

CONNECTED TRANSACTIONS

RELATED PARTIES TRANSACTIONS

Non-exempt Continuing Connected Transactions

Upon Listing, the following transactions will be regarded as non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules or continuing connected transactions exempted from the independent shareholder's approvals requirement only under Rule 14A.34 of the Listing Rules.

1. Tenancy Agreements

The Group has entered into several tenancy agreements with the connected persons (collectively known as "Tenancy Agreements") and under the terms of which, the Group will continue to lease the following premises upon Listing, constituting continuing connected transactions of the Group under the Listing Rules:

<u>Transaction</u>	<u>Connected relationship</u>	<u>Address of the premises</u>	Annual consideration for the year ended 31 March 2011	<u>Duration of agreement</u>
Tenancy made on 1 June 2010 between Bright Smart Securities, as the tenant, and Victory Beauty Limited, as the landlord	Victory Beauty Limited is Mr. Yip's Associate	Lease of an office premises at 10/F, Wing On House, 71 Des Voeux Road Central, Hong Kong	Approximately HK\$6,522,000 with monthly rental being HK\$670,000 (exclusive of management fees and rates)	Fixed term commencing from 9 June 2010 to 31 March 2013 (both days inclusive) with an option to renew for another 3 years.
Tenancy made on 28 May 2010 between Bright Smart Securities, as the tenant, and Great Challenge Limited, as the landlord	Great Challenge Limited is Mr. Yip's Associate	Lease of an office premises at 11/F, Shun Feng International Centre, 182 Queen's Road East, Wanchai, Hong Kong	Approximately HK\$420,000 with monthly rental being HK\$42,000 (exclusive of management fees and rates)	Fixed term commencing from 1 June 2010 to 31 March 2013 (both days inclusive) with an option to renew for another 3 years.
Tenancy made on 1 March 2010 between Bright Smart Securities, as the tenant, and Well Point Limited, as the landlord	Well Point Limited is Mr. Yip's Associate	Lease of an office premises at Mezzanine Floor, Peter Building, 58-60 Queen's Road Central, 13-17 Stanley Street, Hong Kong	Approximately HK\$1,842,000 with monthly rental being HK\$160,000 (exclusive of management fees and rates)	Three years commencing from 1 March 2010 to 28 February 2013 (both days inclusive) with an option to renew for another 3 years.
Tenancy made on 15 April 2010 between Huge Dynasty Limited, as the tenant and Sea Magic Limited, as the landlord	Sea Magic Limited is Mr. Yip's Associate	Lease of an office premises at G/F. & Cockloft, Nos. 141-145, Kwong Fuk Road, Tai Po, New Territories, Hong Kong	Approximately HK\$1,008,000 with monthly rental being HK\$90,000 (exclusive of management fees and rates)	Fixed term commencing from 15 April 2010 to 31 March 2013 (both days inclusive) with an option to renew for another 3 years.

CONNECTED TRANSACTIONS

Pricing Standards: The rental amounts referred to the above in respect of each of the Tenancy Agreements from each of Victory Beauty Limited, Great Challenge Limited, Well Point Limited and Sea Magic Limited are exclusive of government rent, rates and management fees and were agreed in an arm's length negotiations. DTZ Debenham Tie Leung Limited, the Group's independent property valuer, has confirmed that the rentals payable under these Tenancy Agreements are determined with reference to the market rate of similar properties in proximity locations in Hong Kong and the Tenancy Agreements were on normal commercial terms and such terms were fair and reasonable.

Historical Information. For the three years ended 31 March 2008, 2009 and 2010, the aggregate annual rental expense in connection with the Tenancy Agreements was approximately HK\$5,527,100, HK\$7,379,206 and HK\$4,697,881 respectively.

