financing

The Group also provides financing for applications of shares in connection with IPOs. The Group conducts risk assessment before granting financing to clients. The Group first prepares a financial forecast to determine the maximum amount of financing to be granted for the purpose of ensuring relevant financial regulations of the governing bodies will be complied with. Upon the financial forecast is approved by the senior management of the Group, the Group then maintains a record to monitor the amount of financing granted to clients.

The Group provides competitive interest rate to its clients. Interest rates charged by the Group to IPO financing clients for each of the years ended 31 March 2008, 2009 and 2010 ranged from 3.6% to 6.7%, 2.0% to 3.68%, and 0.5% to 2.3% per annum respectively.

During the Track Record Period, Bright Smart Securities had entered into certain subordinated loan agreements with Manet Good, pursuant to which Manet Good agreed to grant revolving credit facilities to Bright Smart Securities which were unsecured and borne no interest. The loans have been used for the IPO financing business of the Group, and will be terminated upon Listing. Please also refer to the section headed "Relationship with the Controlling Shareholder — Financial independence" for further background information on the subordinated loans from Manet Good.

For each of the three years ended 31 March 2008, 2009 and 2010, interest income derived from the Group's IPO financing business accounted for approximately 31.8%, 0.2% and 7.3% of the Group's total turnover respectively. While the Group's main focus is on its brokerage business and margin financing business, the Group would still participate in IPO financing business after Listing even without the subordinated loans on the basis that part of the net proceeds from the Share Offer would be used to increase the share capital of Bright Smart Securities.

No provision for bad debt was recorded by the Group during the Track Record Period.

While licences under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) are generally required for the type of financing services provide by the Group, the Group is exempted from such requirement as Bright Smart Securities, the only operating subsidiary of the Company providing financing services to clients, is a corporation licensed to carry on a business in dealing in securities under Part V of the SFO who engages in securities margin financing in order to facilitate acquisitions or holdings of securities by the corporation for its client. For the requirements of paid-up share capital and liquid capital of Stock Exchange Participants, please refer to the section headed "Industry Overview — Stock Exchange Participants" in this prospectus.

The Group has risk management policies with respect to financing in monitoring the Group's credit risk, details of which are set out in the paragraph headed "Current internal control system" in this section.

The Group's largest client for financing business contributed approximately 3.7%, 6.6% and 8.5% respectively of the Group's interest income from financing activities for each of the three years ended 31 March 2008, 2009 and 2010. For the same years, the Group's five largest financing clients in aggregate accounted for approximately 15.0%, 26.4% and 19.6% respectively of the Group's interest income.

Details of the Group's accounting policies on loans and receivables, and impairment allowance for bad and doubtful debts are set out in Notes 1(j) and 1(i)(i) respectively to the Accountants' Report contained in Appendix I to this prospectus.

Futures and options brokerage

Futures and options in Hong Kong

The Group's business in futures and options brokerage is undertaken by Bright Smart Futures, which is a Future Exchange Participant and a licensed corporation under the SFO to carry on Type 2 (dealing in futures contracts) regulated activities. Bright Smart Futures currently holds 1 Futures Exchange Trading Right. Bright Smart Futures is also a participant of HKCC.

Bright Smart Futures provides brokerage services for futures and options traded on the Futures Exchange, such as HSI futures and options, and mini-HSI futures and options. The Group's online trading platform for its futures and options trading activities was launched in October 2007, and futures and options brokerage clients are allowed to place orders through telephone or online, with brokerage commission rate for online trading relatively lower than that for trading through telephone orders as at the Latest Practicable Date. The Group will only take orders or instructions from clients who have signed the account opening forms with the Group and agreed that neither the Group nor any of its officers, employees or agents shall be liable to them for any loss or liability which they may incur (including losses and liabilities resulting from any transactions involving futures and options executed by any brokers and dealers) unless due to fraud or willful default on the part of the Group. The Group's clients take full responsibility for all trading decisions in their futures and options trading accounts and the Group is responsible only for the execution, clearing and carrying out of transactions in such accounts.

For each of the three years ended 31 March 2008, 2009 and 2010, brokerage commission income (net of rebate) generated from futures and options orders placed online accounted for approximately 34.9%, 76.9% and 87.3% respectively of Bright Smart Futures' total brokerage commission income (net of rebate).

The Group generates turnover from its futures and options brokerage business from commission received from its clients when relevant transactions are executed. Set out below are the market shares of Bright Smart Futures in the trading of different derivative products according to the turnover ranking issued by the HKEx for the three years ended 31 March 2008, 2009 and 2010:

Bright Smart Futures	**For the year ended 31 March**		
	2008	**2009**	**2010**
HSI futures	0.34%	0.94%	1.26%
HSI options (house and client account)	0.17%	0.69%	0.90%
H-shares index futures	0.11%	0.21%	0.20%
H-shares index options (house and client account)	0.00%	0.03%	0.10%

Global futures

As an additional service to the Group's clients, starting from March 2009, Bright Smart Futures extended its brokerage services to futures products including currency futures, index futures, metal and energy futures, agricultural and food futures and bond futures traded on exchanges in the US and further extended its service to index futures traded on Singapore Exchange Limited in September 2009 through two independent local brokers. According to the websites of the two independent brokers, one of them is headquartered in Paris, and with offices in the Americas, Asia-Pacific and Europe-Middle East, offering access to more than 80 global exchanges. The other independent broker whom the Group has engaged, according to its own website, provides execution and clearing services for exchange-traded and over-the-counter derivative products as well as non-derivative foreign exchange products and securities in the cash market. It operates in 12 countries on more than 70 exchanges providing access to the largest and fastest growing financial markets in the world.

For each of the three years ended 31 March 2008, 2009 and 2010, gross brokerage commission income generated from futures traded on the exchanges in the US and Singapore amounted to approximately HK$Nil, HK$0.1 million and HK$4.5 million respectively, and represented approximately 0%, 1.0% and 17.0% respectively of Bright Smart Futures' total gross brokerage commission income.

The Group places deposits and maintains trading accounts with the two independent local brokers and provides routing services to its clients in Hong Kong in respect of the above futures products traded on exchanges in the US and Singapore. Clients' orders received in respect of products traded on the relevant US and Singapore exchanges are passed to the relevant brokers for their onward execution on the relevant US and Singapore exchanges. When the Group's clients give instructions to the Group, it will relay the instructions to the two independent brokers to deposit, purchase and/or sell overseas futures products and effect other transactions for their trading accounts. The independent brokers give the Group a right to access and use their data routing system to directly enter and transmit orders to buy or sell currency futures, index futures, metal and energy futures, agricultural and food futures and bond futures on electronic trading facilities as agreed to from time to time.

The Group pays to the two brokers on demand subscription or commission fees on purchases, sales and other transactions or services for the account, exchange fees, interest as well as other expenses in connection with the use of the designated electronic order entry and routing system to electronic trading facilities, tools and information, data and other software services. Under the respective contracts signed by the Group and each of the brokers, either party may terminate the terms of these contracts by giving the other party written prior notice of 30 days and 7 days in the other. The commission paid by the Group, including exchange fees, to the two independent brokers ranged from US$1.57 per order to US$4.56 (full service based on self-execution and clearing) depending on the country where such order is executed. The clients pay to the Group's commission, charges, brokerage or other remuneration on all transactions from time to time, as well as all applicable levies imposed by any relevant clearing system or exchanges and all applicable stamp duties. The brokerage commission fees charged by the Group to its clients are US$8.8 per order in respect of internet ordering and the Group will charge US$40 per order for phone ordering. All such brokerage commission, charges, levies and duties may be deducted by the Group from the clients' accounts.

The Group will only execute orders on behalf of its clients who have signed the account opening forms with the Group and have agreed that neither the Group nor any of their respective officers, employees or agents shall be liable to them for any direct, indirect or consequential loss or liability which they may incur (including losses and liabilities resulting from transactions and/or orders executed by any brokers and dealers) unless due to fraud or willful default on the part of the Group. The Group's clients take full responsibility for all trading decisions in their trading accounts and the two independent brokers are responsible only for the execution, clearing and carrying out of transactions in such accounts. Accordingly, in the absence of wilful default or fraud on the part of the Group, the Group shall not be liable to the client as a result of any action or omission taken by the Group or any of the person to whom the client authorises the Group to instruct including (but not limited to) executing brokers, agents, custodians, nominees, overseas brokers and dealers etc.

All transactions and/or orders made by the clients executed by any of the independent brokers are subject to relevant laws, constitution, rules and regulations of the relevant stock exchanges, futures exchanges, markets, or clearing houses in jurisdictions in which the brokers are dealing on the client's behalf. The Directors confirmed that the Group has extended its services to futures products traded on the US and Singapore for the convenience of its customers who are interested in trading futures products on exchanges outside Hong Kong without having to open and maintain separate accounts with these brokers.

The Group acts as its clients' agents and effects transactions on their behaves and executes trading orders with the brokers which provide brokerage services in respect of the futures products traded on exchanges in the US and Singapore. The trading and clearing of the futures contracts are carried out by the said brokers. The Company's legal advisers on Hong Kong laws advised that there is no requirement for obtaining overseas licenses for provision of agency services in Hong Kong in relation to such brokerage activities. The Directors confirm that, when performing such services, neither the Group nor its authorised representative gives advices on futures contracts traded within or outside Hong Kong which contravenes with Type 2 regulated activities.

Trading activities carried on different exchanges will be subject to taxation in the jurisdiction in which such trading activities are conducted. Accordingly, the Group, being the client of the said brokers, will be subject to all applicable tax, duties and levy arising out of the transactions which the Group executes on behalf of its clients. However, the Group is authorised to deduct any such tax, duties, levy, charges arising out of or in connection with the transactions or futures contracts purchased by it on behalf of the clients. If the Group incurs any costs, claims, demands and losses in connection with anything done pursuant to any transaction entered into by the Group on behalf of the clients, the clients will indemnify the Group in full. The Directors confirmed that during the Track Record Period, the Group has paid and settled all payment requests, invoices and fees (including any applicable value added tax, stamp duties or other taxes as the case may be) charged by the two brokers and there was no outstanding amount due to the two brokers or demand for payment issued by the two brokers received by the Group as at 31 March 2010. To the best knowledge and belief of the Directors, the Group has not received any claim, notice or demand issued, and there has not been any action taken, by the relevant authority or government official in the US or the Singapore whereby the Company and/or its subsidiaries is/are liable or is/are sought to be made liable to make any payment of any form of taxation duties, rates, other impositions.

For each of the three years ended 31 March 2008, 2009 and 2010, Bright Smart Futures had 385, 776 and 1,176 new client accounts opened respectively, which represent a growth in client base of Bright Smart Futures of approximately 60.3%, 83.1% and 73.0% respectively.

Bright Smart Futures	**Movement of client account number of Bright Smart Futures For the year ended 31 March**		
	2008	**2009**	**2010**
Number of client accounts at the beginning of the financial year	639	934	1,612
Number of new client accounts opened	385	776	1,176
Number of client accounts closed	(90)	(98)	(81)
Number of client accounts at the end of the financial year	934	1,612	2,707
Number of Active Futures and Options Trading Client Accounts at the end of the financial year	351	653	1,177
Net brokerage commission — futures and options brokerage (HK$ million)	3.8	10.2	21.9

As at 31 March 2008, 31 March 2009 and 31 March 2010, Bright Smart Futures had approximately 351, 653 and 1,177 Active Futures and Options Trading Client Accounts respectively, which have recorded at least one transaction for open and/or close position of future and/or option trading contracts in the past twelve months. These Active Futures and Option Trading Client Accounts comprise principally accounts of retail clients. Set out below is the breakdown of the Active Futures and Options Trading Client Accounts of Bright Smart Futures by range of commission income (net of rebate) as at 31 March 2008, 2009 and 2010:

Bright Smart Futures	**Number of Active Futures and Options Trading Client Accounts**		
	As at 31 March		
Brokerage commission income net of rebate (in HK$)	**2008**	**2009**	**2010**
Less than or equal to 300	94	102	157
301–500	30	37	45
501–1,000	45	63	108
1,001–5,000	101	209	360
5,001–10,000	25	91	147
Over 10,000	56	151	360
	351	653	1,177

For each of the three years ended 31 March 2008, 2009 and 2010, brokerage commission income (net of rebate) from futures and options brokerage of Bright Smart Futures contributed approximately 3.7%, 14.1% and 19.1% respectively of the Group's total brokerage commission income (net of rebate).

