
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the section headed “Definitions” in this prospectus.

OVERVIEW

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 businesses 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 opened 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.

Securities brokerage

The Group's business in securities brokerage is undertaken by Bright Smart Securities. The Group executes securities trades on behalf of its clients on the Stock Exchange, based on clients' orders mostly received online, and provides other related services including real time stock quotes, application for IPO issues, collection of cash and scrip dividends, and other corporate action services such as exercise of rights/warrants, privatisation and open offer. The Group generates turnover from its securities brokerage business from commission received from its clients which was recognised on a trade date basis when relevant transactions are executed. For the three years ended 31 March 2008, 2009 and 2010, the

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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 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. All transaction related levies and applicable stamp duties are borne by the clients of the Group.

Securities brokerage clients can place orders by phone or online. 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.

Leveraging on its efficient and secure online trading system and low brokerage commission rates, the Group was able to build up its client base rapidly and recorded significant growth in the number of new securities trading clients 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 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 Client Accounts 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

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As at 31 March 2008, 31 March 2009 and 31 March 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 securities 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 range of commission income (net of rebate) as at 31 March 2008, 2009 and 2010 respectively:

Bright Smart Securities Brokerage commission income (net of rebate) (in HK\$)	Number of Active Securities Trading Client Accounts as at 31 March		
	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	<u>3,983</u>	<u>880</u>	<u>1,450</u>
	<u>5,933</u>	<u>5,380</u>	<u>7,736</u>

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.

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. 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.

The Group also provides financing for applications of shares in connection with IPOs. 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. No provision for bad debt was recorded by the Group during the Track Record Period.

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. 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

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proceeds from the Share Offer would be used to increase the share capital of Bright Smart Securities. Please refer to the section headed “Relationship with the Controlling Shareholders — Financial independence” for further background information on the subordinated loans from Manet Good.

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.

Futures and options brokerage

The Group’s business in futures and options brokerage is undertaken by Bright Smart Futures. 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. Similar to Bright Smart Securities, 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. For each of the three years ended 31 March 2008, 2009 and 2010, brokerage commission income (net of rebate) generated from 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 which is recognised on a trade date basis when the 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%

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 services to index futures traded on Singapore Exchange Limited in September 2009 through two independent local brokers. Please refer to the paragraph headed “Global futures” in the section headed “Business” in this prospectus for details.

For each of the three years ended 31 March 2008, 2009 and 2010, gross brokerage commission income generated from futures traded on 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 commission income.

The Group places deposits and maintains trading accounts with the two independent local brokers and provide 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 futures products traded on

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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 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. On the other hand, the clients pay to the Group 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 Directors confirmed that the Group has extended its services to futures products traded on the exchanges in the US and Singapore for the convenience of its clients who are interested in trading futures products on exchanges outside Hong Kong without having to open and maintain separate accounts with these brokers.

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, representing 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

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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 futures and/or options trading contracts in the past twelve months. These Active Futures and Options 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 Brokerage commission income net of rebate (in HK\$)	Number of Active Futures and Options Trading Client Accounts as at 31 March		
	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
	<u>351</u>	<u>653</u>	<u>1,177</u>

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
	<u>481</u>	<u>489</u>	<u>499</u>
Number of Futures Exchange Participants			
— Trading	143	157	171
— Non-trading	—	—	—
	<u>143</u>	<u>157</u>	<u>171</u>

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

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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 businesses 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 Group introduced the online global futures trading service 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 up 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.