Annual Caps. The Directors expect that the maximum aggregate annual amount payable under the above Tenancy Agreements for the years ending 31 March, 2011, 2012 and 2013 will not exceed HK\$9.8 million, HK\$11.5 million and HK\$11.3 million respectively. The annual caps were arrived at after taking into account of any rent-free period offered to the Group, and do not include management fees and rates. The reasons for the increase of the annual caps for the three years ending 31 March 2013 as compared to the historical figures for the three years ended 31 March 2010 are (i) the Group has taken up a new tenancy in respect of the office premises at Kwong Fuk Road, Tai Po, New Territories; (ii) there was only one month's rent attributable to the historical figures in respect of Peter Building, Central; and (iii) there has been an upward adjustment in rent in respect of the tenancy agreement of Wing On House in Central, commencing from June 2010, details of which are set in the table above. These annual caps are determined by reference to inter alia, the previous transactions after considered the historical amount of rental made by the Group in the past years.

2. Financial Services

Prior to the Listing, the Group has provided financial services including margin financings ("Margin Financings") and initial public offering financings ("IPO Financings", together with Margin Financings, "Financial Services") to certain directors of the Group and their Associates, where applicable ("Connected Persons", details of which are set out below), in the ordinary and usual course of business of the Group and on normal commercial terms. It is expected that after the Listing, the Group will continue to provide the aforesaid services to the relevant Connected Persons. As such, the provision of the Financial Services to such Connected Persons will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

The relevant Connected Persons with whom the Group has entered, or will enter, into continuing connected transactions are as follows:

<u>Connected Persons</u>	<u>Connected relationship</u>	<u>Aggregation of transactions</u>
Mr. Yip	Director of the Company	Mr. Yip and his Associates being his sons and certain private companies controlled by Mr. Yip, together as “Mr. Yip’s Group”
Madam Hung	Director of Bright Smart Securities and mother of Mr. Yip	Madam Hung
Chan Wing Shing, Wilson (“Mr. Wilson Chan”)	Director of the Company and nephew of Mr. Yip	Mr. Wilson Chan and his Associates being his wife, together as “Mr. Wilson Chan’s Group”
Chan Kai Fung (“Mr. Chan”)	Director of the Company	Mr. Chan and his Associates being his wife and sister, together as “Mr. Chan’s Group”
Kwok Sze Chi (“Mr. Kwok”)	Director of the Company	Mr. Kwok
Hui Wah Chiu (“Mr. Hui”)	Director of the Company	Mr. Hui

Each of the persons as stated above had individually maintained or is expected to open either a securities and/or a futures/options account with the Group and obtained brokerage services (“Brokerage Services”) and/or Financial Services provided by Group during the Track Record Period or is expected to obtain Brokerage Services and/or Financial Services provided by the Group after the Listing, and is either a director of the Group or an Associate of such director, and is therefore each a Connected Person under the definition of the Listing Rules. As certain continuing connected transactions were entered into with the parties connected or otherwise associated with one another, the transactions entered into with such connected parties will be categorized as same class of transactions and will be aggregated into a series of connected transactions for the purpose of calculating the considerations as as referred to in the above table under the column “Aggregation of transactions”.

CONNECTED TRANSACTIONS

Historical Information. During the Track Record Period, some of the relevant Connected Persons had maintained either a securities and/or futures/options trading account with the Group and obtained Financial Services, including IPO Financings and/or Margin Financings, from the Group. The aggregate maximum amounts of financing advanced by the Group and the amounts of interest income received from each category of the relevant Connected Person for the three years ended 31 March 2010 are set out as below:

Name	Financial Services	For the year ended 31 March		
		2008	2009	2010
		HK\$	HK\$	HK\$
Mr. Yip's Group	Maximum amounts of IPO Financings	88,625,297	20,605,836	221,613,584
	Maximum amounts of Margin Financings	31,189,659	1,013	973
	Total interest income received	705,757	171,653	117,617
Madam Hung	Maximum amounts of IPO Financings	—	4,848,432	24,623,732
	Maximum amounts of Margin Financings	—	64,721,644	82,438,637
	Total interest income received	—	336,578	289,100
Mr. Wilson Chan's Group	Maximum amounts of IPO Financings	—	—	—
	Maximum amounts of Margin Financings	—	—	—
	Total interest income received	—	—	—
<i>Sub-total of Mr. Yip's Group, Madam Hung and Mr. Wilson Chan's Group (together "Mr. Yip's Family")</i>	<i>Maximum amounts of IPO Financings</i>	<i>88,625,297</i>	<i>25,454,268</i>	<i>246,237,316</i>
	<i>Maximum amounts of Margin Financings</i>	<i>31,189,659</i>	<i>64,722,657</i>	<i>82,439,610</i>
	<i>Total interest income received</i>	<i>705,757</i>	<i>508,231</i>	<i>406,717</i>
Mr. Chan's Group	Maximum amounts of IPO Financings	19,454,333	5,409,032	49,879,456
	Maximum amounts of Margin Financings	1,412,182	723,378	1,228,536
	Total interest income received	148,421	5,503	68,241
Mr. Kwok	Maximum amounts of IPO Financings	—	—	—
	Maximum amounts of Margin Financings	—	—	—
	Total interest income received	—	—	—
Mr. Hui	Maximum amounts of IPO Financings	—	—	—
	Maximum amounts of Margin Financings	—	—	—
	Total interest income received	—	—	—

Pricing Standards. The interest rates charged to the relevant Connected Persons in relation to Margin Financings and IPO Financings were comparable to rates offered to other customers of the Group who are independent third parties and in accordance with the pricing policy of the Group.

CONNECTED TRANSACTIONS

Annual Caps. The proposed annual caps in respect of Margin Financings (“Margin Annual Cap”) and IPO Financings (“IPO Annual Cap”) for each of the three years ending 31 March 2013 (as the case may be) which may be provided by the Group to each of the relevant Connected Persons are set out as follows:

<u>Name</u>	<u>Annual caps</u>	<u>For the year ending 31 March</u>		
		<u>2011</u>	<u>2012</u>	<u>2013</u>
		<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Mr. Yip’s Group	IPO Annual Cap	221,600,000	221,600,000	221,600,000
	Margin Annual Cap	31,200,000	31,200,000	31,200,000
Madam Hung	IPO Annual Cap	24,600,000	24,600,000	24,600,000
	Margin Annual Cap	82,400,000	82,400,000	82,400,000
Mr. Wilson Chan’s Group. . .	IPO Annual Cap	20,000,000	20,000,000	20,000,000
	Margin Annual Cap	—	—	—
<i>Sub-total of Mr. Yip’s Family</i>	<i>IPO Annual Cap</i>	<i>266,200,000</i>	<i>266,200,000</i>	<i>266,200,000</i>
	<i>Margin Annual Cap</i>	<i>113,600,000</i>	<i>113,600,000</i>	<i>113,600,000</i>
Mr. Chan’s Group	IPO Annual Cap	49,900,000	49,900,000	49,900,000
	Margin Annual Cap	1,400,000	1,400,000	1,400,000
Mr. Kwok	IPO Annual Cap	20,000,000	20,000,000	20,000,000
	Margin Annual Cap	—	—	—
Mr. Hui	IPO Annual Cap	20,000,000	20,000,000	20,000,000
	Margin Annual Cap	—	—	—

Note: The above sub-total of IPO Annual Cap and Margin Annual Cap for Mr. Yip’s Family are used for the purpose of determining the reporting, announcement, annual review and independent shareholders’ approval requirements under the Listing Rules. In addition, each of Mr. Yip’s Group, Madam Hung and Mr. Wilson Chan’s Group will be subject to their respective annual caps for the three years ending 31 March 2013.

In determining the proposed IPO Annual Caps and Margin Annual Caps, the Directors have taken into consideration of the following principal factors (i) the expected interest rates for the three years ending 31 March 2013; (ii) the highest historical amounts of Margin Financings and IPO financings advanced to the relevant Connected Persons for the three years ended 31 March 2010; (iii) the potential or possible amounts of Margin Financings and IPO Financings to be advanced to the relevant Connected Persons for the three years ending 31 March 2013; and (iv) the expected economic conditions and market sentiments of the securities markets in Hong Kong.