The largest futures and options trading client of Bright Smart Futures contributed approximately 18.2%, 11.0% and 6.5% respectively of the futures and options trading brokerage commission income (net of rebate) of Bright Smart Futures for each of the three years ended 31 March 2008, 2009 and 2010. For the same years, the five largest futures and options trading clients of Bright Smart Futures in aggregate accounted for approximately 43.9%, 29.8% and 20.9% respectively of the futures and options trading brokerage commission income (net of rebate) of Bright Smart Futures.

The Group's top five largest clients

The Group's clients comprise principally retail clients.

The largest client of the Group contributed approximately 2.8%, 2.6% and 1.7% respectively of the Group's turnover for each of the three years ended 31 March 2008, 2009 and 2010. For the same years, the five largest clients of the Group, which consist of both retail clients and corporate clients, in aggregate accounted for approximately 10.7%, 9.0% and 7.0% respectively of the Group's turnover. Due to the nature of the securities, futures and options brokerage businesses, the Group's largest clients vary from year to year, depending on clients' trading volume. The Group has no major suppliers due to the nature of the Group's principal activities of securities, futures and options brokerage services.

For the year ended 31 March 2009, Madam Hung was one of the Group's five largest clients. Income received from Madam Hung accounted for approximately 0.4%, 1.8% and 0.7% of the Group's turnover for each of the three years ended 31 March 2008, 2009 and 2010 respectively. Save as the aforesaid, to the knowledge of the Directors, none of the Directors, chief executives, or any person who, to the knowledge of the Directors, owns more than 5% of the issued share capital of the Company or any of its subsidiaries, or any of their respective Associates, had any interest in any of the Group's five largest clients during the Track Record Period.

Staff dealing

Staff members of the Group are allowed to perform securities trading through their securities trading accounts opened with the Group, provided that prior approvals from Responsible Officer are obtained for each of the transactions. Except for the transactions disclosed in Note 25(c)(i) of Appendix I in the prospectus in relation to related party transactions, the revenue derived from brokerage commission income received from staff dealings through the Group during each of the three years ended 31 March 2008, 2009 and 2010 was approximately HK$203,855, HK$29,289 and HK$8,977 respectively, which were charged at the same brokerage commission rates applicable to external clients of the Group and on normal commercial terms.

COMPETITIVE ADVANTAGES

As there are many market players in the field of securities, futures and options trading in Hong Kong, the competition in the brokerage industry is extremely intense. Local as well as international brokerage houses and banks compete for both traditional telephone and online based clients within Hong Kong, being one of Asia's leading financial markets. The number of Stock Exchange Participants and Futures Exchange Participants as at 31 March 2008, 2009 and 2010 are summarised in the table below:

	As at 31 March		
	2008	2009	2010
Number of Stock Exchange Participants			
— Trading	445	452	468
— Non-trading	36	37	31
	481	489	499
Number of Futures Exchange Participants			
— Trading	143	157	171
— Non-trading	—	—	—
	143	157	171

As at 31 March 2010, there were a total of 499 Stock Exchange Participants and 171 Futures Exchange Participants, 468 and 171 of which were Trading Participants while the remaining 31 and nil were Non-trading Participants in the industry of securities, futures and options trading respectively. As compared to 31 March 2009, the number of Stock Exchange Participants and Futures Exchange Participants as at 31 March 2010 increased by 10 (or approximately 2.0%) and 14 (or approximately 8.9%) respectively.

Despite the keen competition in the securities, futures and options brokerage industry, the Directors believe that the competitive strengths of the Group will enable the Group to compete effectively. These include:

Long history of establishment with progressive business development

The Group has established its securities brokerage business since 1999 and its futures and options brokerage business since 1995. In respect of its business development, the Group introduced an online trading system for its securities trading in January 2005 and its futures and options trading in October 2007, with a view to allowing its clients to operate their trading activities interactively through the Group's online trading system without reliance on the Group's dealers. Moreover, in March 2009, the online global futures trading service was introduced to allow its clients to get access to futures products traded on the exchanges in the US. The Group further extended its brokerage services to futures products traded on the exchange in Singapore in September 2009.

The Group opened its first branch office in Tsuen Wan on 28 December 2009, and subsequently opened nine additional branches up to the Latest Practicable Date, for the purpose of attracting new clients, and to facilitate and provide better customer services to its clients. The capital expenditure used in the establishment of the ten existing branches was funded by the Group's internal resources and the future working capital requirement to support the ten existing branches will also be funded by the Group's internal resources.

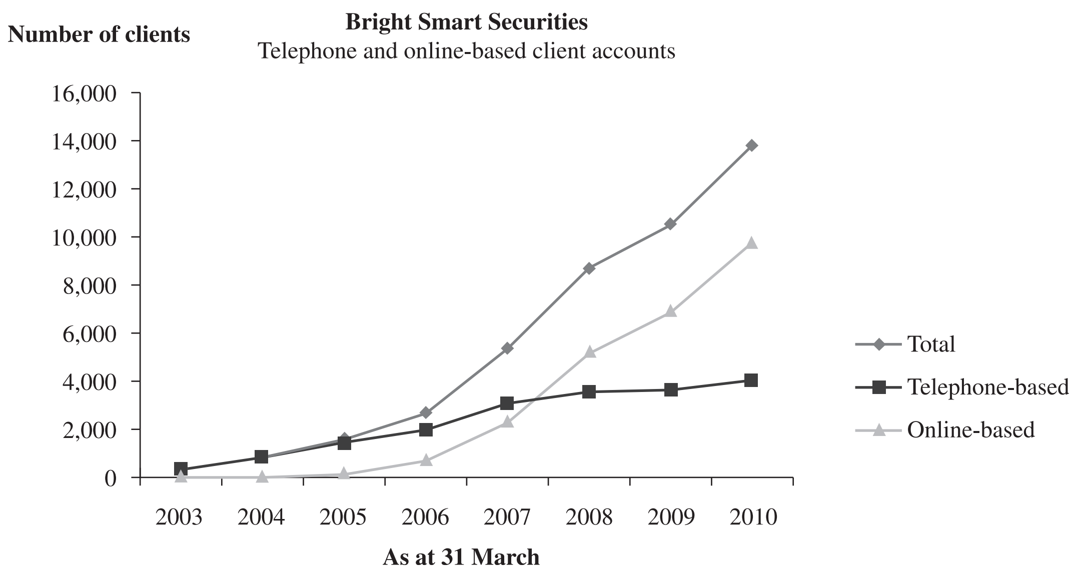
With a long history of establishment and a progressive business development, the Group has built an effective operating system. The Directors believe that the Group can offer quality services and tailored solutions to meet its clients' needs in a constantly changing financial market.

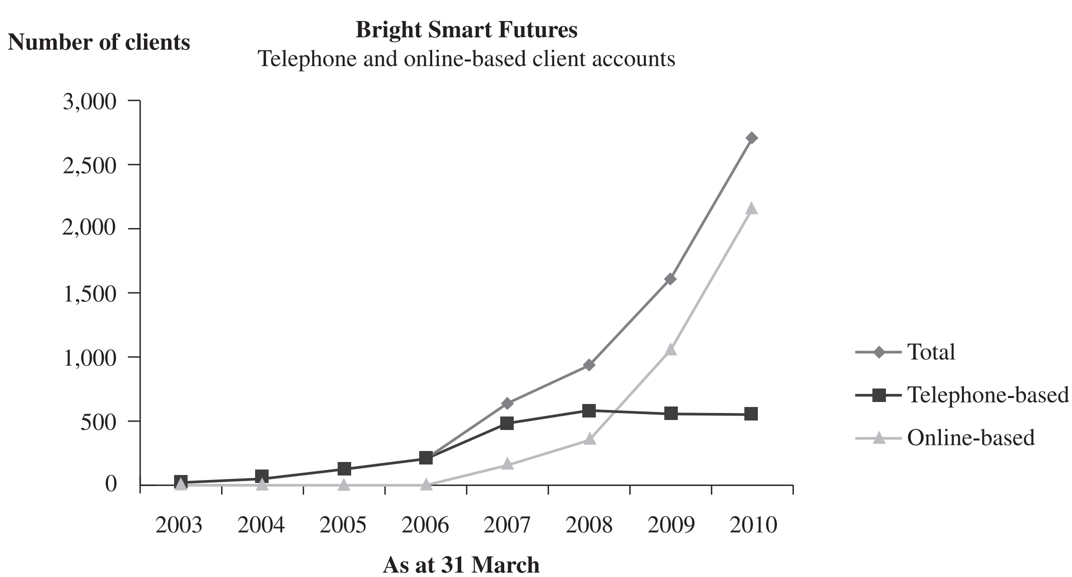
Recognised brand image and expanding client base

The Group has always been positioning itself as a securities house with low brokerage commission, quality and prompt service, and reliable risk management system. To strengthen its market position and build up its market share, the Group has been undertaking extensive sales and marketing activities which include organising investment seminars and placing advertisements through various media. In addition, in 2008, the Group recruited Kwok Sze Chi as the marketing director of the Group who gives investment seminars held by the Group and offer commentaries on market trends and investment advice through various media such as television, newspapers and radio. Mr. Kwok has over 20 years of experience in securities and futures business, and is the Responsible Officer of Bright Smart Securities licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. For each of the three years ended 31 March 2008, 2009 and 2010, advertising and promotion expenses were approximately HK$4.8 million, HK$9.0 million and HK$3.6 million respectively.

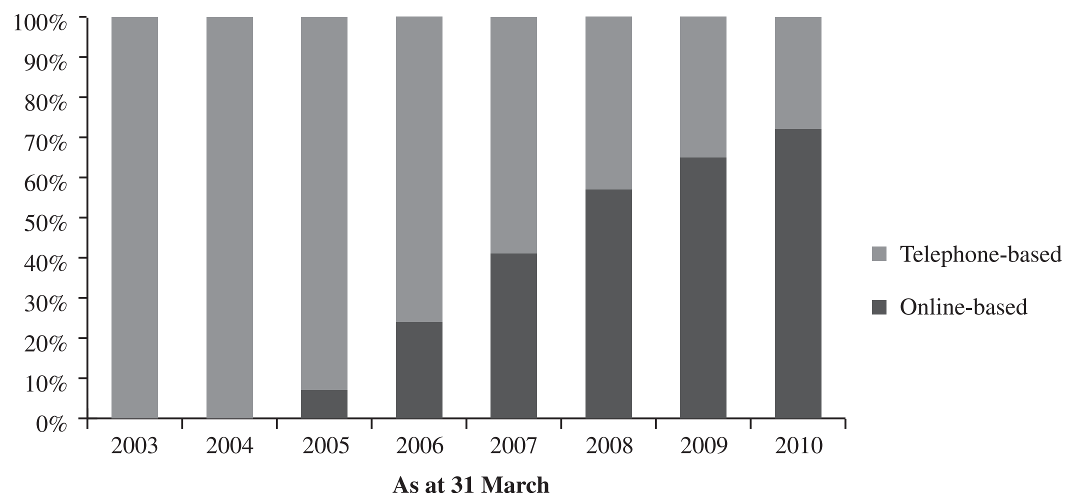
The number of clients of the Group has been increasing in the past few years. The Directors believe that it was attributable to the effective sales and marketing strategies implemented by the Group as well as the introduction of an online trading platform for its securities trading in January 2005 and its futures and options trading in October 2007 respectively. As at 31 March 2008, 2009 and 2010, the number of online-based client accounts accounted for approximately 57.1%, 65.4%, and 72.2% of the total number of client accounts of the Group respectively, which indicates that the online trading platform has been playing a vital role in building up the client base of the Group. According to the

"Cash Market Transaction Survey 2008/09" conducted by the HKEx for Hong Kong cash market, the number of brokers that offer online trading service to retail investors (who trade on their personal accounts) increased from 97 (or 25.7% of all surveyed brokers in the 2004/05 survey) to 173 (or approximately 42.2% of all surveyed brokers in the 2008/09 survey), indicating an increasing competition in relation to online trading. This also demonstrates the increased importance of online trading in Hong Kong.