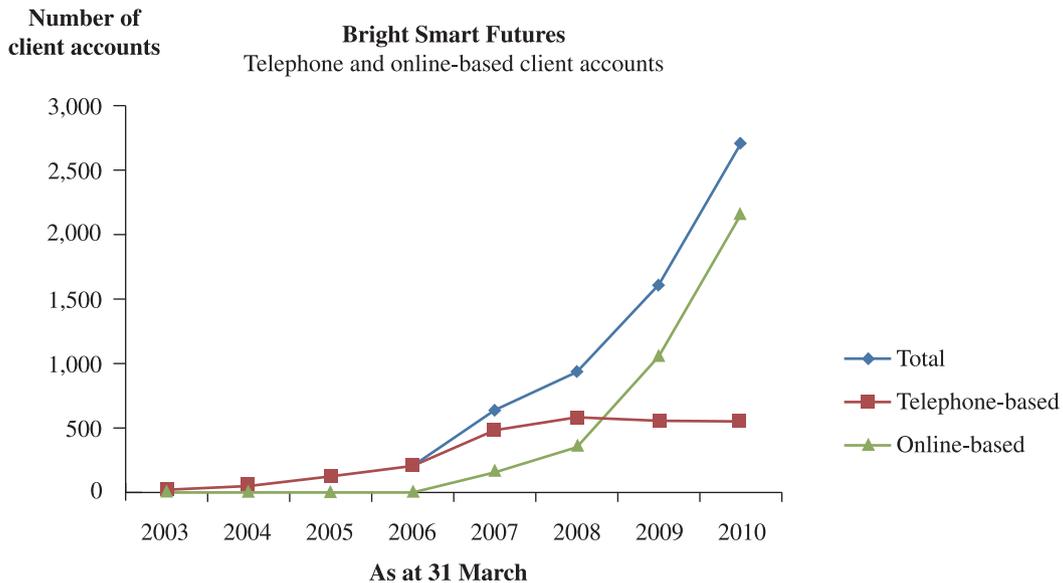
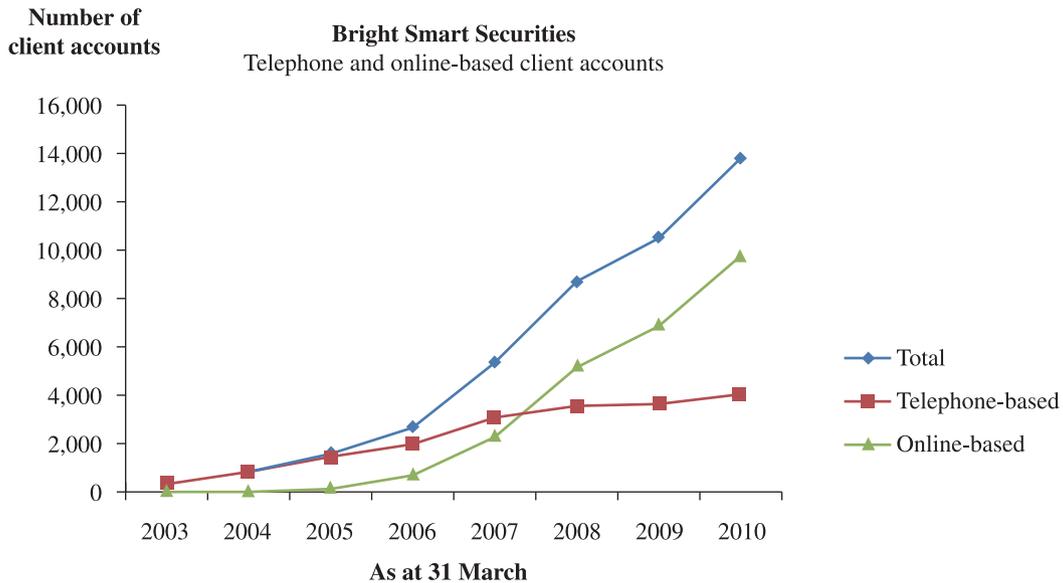
Recognised brand image and expanding client base

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 offers 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, the Group incurred advertising and promotion expenses of approximately HK\$4.8 million, HK\$9.0 million and HK\$3.6 million respectively.

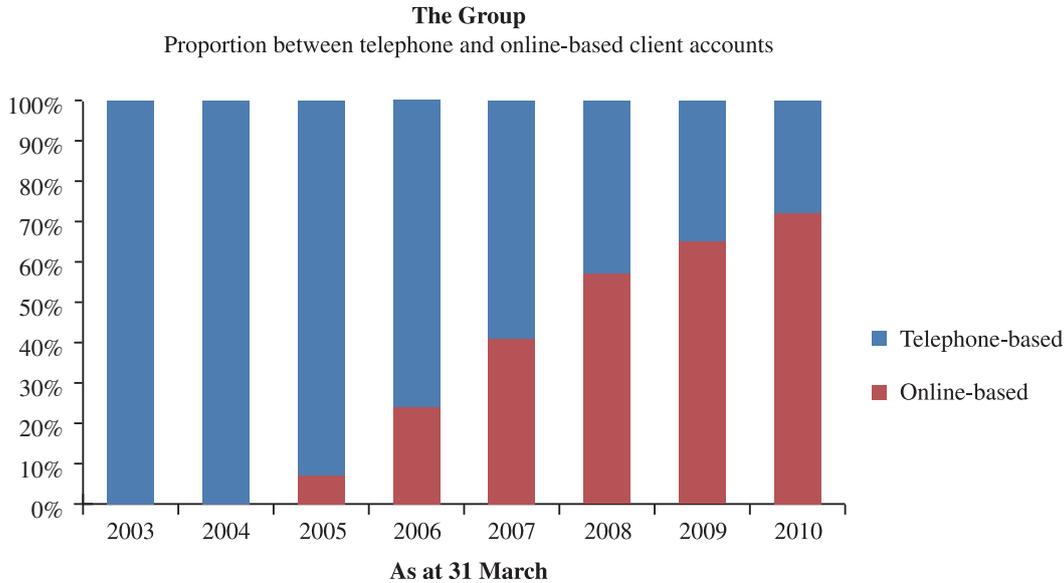
The number of clients of the Group has been increasing in the past few years. The Directors believe that it was attributable to the effective sales and marketing strategies implemented by the Group as well as the introduction of an online trading platform for its securities trading in January 2005 and its