It is expected that the Group will enter into 6 agreements (collectively, “**Financial Services Agreements**”) with each of Mr. Yip, Madam Hung, Mr. Wilson Chan, Mr. Chan, Mr. Kwok and Mr. Hui, pursuant to which the Group may, upon request provide to each of them (where applicable,

CONNECTED TRANSACTIONS

including their Associates) Financial Services, including Margin Financings and/or IPO Financings, from time to time on normal commercial terms at the interest rate comparable to rates offered to other customers of the Group who are independent third parties of similar credit standing, trading record and quality of collaterals given, and in accordance with the credit policy of the Group from time to time. Each Financial Services Agreement is proposed to be for a term commencing from the Listing Date and ending on 31 March 2013.

Continuing Connected Transactions exempt from independent shareholders' approval requirements

3. Brokerage Services

Historical Information. The aggregate amount of brokerage commission income paid by the relevant Connected Persons for the Brokerage Services provided by the Group for the three years ended 31 March 2010 are set as below:

Connected Person category	Brokerage commissions income for the year ended 31 March		
	2008 (HK\$)	2009 (HK\$)	2010 (HK\$)
Mr. Yip's Group	442,127	200,285	133,119
Madam Hung	691,200	1,043,009	704,922
Mr. Wilson Chan's Group	334	250	675
<i>Sub-total of Mr. Yip's Family</i>	<i>1,133,661</i>	<i>1,243,544</i>	<i>838,716</i>
Mr. Chan's Group	98,802	56,420	76,348
Mr. Kwok	—	6,294	21,004
Mr. Hui	—	—	—

Note: The above sub-totals of Mr. Yip's Family are used for the purpose of determining the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

Pricing Standard. The Directors consider that the historical commission and brokerage fees paid by the Connected Persons during the Track Record Period are mainly determined by the pricing policy of the Group which might be affected by the overall economy and stock market sentiment of Hong Kong. The brokerage commission rate charged to each of the Connected Persons was the same as the standard brokerage commission rate charged by the Group to other customers who are independent third parties and in accordance with the pricing policy of the Group.

Annual Caps. The Directors expect that the amounts of brokerage commission income payable annually by (i) Madam Hung for each of the three years ending 31 March 2013 will not exceed HK\$1.05 million, HK\$1.05 million and HK\$1.05 million respectively; (ii) except for Madam Hung, it is anticipated that brokerage commission payable by each of the other Connected Persons will not exceed the de minimis threshold; and (iii) Mr. Yip's Family for each of the three years ending 31 March 2013 will not exceed HK\$1.49 million, HK\$1.49 million and HK\$1.49 million respectively ("Brokerage Annual Caps").

CONNECTED TRANSACTIONS

In determining the proposed Brokerage Annual Caps, the Directors have taken into consideration the following principal factors: (i) the possible rates of commission and brokerage fees (with the inclusion of a buffer) for the three years ending 31 March 2013; (ii) the highest historical commission and brokerage fees from the relevant Connected Persons for the three years ended 31 March 2010; (iii) the potential brokerage commission to be received from the relevant Connected Persons for the three years ending 31 March 2013; and (iv) the expected economic conditions and market sentiments of the securities markets in Hong Kong.

It is expected the Group will enter into 6 agreements (collectively, “**Brokerage Services Agreements**”) with each of Mr. Yip, Madam Hung, Mr. Wilson Chan, Mr. Chan, Mr. Kwok and Mr. Hui, pursuant to which Bright Smart Securities and Bright Smart Futures may, upon request, provide to each of them (where applicable, including their Associates) Brokerage Services, from time to time on normal commercial terms and at rates comparable to rates offered to other customers of Bright Smart Securities and Bright Smart Futures who are independent third parties of similar credit standing, trading record and quality of collaterals given, and in accordance with the relevant policy of the Group from time to time. Each Brokerage Services Agreement is proposed to be for a term commencing from the Listing Date and ending on 31 March 2013.