The Group
Proportion between telephone and online-based client accounts



Note: Classification between telephone and online-based client accounts is based on their current selection registered with the Group. Telephone-based client accounts are not provided with online trading services. Online-based client accounts are allowed to trade through telephone orders, but will be charged with a higher brokerage commission rate. There is no duplication in the number of telephone and online-based client accounts .

With effective sales and marketing strategies, the Directors believe that Bright Smart Securities was able to enlarge its client base and increase its market share in the past few years. For the three years ended 31 March 2008, 2009 and 2010, the respective value of transactions of Bright Smart Securities accounted for approximately 0.909%, 1.074% and 1.091% of the market turnover of the Stock Exchange's securities trading as announced by the Stock Exchange.

As at 31 March 2010, the Group had approximately 16,515 client accounts. The Directors believe that this solid client base is built up by its effective business strategies as well as its dedication to provide quality services to meet clients' needs.

Competent team of professionals providing quality services

The Group has a Customer Service Department and a Marketing Department, which comprised 89 employees (including employees in branch office) and 11 employees respectively as at the Latest Practicable Date. 88 of the 89 staff members in the Customer Service Department were Licensed Representatives, with the remaining staff member in the process of obtaining the status of Licensed Representative as at the Latest Practicable Date. Unlicensed staff members are not allowed to engage in regulated activities. The Licensed Representatives in the Customer Service Department, led by two senior managers who have an average of seven years working experiences in the financial service industry, are principally responsible for accounts opening, relationship management, accounts enquiry, handling applications for IPOs and confirmations for other corporate actions such as rights issues and stock transfer, and handling complaints. The Marketing Department, supervised by Kwok Sze Chi who is an experienced stock analyst and the marketing director of the Group and has over 20 years of working experience in the financial service industry, is responsible for performing regular review of the market trend, organising events such as investment seminars for the public, placing advertisements through various local media including television, newspapers and radio, and publishing monthly newsletters to clients. During the Track Record Period, over 80 investment seminars were organised by the Group. Client's referral is also one of the major reasons for the Group's rapid growth in client base. For each of the three years ended 31 March 2008, 2009 and 2010, advertising and promotion expenses incurred by the Group amounted to approximately HK$4.8 million, HK$9.0 million and HK$3.6 million respectively.

Furthermore, the Group has a team of supporting staff comprising, among others, personnel from Legal and Compliance, Settlement, Accounting, Information Technology, Human Resources, Administration and Personnel, Dealings, Analyst, and Property Departments. The Directors believe that the success of the Group under a competitive environment is attributed to a competent and dedicated team of professionals providing quality services to its clients.

Effective credit risk management

Despite the risks arising from global market fluctuations, especially the financial tsunami in 2008, the Group has been effective in monitoring and controlling credit risks. During the Track Record Period, the Group has no bad debt provision for accounts receivable.

Experienced management

The chairman and the executive Director, Mr. Yip, and the executive Directors, Chan Kai Fung and Kwok Sze Chi, have in-depth knowledge and extensive experience in the stockbroking and financial services industry. With their extensive experience and market foresight, the Directors believe that the Group can adapt quickly to the buoyant market conditions and leverage on the Group's competitive strengths to achieve sustainable growth and secure its market position. Please refer to the section headed "Directors, senior management and employees" of this prospectus for further details of the experience of the executive Directors and the Group's management team.

STRATEGIES

Efficient and secure online trading platform

Since the introduction of its securities online trading platform in January 2005 and futures and options online trading platform in October 2007, the Group has all along been focusing on developing its trading system capability and building its business and corporate image as one of the leading online trading service providers in Hong Kong with low brokerage commission rates. Online trading allows clients of the Group to conduct securities investment transactions over the internet. With the online trading business, clients can place, execute or cancel orders online. Clients trading instructions are sent directly to an automated channel of the HKEx for matching. Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

There has been an overall increase in the Group's client base since the adoption of this online trading business model. The Group's online trading systems were developed by software development companies that allow its clients to trade online without the involvement of the Group's dealers, and at the same time boosted the aggregate transaction amounts which is evidenced in the increase in turnover of the Group since the introduction of the securities online trading platform in January 2005, save for the financial year ended 31 March 2009, the decrease of which the Directors believe was attributable to the global financial tsunami in 2008. Bright Smart Securities has been expanding its online trading capacity in order to further support the increasing transaction volume. As at the Latest Practicable Date, Bright Smart Securities held 14.25 throttle rates subscribed from the Stock Exchange, which translated to a capacity of processing 14.25 transaction orders per second.

During the six months from 1 October 2009 to 31 March 2010, the average utilisation rate of Bright Smart Securities' securities trading capacity in terms of throttle usage was approximately 5.3% calculated based on approximately 12,270 orders a day placed by clients (which was the average number of orders placed per day during the period) divided by Bright Smart Securities' trading capacity of approximately 230,850 orders a day (which is based on its 14.25 throttle rates and assuming 4.5 trading hours). Maximum utilisation of securities trading capacity usually occurs at peak hours when the trading session just starts. Depending on the business requirements of the Group in the future, the Directors confirmed that the Group is capable of increasing its throttle rates without substantial costs incurred. As at the Latest Practicable Date, the one-time charge by HKEx for each additional throttle rate was HK$100,000.

Provision of electronic online trading is generally (including order placing, amendment, cancellation and execution of such order) regulated by the SFO. However, the Group provides trading services which merely route the trade orders placed by its clients to the HKEx for execution via electronic means. On the basis that the transaction orders between customers cannot be automatically matched within the electronic facilities of the Group and that all such orders have to be executed through the HKEx, the Directors confirmed that the Group only provides electronic order routing facilities which does not fall into the definition of automated trading services ("ATS" as defined in Schedule 5 to the SFO). According to frequently asked questions posted by the SFC on 23 June 2004, the provision of order routing services would not generally be regarded as Type 7 (providing automated trading services) regulated activity and accordingly, the Group is not required to obtain any such licence for its online securities trading business. Based on the confirmation by the Directors that the Group only provides order routing services and the provision of such routing services does not fall into the definition of ATS as defined in Schedule 5 of the SFO, the legal adviser of the Company on Hong Kong law advises that the provision of such routing services by the Group would not require to be licensed for Type 7 regulated activity (providing automated trading services).

The Group recognises the importance of safeguarding its clients' money and takes all reasonable steps to ensure that all transactions are secure. Orders placed online are processed automatically, including control procedures such as checking of client's fund and securities on hand with no dealer's handling are normally required. The Group only allows its licensed persons (as defined under the SFO) to handle follow up services in respect of online trading (e.g. when certain orders exceed limits of a particular account, or when some wrong orders are placed which are being "rejected" by the Group, etc). All the staff of the Group currently performing regulated activities, including staff members in the Dealing Department handling clients' orders, are properly registered under the SFO as either Licensed Representatives or Responsible Officers.

As online trading contributed a major portion of the Group's total value of transactions, emphases are being placed on the security and the reliability of the online trading system, both in terms of the Group's investments in its IT infrastructure and also its human resources dedicated for the operation and maintenance of the computer system. The online trading platform of the Group is connected to the Stock Exchange to receive real-time market data for up-to-date portfolio valuation and to enable real-time risk management, including monitoring of abnormal transactions by the computer system and the Group's personnel. Systems resources and usage are logged and monitored on a real-time basis to ensure adequate allocation of system resources for the Group's online trading operation. Backup systems and additional connections to the Stock Exchange's trading platform are installed, and stress test are performed on a regular basis in order to ensure proper functioning of the online trading system in case of individual device failure. Data encryption, firewall and antivirus measures, together with daily checking to prevent unauthorised system changes, are in place to ensure data security. One of the original developers of the Group's securities trading system. Wong Wing Man, with over 10 years of experience in trading system design and development, was also hired by the Group in March 2009 as the research and development manager to lead the Information Technology Department. Wong Wing Man, together with the other three staff members (as at 31 March 2010) in the Information Technology Department with an average of 7 years of working experience in information technology field, are responsible for ensuring smooth operation and maintenance of the computer system used by the Group. Two of the other three staff members mentioned above have completed tertiary education while the remaining staff member has received higher diploma in computer studies. Please refer to the section headed "Directors, senior management and employees" of this prospectus for further details of the experience and qualification of Wong Wing Man. Given that (i) except for the two system failures as mentioned below, the Directors considered that the online securities trading system remained stable as it has been running for a number of years since its introduction in January 2005; (ii) orders placed online are processed automatically with no dealer's handling are normally required; (iii) apart from its existing staff members, the Group maintains its online futures and options trading system with the assistance from external information technology service providers; and (iv) the Directors confirmed that the Group was in full compliance with the applicable requirements in relation to online securities trading and online future and options trading services as stipulated in the various circulars issued by the SFC, the Directors are of the view that the Group has allocated sufficient human resources to the operation of its online trading system.

According to the Group's records, except for two system failures occurred in November 2007 and November 2008 as a result of substantial number of system login requests and a problem within a software program of the trading system respectively which were later rectified, as confirmed by the Directors, there were no other system breakdown or disruptions to the computer systems used by Group including but not limited to computer viruses, hackers, other disruptive actions by visitors or other internet users during the Track Record Period, which had a material adverse effect on the business and/or operations of the Group. The Directors confirmed that the two system failures as mentioned above caused temporary delays in the online trading system of the Group. The claims involved in the system failures in November 2007 and November 2008 amounted to approximately HK$6,000 and HK$4,000 respectively, which the Directors considered to be not material to the Group. The Directors advised that there were no further claims in relation to the above two system failures after November 2008 and up to the Latest Practicable Date.

Low brokerage commission rate and margin interest rate

The Group is one of the well-established securities brokerage houses with low brokerage commission rates and primarily focuses on providing online brokerage services in Hong Kong. The fact that most of the transactions of the Group's clients are performed online enables the Group to achieve a higher profit margin with a larger trading volume. With a relative stable cost structure during the Track Record Period, the Group was able to charge its clients lower brokerage commission rates and margin interest rates. Following the introduction of its online brokerage service with reduced brokerage commission, the client base and market share of the Group in terms of securities trading have been increasing in general. Various schemes of brokerage commission rebate are also available for individual clients with high trading volume, where the effective brokerage commission rate charged can be as low as 0.01% for monthly transaction amounts (in monetary terms) above certain threshold.

Sales and marketing

Since the abolishment of the minimum brokerage commission on 1 April 2003, the Group has been placing emphasis on its sales and marketing activities with a view to build up its market share and to strengthen its market position. These sales and marketing activities include holding investment seminars and placing advertisements through various media. The Group has also recruited Kwok Sze Chi as the marketing director of the Group, who appears in the investment seminars of the Group and through various media to offer commentaries on market trends as well as to suggest investment ideas. The Directors are of the view that the above sales and marketing activities are of great importance in building up relationships with the Group's existing clients and at the same time attracting new clients.