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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.



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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 offices) 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

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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 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 clients of the Group 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

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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 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). Maximum utilisation of securities trading capacity usually occurs at peak hours when the trading session 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 placing of an order, amending, canceling and execution of such order) regulated by the SFO. 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 activities and accordingly, the Group is not required to obtain any such licence for its 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. 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 efficiency 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

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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.

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 the 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 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 relatively 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.

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SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables summarise the Company's combined financial information during the Track Record Period. The summary of combined balance sheets as at 31 March 2008, 31 March 2009 and 31 March 2010, combined statements of comprehensive income and combined cash flow statements for the three years ended 31 March 2008, 2009 and 2010 of the Group included in the following tables are derived from, and should be read in conjunction with, the Company's audited combined financial information included in the Accountants' Report set out in Appendix I to this prospectus, which has been prepared in accordance with HKFRS. You should read the entire financial statements, including the notes thereto, included in Appendix I to this prospectus for more details.

Selected Combined Statements of Comprehensive Income Data

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Turnover	176,353,024	78,742,697	140,240,061
Other revenue	13,596,241	13,598,223	15,858,301
Other net (loss)/gain	<u>(451,822)</u>	<u>(388,456)</u>	<u>98,558</u>
	189,497,443	91,952,464	156,196,920
Staff costs	(22,383,705)	(22,618,027)	(36,235,322)
Depreciation	(2,537,556)	(3,506,427)	(3,608,315)
Other operating expenses	<u>(32,733,432)</u>	<u>(38,040,632)</u>	<u>(35,743,667)</u>
Profit from operations	131,842,750	27,787,378	80,609,616
Finance costs	<u>(59,702,174)</u>	<u>(2,775,718)</u>	<u>(8,398,836)</u>
Profit before taxation	72,140,576	25,011,660	72,210,780
Income tax	<u>(12,056,535)</u>	<u>(3,876,306)</u>	<u>(11,926,761)</u>
Net profit and total comprehensive income attributable to equity shareholders for the year	<u><u>60,084,041</u></u>	<u><u>21,135,354</u></u>	<u><u>60,284,019</u></u>

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Selected Combined Balance Sheets Data

	As at 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Assets			
Non-current assets	11,606,313	9,485,834	12,238,793
Current assets	<u>417,334,916</u>	<u>388,650,813</u>	<u>930,085,718</u>
Total assets	<u><u>428,941,229</u></u>	<u><u>398,136,647</u></u>	<u><u>942,324,511</u></u>
Equity and Liabilities			
Non-current liabilities	107,175	287,656	—
Current liabilities	<u>242,152,004</u>	<u>190,031,587</u>	<u>790,273,079</u>
Total liabilities	<u>242,259,179</u>	<u>190,319,243</u>	<u>790,273,079</u>
Total equity	<u>186,682,050</u>	<u>207,817,404</u>	<u>152,051,432</u>
Total equity and liabilities	<u><u>428,941,229</u></u>	<u><u>398,136,647</u></u>	<u><u>942,324,511</u></u>

Selected Combined Cash Flow Statements Data

	Year ended 31 March		
	2008	2009	2010
	HK\$	HK\$	HK\$
Net cash generated from/(used in) operating activities	2,563,434,106	48,569,478	(428,838,183)
Net cash (used in)/generated from investing activities	(2,292,862)	3,823,113	(173,200)
Net cash (used in)/generated from financing activities	<u>(2,493,702,174)</u>	<u>(53,675,718)</u>	<u>423,501,173</u>
Net increase/(decrease) in cash and cash equivalents	67,439,070	(1,283,127)	(5,510,210)
Cash and cash equivalents at the end of the year	164,324,949	163,041,822	157,531,612