Continuing Connected Transactions exempt from reporting, announcement and independent shareholders’ approval requirements and annual review

Upon the Listing, the Brokerage Services to be provided to Mr. Chan’s Group, Mr. Kwok and Mr. Hui will be regarded as continuing connected transactions exempt from reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 14A.33(3) of the Listing Rules. These continuing connected transactions are undertaken on an arm’s length basis and on normal commercial terms or terms no more favorable to the Group and the percentage ratios (other than the profit ratio) on an annual basis is less than 5% and the annual consideration is less than HK\$1.0 million and will be on normal commercial terms. It is expected that after the Listing, the Group will continue to provide the Brokerage Services to the Connected Person at rates comparable to rates offered to other customers of Bright Smart Securities and Bright Smart Futures, who are independent third parties of similar credit standing, trading record and quality of collaterals given, and in accordance with the relevant policy of Bright Smart Securities and Bright Smart Futures from time to time.

Please also refer to the section headed “Business — Current internal control system” for details of the measures taken in connection with dealings by staff, including the executive Directors, to avoid actual or potential conflict of interest and duty.

APPLICATION FOR WAIVERS

Upon completion of the Listing, the continuing connected transactions described in:

- (A) “Continuing Connected Transactions exempt from independent shareholders’ approval requirements” under paragraph 3 (Brokerage Services in respect of Mr. Yip’s Group, Madam Hung and Mr. Wilson Chan’s Group) and paragraph 2 (Financial Services provided to Mr. Chan’s Group in respect of Margin Financings) above would be subject to the reporting, annual review and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the prior independent shareholders’ approval requirement set out in Rule 14A.48 of the Listing Rules. As the applicable percentage ratios as defined in

CONNECTED TRANSACTIONS

Rule 14A.10(10) of the Listing Rules (other than the profits ratio) calculated with reference to the annual caps on an annual basis is less than 25% and the annual consideration is less than HK\$10 million and will be on normal commercial terms, the Brokerage Services provided to Mr. Yip's Group, Madam Hung and Mr. Wilson Chan's Group and the Margin Financings provided to Mr. Chan's Group respectively will fall within the exemption under Rule 14A.34 of the Listing Rules; and

- (B) "Non-exempt Continuing Connected Transactions" under paragraph 1 (Tenancy Agreements) and paragraph 2 (Financial Services) in respect of (i) IPO Financings for each of the Connected Persons, and (ii) Margin Financings for each of Mr. Yip's Group and Madam Hung above would, on each occasion on which they arise, be subject to the reporting, announcement, independent shareholders' approval and annual review requirements set out in Rules 14A.35 of the Listing Rules. As the applicable percentage ratio as defined in Rule 14A.10(10) of the Listing Rules calculated with reference to the annual caps on an annual basis exceeds 25% and the annual consideration is not less than HK\$10 million, such transactions are considered to be non-exempt continuing connected transactions under Rule 14A.35 and would, therefore, be subject to the reporting, announcement, independent shareholders' approval and annual review requirements set out in Rules 14A.37 to 14A.40, 14A.45 to 14A.48 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that each of the relevant continuing connected transactions in respect of (i) Tenancy Agreements; (ii) Financial Services and (iii) Brokerage Services as described above has been and will be conducted, and carried out, in the ordinary course of business of the Group as well as on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the factors and information mentioned above, the Directors (including the independent non-executive Directors) also consider that the annual caps in respect of (i) Tenancy Agreement; (ii) Financial Services and (iii) Brokerage Services set out above for the relevant continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.42(3) of the Listing Rules, the Company has applied to be exempt from strict compliance with the requirements of announcement and independent shareholders' approval as set out in Rules 14A.47 and 14A.48 of the Listing Rules for the period of three years ending on 31 March 2013 and the Stock Exchange has granted a waiver in relation thereto. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 upon Listing.

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant documents, information and historical figures provided by the Group and have participated in due diligence and discussions with the management teams as well as the legal advisors in connection with the Listing. They have obtained necessary representations and confirmations from the Company and the Directors. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions (including the relevant annual caps and pricing terms which form part of the terms of such transactions) are fundamental to the Group's business operation, and are in the ordinary course of business, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.