REGULATIONS, LICENCES AND TRADING RIGHTS

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing the Group's businesses are the SFC and the HKEx. The Group's businesses are subject to a number of legislations and regulations and the respective rules of the HKEx and, upon listing, the Listing Rules.

In addition, certain members of the Group are required to be licensed with the SFC and apply as participants of the Stock Exchange or the Futures Exchange in order to carry on their activities. As at the Latest Practicable Date, the Group held the following licences/trading rights which are required to carry on the activities of the Group as described in this prospectus:

Licence/certificate/ participantship holder	Licence/certificate/participantship	Date of issue/ admission/re-issue/renewal
Bright Smart Securities	Licence under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities	3 December 2004 (Type 1) 5 October 2009 (Type 4)
	Stock Exchange Trading Right Certificate	6 March 2000
	Stock Exchange Participant Certificate	6 August 2007
	Options Trading Exchange Participantship of Stock Exchange	25 May 2010
	HKSCC broker participantship	6 May 1999
	Direct Clearing Participantship of SEOCH	25 May 2010

Licence/certificate/ participantship holder	Licence/certificate/participantship	Date of issue/ admission/re-issue/renewal
Bright Smart Futures	Licence under the SFO to carry on Type 2 (dealing in futures contracts) regulated activities	3 December 2004
	Futures Exchange Trading Right Certificate No. 0014	6 March 2000
	Futures Exchange Participant Certificate	6 March 2000
	HKCC Participant Certificate	6 March 2000

Note: There are no expiry dates for the above licences, certificates or participantships. The issuing authority (i.e. the SFC or the HKEx) reserves the right of revoking these licences, certificates or participantships under relevant rules and regulations.

Since its establishment, the Group has not experienced any difficulties in renewing any of its licences and participantship or has any of such licences and participantship been revoked. The Directors confirm that the Group has obtained all requisite licences, permits and certificates necessary to conduct its operations. The Directors understand that the SFC may take disciplinary actions against the registered corporation under section 196 of the SFO for providing advice on futures products without proper licence. With reference to the result of findings in the First Review and the Second Review (as defined in the section headed "Business — Identified historical internal control weaknesses and subsequent rectifications — II. Review of internal control system"), there was no request for the Group to be licensed for Type 5 (advising on futures contracts) regulated activities. In addition, the Directors confirmed that the Group has not received any objection or negative comment from the SFC when renewing any of its licences nor request for it to be licensed for Type 5 (advising on futures contracts) regulated activities since the date of commencement of the SFO on 1 April 2003. Although the Group did not hold a Type 5 (advising on futures contracts) License as at the Latest Practicable Date, it is licensed for Type 2 regulated activity (dealing in futures contracts) and since the regulated activities undertaken by the Group are wholly incidental to the Group's futures dealing business, the Group is exempted from obtaining a licence for Type 5 (advising on futures contracts) regulated activities.

Save as disclosed in the sections below headed "Business — Compliance with licensing requirements for regulated activities under the SFO" and "Business — Disciplinary actions", the Group has complied with all applicable laws and regulations in all jurisdictions where it has operation since its establishment.

Staff performing regulated activities

The Group only allows its licensed persons (as defined under the SFO) to handle follow up services in respect of online trading (e.g. when certain orders exceed limits of a particular account, or when some wrong orders are placed which are being "rejected" by the Group, etc). All the staff of the

Group currently performing regulated activities, including staff members in the Dealing Department handling clients' orders, are properly registered under SFO as either Licensed Representatives or Responsible Officers.

The Group does not allow unlicensed staff to conduct or perform any regulated activities on behalf of the Group or its clients until all required and necessary licences have been granted to them by the SFC. For newly hired staff whose licences are pending for the Group to make an application for registration or waiting for approval by the SFC, the Group has in place a policy to regulate their conduct and performance. These newly hired staff are usually given some training courses and orientation programs during the said period so that the newly hired staff will be familiar with the internal control and guideline that are in place. They do not have authority and are prohibited by the Group to deal with client's account or perform any regulated activities before licences have been granted to them by the SFC.

COMPLIANCE WITH LICENSING REQUIREMENTS FOR REGULATED ACTIVITIES UNDER THE SFO

Bright Smart Securities is and was at all material times a corporation duly licensed under section 116 of the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as specified in the licence granted by the SFC. Bright Smart Futures is and was at all material times a corporation duly licensed under section 116 of the SFO to carry on Type 2 (dealing in futures contracts) regulated activities as specified in the licence granted by the SFC.

Since the commencement date of the Track Record Period (i.e. 1 April 2007) and up to 31 July 2007, Chan Wing Shing, Wilson ("Mr. Chan"), being the executive director of Bright Smart Securities had been approved by the SFC as a Responsible Officer of Bright Smart Securities at the material time in relation to Type 1 (dealing in securities) regulated activity. Mr. Chan, together with Lee Pak ("Mr. Lee") who had also been approved by the SFC as a Responsible Officer of Bright Smart Securities at the material time in relation to Type 1 (dealing in securities) regulated activity, were the Responsible Officers of Bright Smart Securities pursuant to the requirements of the SFO.

Mr. Lee resigned from Bright Smart Securities on his own accord and left Bright Smart Securities with effect from 1 August 2007. The relevant document reporting the cessation of Mr. Lee to act as the Responsible Officer of Bright Smart Securities was duly filed by Bright Smart Securities with the SFC on 7 August 2007 (i.e. within 7 business days after his resignation pursuant to section 4(3) of the Securities and Futures (Licensing and Registration) Information Rules (Chapter 571S of the Laws of Hong Kong)).

Upon receiving the resignation notice from Mr. Lee, Bright Smart Securities searched for replacement and had submitted the application to the SFC to approve Tsui Kee Chow ("Mr. Tsui") to be appointed as the Responsible Officer of Bright Smart Securities in relation to Type 1 (dealing in securities) regulated activity on 7 August 2007. Mr. Tsui was duly approved by the SFC as the Responsible Officer of Bright Smart Securities in relation to Type 1 (dealing in securities) regulated activity with effect from 21 August 2007. Mr. Lee, who previously resigned from Bright Smart Securities on 1 August 2007, resumed his role as a Responsible Officer of Bright Smart Securities on 28 September 2007.

Based on the material facts above, it appears that during the period of 20 days from 1 August 2007 (i.e. the date when Mr. Lee left Bright Smart Securities) to 20 August 2007 (i.e. the day immediately before the date when Mr. Tsui was approved by the SFC as the Responsible Officer of Bright Smart Securities) (both days inclusive), only Mr. Chan was appointed and approved as the executive director and Responsible Officer of Bright Smart Securities following the resignation of Mr. Lee. Pursuant to section 125(1)(b) of the SFO, a licensed corporation shall not carry on any regulated activity for which it is licensed unless not less than 2 individuals shall be approved by the SFC as the Responsible Officers of the corporation in relation to the regulated activity. Following which, Bright Smart Securities did not comply with the requirements under section 125(1)(b) of the SFO during the period between 1 August 2007 to 20 August 2007.

The Group was given one week notice prior to the resignation of Mr. Lee, and upon which, the Group filed all necessary information regarding the cessation of employment of Mr. Lee. The directors of Bright Smart Securities expected that they would be able to find a replacement for Mr. Lee within a short period of time hence allowing the business of the Group to continue. The vacancy in one of the Responsible Officers of Bright Smart Securities for a short period of 20 days was beyond the control of Bright Smart Securities as it had taken time for Bright Smart Securities to look for replacement and for the SFC to approve Mr. Tsui to be the Responsible Officer of Bright Smart Securities. Information regarding the resignation of Mr. Lee and the appointment of Mr. Tsui was made known to the SFC. The Group had within the requisite period, notified and filed the relevant documents reporting the cessation of Mr. Lee to act as the Responsible Officer of Bright Smart Securities on 7 August 2007. Apart from receiving approval from the SFC in respect of the appointment of Mr. Tsui, the Directors confirmed that the Group has not received any comments from the SFC regarding the incident thereafter. Although Bright Smart Securities had conducted regulated activities during the period of 20 days where only one Responsible Officer was assuming his role in Bright Smart Securities, the Directors are of the view that the breach was not intentional and given such short notice, Bright Smart Securities had taken an effective and reasonable approach to look for a replacement. Accordingly, the non-compliance with the requirements under section 125(1)(b) of the SFO as aforesaid during the period of 20 days was indeed unfortunate; the resignation of Mr. Lee had been promptly reported to the SFC and the replacement of the requisite second Responsible Officer was made as soon as practicable in the circumstances.

After notifying SFC that Mr. Tsui was appointed as the Responsible Officer of Bright Smart Securities in relation to Type 1 regulated activities, SFC approved such appointment with effect from 21 August 2007. The Directors confirmed that, shortly after this incident, the Group has a practice that at least 3 Responsible Officers be employed and maintained in the Group as far as practicable for conducting each type of the regulated activities for which it is licensed. For most of the time after this incident, the Group has been able to maintain at least 3 Responsible Officers for each type of the regulated activities it is carrying on. Save as disclosed, the Directors confirmed that the Company has not received any comments from the SFC regarding the incident up to the Latest Practicable Date.

Section 125(3) of the SFO stipulates that if a licensed corporation contravenes this provision, without reasonable excuse, the licensed corporation is said to have committed an offence and is liable on conviction a fine at level 6 at the maximum penalty of HK$100,000, and in the case of a continuing offence, to a further fine of $2,000 for every day during which the offence continues, based on which the Group may be liable to a fine amounting to approximately HK$140,000 in aggregate, excluding any interests payable (if applicable) to the SFC or other regulators as the case may be. Each of the Controlling Shareholders has given indemnities on a joint and several basis against any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of the Group as a result of or in connection with any non-compliance of the applicable laws, regulations, rules or code of conduct in relation to events occurred on or before the Listing Date, including but not limited to the non-compliance of section 125(1)(b) of the SFO as mentioned above. Given that each of the Controlling Shareholders has given such indemnities, the Directors consider the possible maximum aggregated amount of penalty in relation to this incident is not material and will not cause any material adverse effect to the operation of the Group.

As at the Latest Practicable Date, the Responsible Officers of the Group's Type 1 (dealing in securities) regulated activities are Kwok Sze Chi, Chan Wing Shing, Wilson and Lee Pak, the Responsible Officers of the Group's Type 2 (dealing in futures contracts) regulated activities are Mr. Yip, Chan Wing Shing, Wilson and Lee Pak, and the Responsible Officers of the Group's Type 4 (advising on securities) regulated activities are Kwok Sze Chi, Chan Wing Shing, Wilson and Lee Pak.

DISCIPLINARY ACTIONS

The Group's operations are subject to the securities laws, rules and regulations promulgated by the SFC and other relevant regulatory authorities of Hong Kong. For the purpose of carrying on its businesses, the Company's operating subsidiaries, including Bright Smart Securities, Bright Smart Futures, their Responsible Officers and Licensed Representatives have to be licensed with the SFC unless specific exemption under the SFO is available. The SFC has in the past instituted disciplinary actions against Bright Smart Securities, its Responsible Officer and Mr. Yip for non-compliance with the relevant rules and regulations. The following summarises the public disciplinary actions taken by the regulatory authority against Bright Smart Securities, its Responsible Officer and Mr. Yip relating to activities undertaken by them during their employment with the Group up to the Latest Practicable Date. Save as disclosed in this sub-section, the Directors advised that there was no similar non-compliance subsequent to the incidents as detailed below up to the Latest Practicable Date.

I. Misleading statements in advertisements

The SFC found that Bright Smart Securities had from 17 March 2003 to 8 April 2003 published 13 statements in two newspapers containing false and misleading statements. These advertisements stated incorrectly that clients of Bright Smart Securities could make direct payment to the CCASS under HKSCC for settlement. Mr. Yip was at all material times the managing director of Bright Smart Securities and drafted all these advertisements.