As further detailed in the section headed “Risk Factors — Volatility of the Hong Kong securities and futures market” and “Risk Factors — The US and Singapore futures markets” in this prospectus, the Group’s key revenue streams are generated from brokerage operations and financing business, which are dependent on the performance of the financial markets of Hong Kong as a whole. The Hong Kong financial markets are, in turn, directly affected by, among others, the global and local political, economic and social environments. With the extension of the Group’s brokerage services to futures

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products traded on exchanges in the US and Singapore starting from March 2009 and September 2009 respectively, the futures markets in the US and Singapore also affect the performance of the Group's business. The global economy was seriously hampered by the financial tsunami which swept across the world from the second half of 2008 to the first half of 2009. The turnover of the Group decreased significantly by approximately 55.3% from approximately HK\$176.4 million for the year ended 31 March 2008 to approximately HK\$78.7 million for the year ended 31 March 2009. For each of the three years ended 31 March 2008, 2009 and 2010, the average transaction amount generated on a per customer basis of Bright Smart Securities were approximately HK\$31.4 million, HK\$16.1 million and HK\$15.1 million respectively. For each of the three years ended 31 March 2008, 2009 and 2010, the average brokerage commission generated on a per customer basis of the Group were approximately HK\$13,000, HK\$7,000 and HK\$8,000 respectively. Although the global economy has shown signs of improvement since the first quarter of 2009 following the massive easing policies adopted by governments around the world, the Group's businesses may still be adversely affected by external factors including the volatility of the financial markets as illustrated above, which are beyond the control of the Group.

CAPITAL RESOURCES AND CASH MANAGEMENT

The Group's cash flow movement during the Track Record Period was mainly affected by the Group's operating performance, purchase of fixed assets, interest income received from financial institutions, financings from banks and a related company, and repayments of bank loans and amount due to a related company.

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, certain subsidiaries of the Company licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the FRR at all times.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries of the Company, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities. During the Track Record Period, all the licensed subsidiaries complied with the liquid capital requirements under the FRR.

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 the 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.

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OFFER STATISTICS

The Company has prepared the following offer statistics based on the respective Offer Prices of HK\$1.35 and HK\$1.62 per Share without taking into account the 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee. The Company has also assumed no exercise of the Over-allotment Option.

	<u>Based on indicative Offer Price of HK\$1.35 per Share</u>	<u>Based on indicative Offer Price of HK\$1.62 per Share</u>
Market capitalisation of the Shares ⁽¹⁾	HK\$900 million	HK\$1,080 million
Historical price/earnings multiple ⁽²⁾	14.9	17.9
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾⁽⁴⁾	0.52	0.58

Notes:

- (1) *The calculation of the market capitalisation upon completion of the Share Offer is based on the assumption that 666,800,000 Shares will be in issue and outstanding immediately following the Share Offer.*
- (2) *The historical price/earnings multiple is based on the historical earnings per Share of HK\$9.04 cents for the year ended 31 March 2010 at the respective Offer Prices of HK\$1.35 and HK\$1.62, assuming completion of the Share Offer with a total number of 666,800,000 Shares in issue.*
- (3) *The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the paragraph headed “Unaudited Pro Forma Adjusted Net Tangible Assets” under the section headed “Financial Information” in this prospectus and on the basis of a total of 666,800,000 Shares in issue at the respective Offer Prices of HK\$1.35 and HK\$1.62 per Share immediately following the Share Offer.*
- (4) *Pursuant to the resolutions passed at the respective board of directors’ meetings of Bright Smart Securities and Bright Smart Futures on 31 March 2010, dividends of HK\$116,050,000 and HK\$20,000,000 were declared to respective shareholders of Bright Smart Securities and Bright Smart Futures as at 31 March 2010, which have been recognised as liabilities in the combined balance sheet of the Group as at 31 March 2010. Subsequent payment of the dividend will not change the Group’s net tangible asset position.*

USE OF PROCEEDS

It is estimated that the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by the Company in connection with the Share Offer), assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$1.485 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.35 to HK\$1.62 per Offer Share, will be approximately HK\$218 million (or approximately HK\$248 million, if the Over-allotment Option is exercised in full). The Company currently intends to apply these net proceeds for the following purposes:

- as to approximately HK\$196 million (or approximately 90% of the net proceeds based on the mid-point of the indicative Offer Price range) for the funding and further development of the Group’s existing businesses of Bright Smart Securities, which include further funding for the

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Group's margin financing and IPO financing businesses depending on the then market conditions and the demand of margin financing and IPO financing, through the increase in share capital of Bright Smart Securities.