Staff of both the SFC and the HKSCC informed Bright Smart Securities and Mr. Yip that the information was incorrect immediately after the first advertisement was noticed. CCASS does not receive direct payment from individual investors for settlement of their trades. CCASS only acts as a facilitator for handling trades settlement between brokers and investors. Monies are not directly paid to CCASS, and both the brokers and investor have to monitor the settlement by themselves.

Despite these warnings, Mr. Yip continued to cause Bright Smart Securities to publish the misleading statements. The SFC concluded that the fitness and properness of Bright Smart Securities and Mr. Yip had been called into question and was in breach of General Principle 2, paragraphs 2.3 and 12.1 of the Code of Conduct for Persons Licensed by or Registered with the SFC.

On 3 November 2004, the SFC reprimanded and fined Bright Smart Securities and Mr. Yip HK$50,000 each for publishing false and misleading advertisements, despite repeated warnings from HKSCC and the SFC.

Mr. Yip had no intention to commit such breach because he misunderstood the operation of CCASS. Although Mr. Yip did not seek clarification with the SFC or CCASS during the period between 17 March 2003 and 8 April 2003, the Directors confirmed that the management, including Mr. Yip, had conducted internal discussions and undertaken certain background studies in order to understand and clarify the operation of CCASS. The breach of the rule in respect of publication of misleading statements by Mr. Yip was unintentional. The ignorance of the repeated warnings from the SFC and HKSCC was largely due to the unfamiliarity of the operation of CCASS by Mr. Yip which did not reflect negatively on Mr. Yip's character. The Directors also confirmed that, after knowing and understanding the operational system of CCASS, Mr. Yip recognised that such non-compliance should not be repeated and the Group did not publish any such misleading statements thereafter. Mr. Yip rectified the mistake by introducing certain measure and internal control regarding the approval procedures of placing advertisement which were subsequently implemented by Bright Smart Securities in December 2004. After the incident, the Group had required all advertisements or other form of public statements issued by it to be sent to the SFC before publication. Such practice was subsequently replaced by recruitment of an officer with previous working experience in relation to SFO in February 2005 to further enhance the monitoring of the related activities and ensuring the compliance of laws and regulations.

In order to strengthen its internal control system, an Internal Audit Department has been established on 4 August 2010 which reports independently and directly to the Audit Committee and investigates, and follows up irregularities identified. Any warnings received by the Group from the HKEx, SFC or other regulatory authorities will be reported directly to the Audit Committee which the Directors are of the view that such procedures will be able to prevent management over-riding such warnings received. The Directors are of the view that employees are often the first to spot any irregularities with the operation of the Group. However, they may not express their concerns as they may feel that speaking up would be disloyal to their colleagues or to the Group. The Company encourages and enables all employees of the Group to raise any concerns about the Group and to report any illegal/unlawful, unprocedural, unethical or wasteful conduct to the Internal Audit Department. Taking into account of the above measures, the Directors are of the view that the relevant internal control measures adopted by the Group are effective.

To familiarise the knowledge of the Directors with the Listing Rules and other relevant rules and regulations in relation to a listed company in Hong Kong, the Company's legal advisers on Hong Kong laws had given a seminar to the Directors on 17 March 2010, regarding, among other things, the duties of a director of a company listed on the Stock Exchange and the relevant requirements of the Listing Rules as well as the disclosure obligations under the SFO. After which, each of the Directors was given a copy of the memorandum setting out post-listing continuing obligations on a listed company under the relevant rules and regulations.

II. Unlicensed dealing

On 21 October 2005, the SFC reprimanded Bright Smart Securities and its former Responsible Officer, Chan Pang ("Mr. Chan") and fined each of them HK$75,000 and HK$60,000 respectively, for aiding and abetting unlicensed dealing, posting misleading information on the Group's website and failing to supervise unlicensed customer service officers.

Following an investigation, the SFC found that Mr. Chan had knowingly allowed an unlicensed member of staff to conduct securities dealing activities from 4 May 2004 to 6 August 2004. The subject member of staff and Mr. Chan were prosecuted by the SFC for unlicensed dealing and aiding and abetting of unlicensed dealing respectively on 5 May 2005. The Directors confirmed that the subject member of staff had received a verbal warning from the Group and had never conducted any regulated activities since SFC's investigations. As at the Latest Practicable Date, the subject member of staff was working in the Settlement Department of Bright Smart Securities pursuant to the Group's internal job function reallocation, performing job duties unrelated to any regulated activities. Based on the fact that (i) the subject member of staff was in a relatively junior position at that time, and (ii) the directors of Bright Smart Securities considered verbal warning was a sufficient and appropriate penalty, the Directors are of the view that the subject member of staff could remain in the Group.

Mr. Chan was also found to have approved misleading contents in a newsletter posted on the Group's website in June 2004. The newsletter stated that one of the duties of the Group's customer services officers was to provide investment analysis. It held customer service officers out as performing a service which falls within Type 4 (advising on securities) regulated activities when three of them were unlicensed. Mr. Chan was responsible for assigning job duties to the customer service officers but he failed to supervise their work. In July and August 2004, the three unlicensed officers recommended clients who called the Group's customer service hotline to purchase specific stocks. Subsequent to the above incident, all of these unlicensed officers had received verbal warnings from the Group and two of them became Licensed Representatives of Bright Smart Securities in October 2006 and June 2007, respectively. The Directors confirmed that the remaining unlicensed officer had never conducted any regulated activities since receiving the SFC's warning letter. As at the Latest Practicable Date, the remaining unlicensed officer was working in the Settlement Department of Bright Smart Securities pursuant to the Group's internal job function reallocation, performing job duties unrelated to any regulated activities. Based on the fact that (i) the three officers were in relatively junior positions at that time, and (ii) the directors of Bright Smart Securities considered verbal warning was a sufficient and appropriate penalty, the Directors are of the view that the three officers could remain in the Group.

The SFC concluded that Bright Smart Securities and Mr. Chan had breached paragraph 4.3 and General Principles 2, 3 and 7 of the Code of Conduct, and their fitness and properness have been called into question. The Directors are of the view that the non-compliance incident was mainly attributable to the personal conduct of the subject Responsible Officer, Mr. Chan, who had subsequently resigned from his position in the Group on 30 November 2005.

In order to ensure that only Licensed Representatives are involved in the accounts opening process with the client, the handling staff member must fill in his/her own SFC licensing identification number on the client's account opening documents which will later be checked by the Legal and Compliance Department.

To mitigate the risk of unlicensed dealing, the Group has issued an internal circular to its staff in September 2004 regarding prohibition of unlicensed staff to conduct any regulated activities. It is the Group's policy that the head of department of the business unit concerned and the Human Resources Department are responsible for informing the Legal and Compliance Department immediately of any new staff joining the Group so that applications for any required registrations can be processed promptly. Please refer to the paragraph headed "Regulations, Licensees and Trading Rights — Staff performing regulated activities" of this section for details. In relation to order placing, only Licensed Representatives and Responsible Officers are given access to the trading system of the Group for the purpose of order placing, which effectively prevents unlicensed persons to place orders for clients.

Save as disclosed above, the Directors, having made all relevant enquiries, are not aware of any other public disciplinary actions having been taken by the regulatory authorities against members of the Group or any of its Responsible Officers or other Licensed Representatives relating to activities undertaken by them during their employment with the Group up to the Latest Practicable Date and are not aware of any other disciplinary actions having been taken by the regulatory authorities against any of the executive Directors or senior management of the Group in respect of regulated activities undertaken by them other than during their services or employment with the Group up to the Latest Practicable Date.

IDENTIFIED HISTORICAL INTERNAL CONTROL WEAKNESSES AND SUBSEQUENT RECTIFICATIONS

Under the Code of Conduct, a licensee should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions.

In general, "internal controls" represent the manner in which a business is structured and operated so that reasonable assurance is provided of:

(a) the ability to carry on the business in an orderly and efficient manner;

(b) the safeguarding of its and its clients' assets;

(c) the maintenance of proper records and the reliability of financial and other information used within and published by the business; and

(d) the compliance with all applicable laws and regulatory requirements.

The following summarises the historical internal control weaknesses identified in the operating systems of Bright Smart Securities or Bright Smart Futures. The Group has taken proper action to rectify the internal control weaknesses that had been identified as set out in this paragraph headed "Identified historical internal control weaknesses and subsequent rectifications".

I. Review conducted by the SFC and findings

As licensed corporations under the SFO, Bright Smart Securities and Bright Smart Futures are regulated by the SFC in respect of the regulated activities conducted by them. As further detailed below, the SFC has previously conducted review on the business activities of Bright Smart Securities and Bright Smart Futures. Details of the SFC's findings, which were all subsequently rectified, are disclosed below to facilitate understanding of the Group's compliance history. The Directors, having made all relevant enquiries, are not aware of any particular incidents or irregularities that triggered the review. The Directors also confirmed that no review of business activities of Bright Smart Securities or Bright Smart Futures was conducted by the SFC since then.

Bright Smart Securities

Based on a letter from the SFC to Bright Smart Securities dated 3 April 2007, it was mentioned that in a review conducted by the SFC on the business activities of Bright Smart Securities, it was found that there were areas where Bright Smart Securities was advised to review its operations. Bright Smart Securities had subsequently replied to the SFC on 17 April 2007 regarding measures taken to correct all the findings in the review conducted by the SFC and external accountants were to be engaged to review its operation ensuring compliance with applicable rules and regulations, particularly regarding the safeguarding of client securities. The SFC replied on 24 April 2007 with no further comment on Bright Smart Securities' response. A review by the Reviewing Firm was subsequently completed in March 2009. Set out below are the details of the SFC's findings on Bright Smart Securities, which were all subsequently rectified:

1. *Safeguarding of client securities*

   - Deficiencies in handling of physical scrips

     - Bright Smart Securities did not have a practice to segregate physical scrips into margin or cash clients when depositing into CCASS. In addition, Bright Smart Securities had no procedure in place to transfer and segregate these client securities into the respective designated CCASS stock segregated accounts afterwards. Bright Smart Securities was required to implement effective supervisory controls and monitoring procedures to ensure that Bright Smart Securities complies with the segregation requirements under the Securities and Futures (Client Securities) Rules.

   - Failure to properly handle clients' direction regarding dealing of client securities

     - Bright Smart Securities was advised to establish effective controls and procedures to ensure it properly and promptly handles clients' directions/instructions in respect of treatment of their securities and complies with the requirements under the Securities and Futures (Client Securities) Rules.

- Deficiencies in stock reconciliation

    - Bright Smart Securities reconciled the securities holdings in CCASS stock segregated accounts with the internal stock ledger on a sample basis, it was unable to promptly identify and rectify errors occurred during the movement of client securities in CCASS stock segregated accounts. In the opinion of the SFC, Bright Smart Securities failed to comply with the requirement under the Securities and Futures (Client Securities) Rules and the Code of Conduct for Persons Licensed by or Registered with the SFC.

- Inadequate control over protection of clients' physical scrips

    - Bright Smart Securities did not have in place a completed procedure to protect client's physical scrips. It was suggested that it should appropriately segregate the dates of handling, safekeeping and counting the physical scrips, maintain proper records of scrip counts for review by senior staff and implement controls and procedures to ensure client assets are adequately safeguarded and in compliance with the relevant codes of conduct and guidelines.

2. *Errors and omissions in the financial returns*

The review of financial returns of October 2006 by the SFC revealed the following errors in the liquid capital computation:

- Omission of the ranking liabilities the amount of financial adjustment on concentration of margin clients calculated accordance with section 42(1) of the Securities and Futures (Financial Resources) Rules; and

- It had incorrectly set-off all of its amounts receivable from and amounts payable to clients in respect of purchase and sale of securities upon the calculation of outstanding balance of the cash clients in the financial returns.

3. *Inadequate control over credit risk on margin lending policy*

- It was noted that certain requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC had not be addressed. Bright Smart Securities was advised to review its margin lending policy and develop a prudent margin lending and margin call policy and ensure compliance by its staff.

- Bright Smart Securities did not have a proper policy to document the basis of deviation from the margin lending policy and provide the SFC any evidence on management approval of such deviation.

4. *Inaccurate description of authorised person in discretionary authority*

   - Bright Smart Securities was advised to review all of the discretionary authorities granted by its clients to see if they reflect the actual circumstances and take all necessary steps to ensure compliance with the relevant requirements under the Code of Conduct.

5. *Delay in time stamping of the deal tickets*

   - There was in breach of paragraph 3.9 of the Code of Conduct and paragraph VII (6) of the Management, Supervision and Internal Control Guidelines For Persons Licensed by or Registered with the SFC whereby one account executive did not record the client's identity or time stamp on his order sheet on time.

6. *Deficiencies in business continuity arrangement*

   - Bright Smart Securities did not have a proper business continuity arrangement regarding failure of its online securities trading system and it was advised to develop and implement an effective business continuity plan appropriate to the size of the firm to ensure that it is protected from the risk of interruption to it business continuity.

7. *Inadequate resources and procedures*

   - Bright Smart Securities did not deploy adequate resources and implant appropriate procedures to serve its clients and ensure compliance with all applicable rules and regulations. Failure to comply with any applicable rules and provision of the Code of Conduct may call into question its fitness and properness to remain as a licensed person. Bright Smart Securities was requested to review its existing resources allocation and internal control procedures to ensure proper performance of its business and compliance with all applicable rules and regulations.

Bright Smart Futures

In a letter from the SFC to Bright Smart Futures dated 10 April 2007, it was mentioned that in a review conducted by SFC of the business activities of Bright Smart Futures, it was found that there were areas where Bright Smart Futures were advised to review its operations. Bright Smart Futures had subsequently replied to the SFC on 17 April 2007 regarding measures taken to correct all the findings in the review conducted by the SFC. The SFC replied on 24 April 2007 with no further comment on Bright Smart Futures' response. Set out below are the details of the SFC's findings on Bright Smart Futures, which were all subsequently rectified:

1. *Inappropriate records*

   - Bright Smart Futures gave inaccurate description of authorised person and accordingly it was in breach of paragraph 7.1(b) of the Code of Conduct.

- Bright Smart Futures did not designate the discretionary accounts in its records, including the statement of accounts, as "discretionary accounts" as required under paragraph 7.1(c) of the Code of Conduct for Persons Licensed by or Registered with SFC. In response to this review, Bright Smart Futures had closed all discretionary accounts and decided not to recruit additional account executives in future. Also, if there was any discretionary account to be opened, the manager of Customer Service Department of Bright Smart Futures would ensure the due compliance of the relevant code, including but not limited to the proper description of the authorised person and designation of such accounts as "discretionary accounts" in all relevant statement of accounts and records.

II. Review of internal control systems

Following the review conducted by the SFC on 15 January 2007, the Reviewing Firm was commissioned by Bright Smart Securities on 25 April 2008 to perform review of newly implemented internal control procedures by Bright Smart Securities (the "First Review").

On 24 October 2008, a report (the "First Report") was issued by the Reviewing Firm. The Reviewing Firm had performed field work at the office premise of the Group. After the First Review, Bright Smart Securities had also engaged the Reviewing Firm to perform a follow-up review (the "Second Review") where a report (the "Second Report") was subsequently issued on 23 March 2009.

The Board and management of the Group acknowledge that they are responsible for establishing and maintaining adequate internal controls including ensuring their compliance with all applicable laws and regulations.

A. The First Review

The findings and recommendations made by the Reviewing Firm in the First Report are summarised as follows:

i. *High level controls*

1. The Customer Service Department received and passed clients' complaints direct to the responsible department for handling but investigation procedures and results would not be communicated to the Risk Control Department. The Reviewing Firm suggested that the Risk Control Department should act as a control point getting informed of all complaints of clients and investigation results.

2. Communications with regulatory bodies like the SFC and the HKEx were done by various departments. Correspondence between regulatory bodies and various departments did not route through the Risk Control Department. The Reviewing Firm suggested that all correspondence with regulatory bodies should go through the Risk Control Department as a controlling procedure.

3. Bright Smart Securities had a monitoring committee comprising department heads of the Administration Department, Customer Service Department, Risk Control Department and Legal Department. The Reviewing Firm suggested that the head of the Dealing Department (i.e., a Responsible Officer) and the financial controller be included in the composition of the monitoring committee.

4. The Risk Control Department handled compliance functions and daily high risk operations. Compliance functions were insufficient and not clearly defined. The Reviewing Firm suggested that the compliance function be passed to an independent staff member who would be monitored by the head of the Risk Control Department, who was also the compliance officer of Bright Smart Securities, and to re-define the compliance functions.

ii ***Handling of clients' securities***

5. Clients' authorisation letters were signed and kept with the account opening form during the account opening stage. Should a client wish to cancel the standing authority, he or she had to inform Bright Smart Securities in writing. Annual renewal letters of standing authority would be sent out by the Risk Control Department. However, the original letters were mailed out without taking copies for record.

iii. ***Delivery of trading documents***

6. A specific staff of the Administration Department was assigned to register all incoming and outgoing mails and emails. However, certain outgoing documents like daily statements, monthly statements, annual renewal letters and welcome letters to clients were not registered. The Reviewing Firm suggested that all outgoing mails be registered.

7. All clients' information could only be amended by the Risk Control Department. However, there was no day-end report on the amendments for management's review.

8. On a daily basis, the account team would perform random checking on 5 clients' daily statements with large volume of transactions. However, all the working papers would be destroyed after two months because of voluminous transaction information. The Reviewing Firm suggested that the working papers be kept for record and be random checked by the Risk Control Department.

iv. ***Complaint handling***

9. The Customer Service Department received all complaints. However, the Reviewing Firm suggested that the complaint handling function be assigned to a department unconnected with clients' affairs which would handle all clients' complaints and queries from the regulatory bodies, and all incoming complaints and queries with the handling results were minuted on a master record for the monitoring committee to review on a regular basis.

10. All error trade reports were kept by the Human Resources Department. The Reviewing Firm suggested that the Risk Control Department should also keep a master copy of such records for monitoring and confining compliance risk.

B. The Second Review

Bright Smart Securities has largely taken up the recommendations made by the Reviewing Firm in the First Report. On 23 February 2009, the Reviewing Firm performed the Second Review on the remedial work performed by the management on the significant internal control weaknesses identified in the First Review. The following summarises the remedial work done by Bright Smart Securities and the findings and recommendations, if any, made by the Reviewing Firm following the Second Review as set out in the Second Report:

i ***Organisation chart***

A new organisational chart covering all the companies within the Group is documented. It was noted that monitoring committee and the Risk Control Department were restructured and renamed to Compliance/Risk/Quality Control Team (the "CRQC Team"), which acted as an independent team to monitor the operation of Bright Smart Securities.

ii ***Changes in operational manual***

Bright Smart Securities then issued renewal letters for (i) standing authority governed by the Securities and Futures (Client Securities) Rules (applicable to margin clients only); and (ii) standing authority governed by the Securities and Futures (Client Money) Rules (applicable to clients with both securities and futures accounts).

Bright Smart Securities did not have any discretionary accounts.

iii ***New compliance tests on internal control system adopted by CRQC Team***

It was revealed that the compliance tests, using the business data of January 2009, had been performed with satisfactory result.

iv. *Follow-up work performed with reference to the First Review*

Identified weaknesses	Measures taken	Subsequent review by the Reviewing Firm
High level controls Point 1 Complaint handling Point 9 Point 10	Client complaint with investigation results would be detailed on the "Client Complaint Form" which would be reviewed by customer service manager, compliance manager; chairman, general manager, Responsible Officer and financial controller. All completed client complaint forms would be registered in "Client Complaint Master Record" and kept in Compliance Department.	The Reviewing Firm had scrutinised all the "Client Complaint Form" since July 2008 and the "Error Trade Report" and were satisfied that the rectification measures had been properly implemented.
High level controls Point 2	All reply letters prepared by responsible department would be reviewed by the Risk Control Department.	All reply letters, except matters relating to financial returns, were then prepared by the CRQC Team after gathering all the information from various departments. The Reviewing Firm had scrutinised all the reply letters kept by the CRQC Team. It was satisfied that the rectification measures had been properly implemented.
High level controls Point 3	Head of Dealing Department and financial controller were then members of the monitoring committee.	Monitoring Committee was not shown in the revised organizational chart although all department heads will meet with the chairman and chief executive officer everyday.
High level controls Point 4	The compliance function would be redefined. Risk control and compliance functions were handled by two separate teams.	The Risk Control Department was then renamed as the CRQC Team, this team was further divided into compliance sub-team, risk control sub-team and quality control sub-team with job duties were clearly defined. Risk control and compliance functions were then handled by two separate teams. Compliance sub-team was mainly responsible for handling complaints and communication with regulatory bodies. Risk control sub-team was mainly responsible for high risk operation like handling client information and approval of account opening. Quality control sub-team was mainly responsible for performing compliance tests for the Group.

Identified weaknesses	Measures taken	Subsequent review by the Reviewing Firm
Handling of client's securities Point 5 Delivery of trading documents Point 6	A control list together with sample letters would be passed to the Administration Department for registration and storage purpose.	The Reviewing Firm had scrutinised the register kept by Administration Department and noted that all the documents such as control list and sample letters had been properly registered.
Delivery of trading documents Point 7	Daily amendment report would be printed out and reviewed by the Risk Control Department.	A new report named "Client Master Maintenance Log" would be printed out whenever there was amendment to client's information. One sample was selected randomly and checked that such report was reviewed and kept by the CRQC Team.
Delivery of trading documents Point 8	Working papers of checking of correctness of statements sent to clients would be kept for six months.	Working papers of checking of correctness of statements sent to clients were then kept for six months. The Reviewing Firm had scrutinised the working papers performed by Settlement Department. The working papers would be randomly reviewed by the CRQC Team.

v. ***Business continuity plan***

Review of emergency site — testing of the emergency site was completed in July 2008. In order to ensure all staff are familiar with the operation of the emergency site, regular testing and rehearsal will be held. For the Dealing Department, they would visit the emergency site twice a month to perform actual dealing function.

C. SFC's circular on information technology management

As described in the "Circular to All Licensed Corporations on Information Technology Management" issued by the SFC on 16 March 2010 ("IT Circular"), the licensed corporations are required to establish policies and procedures to ensure the integrity, security, availability, reliability and thoroughness of all information, including documentation and electronically stored data, relevant to the firm's business operations. The firm's operating and information management systems should meet the firm's needs and operate in a secure and adequately controlled environment. The IT Circular provides guidance on the control techniques and procedures in respect of the following key areas:

(a) Information security policy;

(b) Access control;

(c) Encryption;

(d) Change management;

(e) User activities monitoring; and

(f) Data backup and continuity planning.

In connection with the issues to be considered by licensed corporations in relation to information technology management as described in the IT Circular, the Group had initiated a review. There was no significant deviation in the Group's current internal control system identified during the review in relation to the guidance on information technology management as described in the IT Circular issued by the SFC.

The Directors also confirmed that the Group was in full compliance with the applicable requirements as stipulated in the various circulars issued by the SFC to licensed corporations (including, but not limited to, the IT Circular and the "Circular to licensed corporations providing online trading services" issued by the SFC) up to the Latest Practicable Date.

CURRENT INTERNAL CONTROL SYSTEM

Following the identification of historical internal control weaknesses and the review conducted by the SFC and the Reviewing Firm as detailed in the paragraphs headed "Identified historical internal control weaknesses and subsequent rectifications" and "Disciplinary actions" in this section, the Group has implemented various measures to rectify the weaknesses spotted in order to further enhance its internal control system. The following depicts the current internal controls on the Group's major operating areas subsequent to the implementation of all the rectification measures mentioned above:

Operational control

Responsible Officers

Under section 125 of the SFO, the Group, as a licensed corporation, is required to appoint at least two Responsible Officers for each type of regulated activities, one of which must be an executive director who (i) actively participates in; or (ii) is responsible for directly supervising the business of a regulated activity for which the corporation is licensed.

Responsible Officers are mainly responsible for (i) reviewing daily dealings, books of accounts and reports; (ii) day-to-day margin call and all aspects of credit and risk management; (iii) ensuring client orders are executed in a fair, efficient and accurate manner; (iv) ensuring complete and proper business records are kept at all times; (v) supervising the trading behavior of dealers and traders; and (vi) controlling and monitoring compliance issues and solving dealing problems.

All Responsible Officers of the Group are either Directors or senior management of the Group. Particulars of Responsible Officers, including their roles as Responsible Officers of the Group, are set out in the section headed "Directors, senior management and employees" of this prospectus.

Opening and handling of client accounts

The Group obtains and retains all relevant client information, signature specimen of the client, and other documentation. All such information will be inputted into the Group's back-office computer system by the Legal and Compliance Department and information in the account opening form will be independently verified for completeness and reasonableness by the Legal and Compliance Department.

Licensed customer service staff shall provide client with adequate information about the Group and its services, together with other relevant documents such as the relevant risk disclosure statements, and list of commission charges, penalties and other fees that the Group may charge. The customer service staff is also required to check against the list of politically exposed persons ("PEPs") before accepting a new client. A "Risk Screen Report" is generated showing the result of checking the PEPs exposure of the client against a database provided by an external service provider and there is documented evidence of checking by the customer service team of client's identity against the anti-money laundering list. Manager of the Customer Service Department would double-check the account opening documents prior to giving approval for client acceptance.

For corporate clients, the Group requires additional documents such as incorporation documents, annual returns, bank confirmation letter, minutes of approval by the board of directors and personal guarantees by (i) at least a director or a major shareholder and (ii) all authorised persons. No staff of other licensed corporation is allowed to open an account with the Group unless that licensed corporation has given its written consent.

In order to ensure that only Licensed Representatives are involved in the accounts opening processing with the client, the handling staff member must fill in his/her own SFC licensing identification number on the client's account opening documents which will later be checked by the Legal and Compliance Department.

Dealing practices

For each of the three years ended 31 March 2008, 2009 and 2010, value of transactions with orders placed online accounted for approximately 75.0%, 85.6% and 87.6% respectively of Bright Smart Securities' total value of transactions, with the remaining trading activities originated from clients' telephone orders. Online buy/sell orders are automatically transmitted to the Group's electronic trading system which is connected to the Stock Exchange's trading system and provides automatic matching and execution of buy/sell orders received from clients. The Group's electronic trading system also automatically calculates buying power of a client based on available cash balance or available credit based on securities held and their respective margin ratios, before the order is sent to the Stock Exchange's trading system. As such, no involvement of dealers is required for client's trading activities performed online.

For telephone buy/sell orders, a licensed dealer from the Dealing Department first ascertains client's information and its account number. Prior to executing a client order, the dealer is required to check the client's buying power (in case of a buy order), or the sufficiency of stockholding (in case of a sell order). If the client's account shows insufficient buying power for an amount exceeding certain thresholds, or insufficient stockholding, his/her telephone order must then be subject to the approval of a unit manager or Responsible Officer. Upon execution of an order, a dealer will acknowledge it with the client via telephone and update the trade system for record. Only Licensed Representatives and Responsible Officers are given access to the trading system of the Group for the purpose of order placing, which effectively prevents unlicensed persons to place orders for clients.

All telephone conversations with clients shall be tape recorded and records are kept for at least three months in accordance with the relevant rules as required by the SFC. Details of every transaction, including order details and timing, are recorded in the system, which are printed out for filling purpose.

Error trades are usually discovered (i) when client notifies the Group of such wrong order; or (ii) when the dealer himself finds out after execution of orders. Error trades usually arose from input mistake on the product code, direction of order, price of order or quantity of order by staff members or misunderstanding of client instructions. Except for the two system failures occurred in November 2007 and November 2008 as mentioned in the section headed "History, reorganisation and group structure" in this prospectus, the Directors confirmed that all of the error trades during the Track Record Period were due to personal error and they were not aware of any material operational impact on the Group with regard to error trades. For the three years ended 31 March 2008, 2009 and 2010, the net loss arising from error trades amounted to approximately HK$390,000, HK$383,000 and HK$420,000 respectively, affecting approximately 124, 61 and 98 clients respectively. All these losses were resulted from the rectification of the error trades and had been fully settled and as far as the Directors are aware, there are no further claims as at the Latest Practicable Date. Save as aforesaid, the Directors confirmed that the Group was not subject to any disputes, claims, legal proceedings or other contingent liabilities in relation to any error trades during the Track Record Period and had never been imposed any regulatory fines due to error trades up to the Latest Practicable Date.

Upon reporting or discovery of any error trade, telephone conversation and/or trading record must be retrieved by a unit manager or a Responsible Officer to confirm whether such error trade existed. The responsible staff will need to prepare an "Error Report" detailing the name of client and the responsible staff, reason for the error and any loss arising therefrom. The "Error Report" has to be approved by a Responsible Officer and the General Manager. The responsible staff will then prepare a "Trade Modification Request Form" to request appropriate remedial action which will then be approved by a Responsible Officer. The Settlement Department will check the amount of loss arising as a result of the error trade. The Accounting Department will then make appropriate accounting entry. The Risk and Quality Control Department will review the "Error Report" and filed relevant documents. The Risk and Quality Control Department is also responsible for determining whether the case is a reportable event to the regulatory bodies.

To prevent reoccurrence of error trade, the Directors confirmed that the Group has implemented the following three measures, which are administrative and management actions to counter human errors, as such they are not within the recommendations of the Reviewing Firm. First, meetings are held twice a week by the Dealing Department starting from November 2009 to discuss any error trade occurred. Second, starting from April 2007, warnings are given to the staff who has mistakenly made an error trade. Lastly, starting from September 2009, training on order placing are provided to all dealers to prevent error trade arose from input mistake. Nevertheless, it is recognised that the occurrence of error trade cannot be totally eliminated even with proper measures in place as error trade is mainly the result of human error made by dealers.

Provision of automated trading activities (including placing of an order, amending, canceling and execution of such order) are generally regulated by the SFO and would need to be licensed for Type 7 regulated activity. However, the Group only provides electronic order routing services which is not be generally regarded as Type 7 regulated activity and is therefore, having consulted with the Company's legal advisers on Hong Kong laws, not required to obtain licence for Type 7 regulated activity for such online securities trading business. The Group recognises the importance of safeguarding its clients' money and takes all reasonable steps to ensure that all transactions are secure. The Group only allows its licensed persons to handle follow-up services in respect of online trading (e.g. when certain orders exceed trading limits of a particular account, or when wrong orders are placed resulting in rejection by the trading system, etc).

All the staff in the Group currently performing regulated activities, including staff members in the Dealing Department handling clients' orders, are properly registered under SFO as either Licensed Representatives or Responsible Officers.

Client fund handling

Clients can place deposits into their accounts with the Group by crossed cheque, direct cash deposit to the Group's headquarter and branch(es) (up to a prescribed limit, which as at Latest Practicable Date was HK$20,000), direct bank deposit or transfer. No matter which mode of payment clients choose to use, clients shall provide sufficient evidence to show that the monies have been deposited into their accounts, failing which, the Group will temporarily treat the deposits as unidentified deposits and record the same in "Abnormal Deposit Report" until evidence can be provided to the Group to show that the monies were deposited by the clients.

Clients can withdraw their funds by notifying customer service staff. After verifying clients' trading record and available balances by the Customer Service Department and the Settlement Department, financial controller will approve the withdrawals and issue the crossed cheques to the clients.

Client stock handling

Clients can withdraw their stocks in the form of physical scrip or transfer between stock accounts with CCASS. After verifying clients' trading record and available balances by the Customer Service Department, the Settlement Department will notify the client's broker for transfer or will distribute physical scrip to the client. Likewise, clients can deposits stocks into their client accounts by transfer between stock accounts with CCASS or in the form of physical scrip.

No matter which mode of stock handling clients choose to use, the Settlement Department will reconcile the securities held under the Group's custody on behalf of clients with the balances of the Group's CCASS stock accounts and physical scrip on a regular basis. Irregularities will be investigated and recorded.

Corporate actions

The Group generates CCASS' "Entitlement Statement" daily to ensure that appropriate actions have been taken for clients who are entitled to different corporate actions like cash dividend, bonus share, scrip dividend and exercise for rights issues. The Settlement Department will input relevant details of corporate actions into the Group's back-office computer system and verify information provided by CCASS. After receiving entitlements from CCASS, the Group will pay/distribute accordingly and record such transactions on the statements to be sent to clients.

Margin financing policy — credit control procedures and monitoring of financial resources

The Group provides margin financing services to margin clients to facilitate acquisitions or holdings of listed securities by the clients. The Group has adopted different margin ratios for each of the securities and such ratios will be adjusted according to the market. Each day, the Group is responsible for preparing "margin shortfall report" and "margin client analysis" to assist the assessment of individual client's credit exposure, the "illiquid collateral list" in assessing the liquidity of the Group's major margin clients' stockholdings and the "client top stocks portfolio report" in monitoring the Group's margin clients' major stockholdings.

The Customer Service Department will then contact clients who would need to top up margin deposits based on the reports generated by the Settlement Department. Responsible officer will base on the results of margin call and the "Liquidation Evaluation Report" (for evaluation of top up margin deposits required and client's stock holdings) to prepare the "Margin Call/Liquidation Toleration Report" to assess whether a liquidation of client's stocks is needed, which will be reviewed by a Responsible Officer, the general manager, the financial controller, the Customer Service Department and the Legal and Compliance Department. In case of a need for liquidating client's stocks, Responsible Officer will be responsible for execution of selling stocks on the market, and such decision will be communicated to individual client by the dealer.

For individual clients having large transaction volume with the Group, satisfactory past trading record and quality stock holdings, a trading line may be offered to such clients, allowing them to purchase securities without having to pay deposits and to settle the purchase consideration before the settlement date. The Directors are not aware of any regulation or rule which restricts the Group in allowing its margin clients to purchase securities without having to pay deposits. The Group has established policies and procedures to evaluate the financial and other information of the client, including property value and position on mortgage, annual average income, value of other assets, nature of securities to be bought/sold and past trading record, prior to approving client's trading line. Responsible Officer monitors the daily utilisation of trading limits of every client and the Legal and Compliance Department will review the properties and companies of clients by conducting land search and company search on a monthly basis.

The Group utilises the data from last trading day, including client's portfolio of stocks and client's available cash balances, to conduct stress test as a risk management control to protect the Group in the situation of market fluctuations and maintain sufficient liquid capital position. According to the margin financing policy of the Group, stress test shall be performed every six months and whenever there is material change in market conditions to be determined by the Responsible Officers or upon request of the SFC. The Directors advised that the test simulates the scenario with a large fluctuation in the stock markets in order to test the ability of the Group in meeting the financial requirements under relevant regulations. Reports generated from stress tests will be circulated to different business units for evaluation. Financial controller will compute liquid capital of the day and record in "Liquid Capital Computation".

The Accounting Department is responsible for monitoring and preparing the reports for compliance with the financial requirements of the relevant regulations from time to time. Such responsibilities include (but not limited to) the preparation of the daily "Liquid Capital Computation" for monitoring of the liquid capital of the Company's two operating subsidiaries, and the reporting to senior management of the Group and the regulatory body once the liquid capital drops below certain alert / reporting level. It also covers the areas on its preparation procedures, updating regulatory requirements, monitoring mechanisms and reporting violations.

Handling of complaints from clients

The Group has established policies and procedures to ensure proper handling of complaints from clients and that appropriate remedial action shall be taken promptly. Clients may lodge complaints via telephone, emails, facsimile message, letters or even in person. It is the Group's policy that licensed customer service staff shall try to resolve the complaint immediately or refer the matter to the assistant customer service manager in case of more serious complaints from clients. The assistant customer service manager shall listen to the telephone conversation, review the relevant documents and interview the staff concerned. Upon completion of the fact finding procedure, the assistant customer service manager shall implement measures to correct the mistake and notify the staff concerned. The assistant customer service manager shall also report the complaint findings to the complainant and, if necessary, to the SFC.

All complaints are to be reviewed by the customer service manager and proper records will be kept by the Group.

Staff dealing

The following principles govern staff dealings by all employees of the Group, including the Directors and senior management of the Group:

— an employee must not deal or procure, advise or cause any other person to deal in any investment in relation to which he/she has acquired unpublished price sensitive information or in any investment related thereto, or on the basis of confidential information which is in his/her possession as a result of his/her employment with the Group;

— an employee must not deal in circumstances, which present a conflict of interest with the Group's clients (for example, front running);

— an employee must not deal where such dealing could affect the reputation or best interests of the Group;

— an employee must not deal if such dealing could commit the employee to a financial liability which could not easily be met from readily available funds or which over-stretches the employee's financial resources;

— an employee must not deal in circumstances, which affect the proper performance of his/her duties to the Group; and

— an employee must observe the spirit of these principles and any applicable regulatory requirements or legislations.

Staff members of the Group are required to declare any securities trading or futures and options trading accounts inside and outside the Group upon the commencement of employment. It is the policy of the Group that staff members are required to close any securities trading or futures and options trading account declared outside the Group within 30 calendar days after commencement of employment. However, staff members may obtain prior specific approval from the chairman, the general manager or the head of the Legal and Compliance Department if they would like to open or maintain the securities trading account outside the Group. Staff members are not allowed to keep futures and options trading accounts outside the Group upon commencement of employment in the Group, except for those obtained specific approval from the chairman, the general manager or the head of the Legal and Compliance Department. Staff members are required to produce all monthly statements to the Legal and Compliance Department in relation to their trading accounts maintained outside the Group.

Staff members are only allowed to trade if pre-approval from Responsible Officer is obtained. Responsible Officers are only allowed to trade if pre-approval is obtained from a different Responsible Officer. Also, staff members cannot open online trading account in the Group and are only allowed to open margin trading and future trading accounts in the Group with specific approval from the chairman, the general manager or the head of the Legal and Compliance Department.

The Legal and Compliance Department will monitor accounts of the staff and his/her spouse, parents, siblings and children. Such monitor list will be updated regularly. Before making order, staff needs to fill in "Bought/Sold Order" and seeks approval from a Responsible Officer. Once approved, such order will be handled and executed by a Responsible Officer, and time will be marked on the "Bought/Sold Order" using time chop in order to ensure no front-running by the staff. The Group generates an "A.E.R. Fee Report" to Responsible Officer and compliance officer each day after the market closes. Responsible Officer will reconcile the report with staff dealings of the day. Staff members are not allowed to undertake more that two transactions within a week, unless prior approval is obtained from the Legal and Compliance Department.

It is the Group's policy that the compliance officer prepares reports of dealings made by staff and their connected persons on a weekly basis, which will be later reviewed by the risk control manager. Trading of warrant and futures, day trade and margin trade by staff are not allowed unless with specific prior approval from the chairman, the general manager or the head of the Legal and Compliance Department under the Group's policy.

It is the Group's policy that every six months, every staff of the Group shall make a declaration to update his/her trading accounts and relevant records.

Segregation of duties and functions

Key duties and functions are appropriately segregated; particularly those duties and functions when performed by the same individual may result in undetected errors or may be susceptible to abuses which may put the interest of the Group or its clients at risk.

The Group's settlement and accounting functions are separated from its sales and dealing functions. The Group's compliance and credit control functions are segregated. The Group has segregated reporting line for the staff of each of the settlement, accounting, compliance, credit control, customer service, dealing and personnel functions.

Information technology related controls

The Group has in place effective information security policy and rules which control over its information technology infrastructure. Access controls are in place so that all users' (including staff, clients and vendors of the securities/futures trading system and back-office system) access to the system requires to be authorised by the Group. Password policies and standards are formalised to facilitate user authentication and access control. The Group's computer system and information processing facilities are protected by firewalls, intrusion protection systems and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software. Encryption is applied to the transmission of sensitive information. The Group performs compliance check against the established information technology policies. Daily backup procedures and business continuity plan are in place to ensure continuity of the Group's operation.

To ensure the stability of the online trading system and prevent computer system breakdown in future, the Group has implemented the following measures. First, all hardware components of the trading system have backup components to ensure any hardware failure can be recovered within a short period of time. Second, staff members from the Information Technology Department and the Dealing Department are responsible for closely monitoring the stability and performance of the trading system. Any abnormal behavior of the trading system can be identified and rectified at an early stage. Third, any software/hardware changes in the trading system will be tested during market rehearsal session before rollout. Regular checking on compliance will be performed to ensure the trading system is not modified or accessed by unauthorised persons.

Data Protection Regulations

In order to conduct its businesses, the Group collects, holds, processes or uses personal data and is therefore governed under the Personal Data (Privacy) Ordinance (Cap 486) (the "Ordinance"). The purpose of the Ordinance is to protect individuals' right to privacy by regulating the handling of personal data in Hong Kong. The Group complies with the data protection principles set out in the Ordinance relating to:

- the purpose and manner of collection of personal data;
- the accuracy and duration of retention of personal data;
- the use of personal data;
- the security of personal data;
- information to be generally available; and
- access to personal data.

The Group has in place a policy to protect its clients' privacy which state how the information will be used and whether or not the information will be distributed to other organizations. The Group would ask for client's consent if they intend to share information with partner vendors who offer related products or services.

Risk management

Credit risk

In respect of accounts receivable due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement date commonly adopted by the relevant market convention, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the accounts receivable due from cash clients is considered small. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. For commodities and futures broking, initial margin is required before opening of a trading position. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by the management of the Group on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of accounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry.

The Group has no significant concentration of credit risk as credits are granted to a large population of clients.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and funding in the short and long term. All of the Group's liabilities are expected to be settled within one year.

Interest rate risk

The Group charges interest on its margin clients on the basis of its cost of funding plus a mark-up. Financial assets such as margin loans and deposit with banks are primarily at floating rates. Financial liabilities such as amount due to a related company and bank loans are primarily at fixed rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

Foreign currency risk

The Group's business is principally conducted in HK dollars and US dollars and most of the Group's monetary assets and liabilities are denominated in HK dollars. As the HK dollars is pegged to the US dollars, the Group considers the risk of movements in exchange rates between the HK dollars and the US dollars to be insignificant.

COMPLAINTS RECEIVED BY THE GROUP

Bright Smart Securities and/or Bright Smart Futures received a number of complaints during the Track Record Period. Set out below are summaries of the complaints received by the Group and the regulators, and complaints regarding the Group's policies and procedures during the Track Record Period. Remedial actions had already been taken in respect of all the above complaints received.

I. Complaints received by the Group and the regulators

(a) On 21 November 2008, Bright Smart Securities received a written complaint, copy of which was sent to the SFC and the Stock Exchange, from a client requesting to withdraw deposit from his margin account plus interest accrued based on interest rate different from that agreed by Bright Smart Securities and refund of interest charged by Bright Smart Securities for the period when margin was not received. Bright Smart Securities has set out in its operational manual on fund withdrawal policy whereby clients are only entitled to withdraw the floating surplus fund in their accounts. It also states that interests of 0.01% p.a. will only be credited by the Group for balance in excess of HK$60,000. Given that the money was received three days after the margin call was initiated, Bright Smart Securities was entitled to charge the client interest for the period in-between, according to the Group's policy. The client was satisfied about the explanations.

In light of the above and after making reference to the industry practice, the Group subsequently revised the fund withdrawal policy and allowed clients to withdraw the floating surplus in their accounts.

A formal reply letter was sent to the client with copies filed with the SFC and the Stock Exchange. As no further comments were received from the client, the SFC and the Stock Exchange, the case came to a close.

(b) On 20 February 2009, a client lodged a complaint to the SFC claiming his trade order for purchasing one million shares of a callable bull/bear contract on a particular day was not executed in accordance with his instruction at the unit price he requested and he demanded compensation.

On 22 April 2009, the SFC informed Bright Smart Securities that it noted the complaint, but if no further complaint was received from the client, the SFC would not give a written reply on this matter.

On 17 June 2009, Bright Smart Securities was notified by Investor Compensation Company Limited ("ICC") regarding a claim made by that client against the Investor Compensation Fund. Such claim was subsequently dismissed by ICC on 2 October 2009 after due enquiries had been made.

(c) On 24 September 2009, Bright Smart Securities received a letter from the SFC regarding a complaint lodged by a client. According to the allegations made by the client, he placed orders via Bright Smart Securities' online platform on 27 August 2009, but experienced several system outages. He filed his complaints with Bright Smart Securities by phone and email, but received no response.

On 29 September 2009, the head of the Customer Service Department called the client and informed him that Bright Smart Securities would close his account during the investigation of his complaint.

On 2 October 2009, the account of the client was closed and the net balance of cash was deposited into his bank account.

In the reply letter dated 8 October 2009 to the SFC, Bright Smart Securities replied that the head of the Customer Service Department had attempted to contact the client by phone on 28 August 2009, but with no response. In addition, as the client continued to trade on 28 August 2009 through Bright Smart Securities' online platform on that day, the Customer Service Department was of the view that he did not experience any system problems anymore, and therefore no further follow-up action was taken. Upon investigation, Bright Smart Securities concluded that the client must be unfamiliar with the operation of the internet trading system. To ensure that the client could successfully operate the internet trading system, the Customer Service Department invited the client to perform a real-time bid verification on 28 August 2009. However, the client refused.

As no further comments were received from the SFC, the case came to a close.

II. Complaints regarding the Group's policies and procedures

(i) On 31 March 2008, a client made an enquiry regarding deposit requirement of Hang Seng Index futures.

He also complained, among other things, that the trading system was not updated to reflect changes made by the regulator.

In light of those complaints, Bright Smart Futures undertook to put resolving clients' enquiries as the first priority when the same incident occurred, indicated it would establish internal guidelines to prevent the same event from happening again and signified that all terms and conditions should be referred to the English version for accuracy and that the company website would be shown in a new layout soon. The client accepted the above explanations and no further complaint was received from him.

(ii) On 17 January 2009, a client complained that her instruction of buying shares was not properly executed by the dealer in charge and thereby demanded a waiver of all commission fees.

The order placed by the client was found captured on Bright Smart Securities telephone recording system, which did not support the claim allegedly made by the client. Nonetheless, Bright Smart Securities agreed to grant exemption of all commission fees relating to the transaction for the client. In addition, in order to prevent the reoccurrence of similar events, Bright Smart Securities would provide more training to staff. Furthermore, as a procedure on account opening, new clients are orally advised to place their phone-in orders based on number of shares rather than transaction amount. For any enquiries on the number of shares that a specified amount of fund could purchase, clients are advised to contact Customer Service Department for details. No further complaint was received from the client in this respect.

Save as disclosed above, the Directors, having made all relevant enquiries, are not aware of any other complaints received by the Group and the regulators or complaints regarding the Group's policies and procedures up to the Latest Practicable Date.