- as to approximately HK\$22 million (or approximately 10% of the net proceeds based on the mid-point of the indicative Offer Price range) for the funding and further developing the Group's existing businesses of Bright Smart Futures through the increase in its share capital.

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK\$1.62 per Share, the net proceeds of the Share Offer (assuming the Over-allotment Option is not exercised) will increase by approximately HK\$16 million. The Company intends to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.35 per Share, the net proceeds of the Share Offer (assuming the Over-allotment Option is not exercised) will decrease by approximately HK\$21 million. In such case, the Company intends to reduce the allocation of such net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Share Offer will be approximately HK\$248 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the net proceeds from the Share Offer (including the proceeds from the exercise of the Over-allotment Option) will be approximately HK\$272 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the net proceeds from the Share Offer (including the proceeds from the exercise of the Over-allotment Option) will be approximately HK\$229 million. The Company intends to apply any additional net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately required for or applied to the above purposes, the Company may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in the Company's best interests.

The Company will make an appropriate announcement and comply with the requirements of the Listing Rules if there is any change to the above proposed use of proceeds.

DIVIDENDS

The declaration of dividends is subject to the discretion of the Directors and the amounts of dividends actually declared and paid will depend upon:

- general business conditions;
- results of operations;
- capital requirements and operating cash flow considerations;
- interests of the Shareholders; and
- any other factors that the Board may deem relevant.

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The Board has absolute discretion in deciding whether to declare any dividend for any year and how much dividend to declare if it decides to declare a dividend. Any final dividend for a fiscal year will be subject to the Shareholders' approval.

The Company's past dividend payment history is not, and should not be taken as, an indication of its potential future practice on dividend payments. There is no assurance that dividends of any amount will be declared or distributed in any year.

No dividend was paid or declared by the Company since incorporation. Pursuant to the resolutions passed at the respective board of directors' meetings of Bright Smart Securities and Bright Smart Futures on 31 March 2010, dividends of HK\$116,050,000 and HK\$20,000,000 were declared to respective shareholders of Bright Smart Securities and Bright Smart Futures as at 31 March 2010 and will be settled before Listing.

The amount of final dividends actually distributed to the Shareholders will depend upon the earnings and financial position, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of the Shareholders.

STRATEGIC INVESTMENTS FROM BOCOM INTERNATIONAL HOLDINGS

On 25 November 2009, Mr. Yip and BOCOM International Holdings entered into the Call Option Agreement whereby Mr. Yip granted the Option to BOCOM International Holdings, representing the right to require Mr. Yip to sell all (but not part only) of the Option Shares to BOCOM International Holdings at the Exercise Price at any time during the Option Period. The consideration of the Option paid by BOCOM International Holdings to Mr. Yip was HK\$100. Pursuant to the Call Option Agreement, on 2 July 2010, (a) BOCOM International Holdings exercised the Option to require Mr. Yip to transfer the Options Shares to BOCOM International Holdings; (b) Mr. Yip procured New Charming to transfer 50,000,000 Shares from New Charming to BOCOM International Holdings for a consideration of HK\$11,403,857; and (c) BOCOM International Holdings fully settled the consideration.

BOCOM International Holdings is in the opinion that the Group is one of the well-established brokerage houses that primarily focuses on providing online brokerage services. BOCOM International Holdings as a strategic investor recognises this future potential and decided to complete this investment by exercising the Option.

Based on the total Shares to be held by BOCOM International Holdings immediately following completion of the Share Offer of 50,000,000 Shares, the investment cost per Share for BOCOM International Holdings amounted to approximately HK\$0.23, which represents a discount of approximately 86% as compared with the maximum Offer Price.

The 50,000,000 Option Shares represent 10% of the total issue share capital of the Company upon completion of the sale and purchase of the Option Shares and approximately 7.5% of the total issue share capital of the Company immediately after the Share Offer (assuming the Over-allotment Option is not exercised). BOCOM International Holdings undertakes to Mr. Yip and the Company that it will not sell or transfer or otherwise dispose of, or create any encumbrances on, its legal or beneficial interest in any of the Option Shares during the period from completion of the sale and purchase of the Option Shares up to and including the date falling six months after the Listing Date.

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Details of the Call Option Agreement and the conversion are set out in the section headed “History, Reorganisation and Group Structure” of this prospectus. When the Call Option Agreement was signed on 25 November 2009, BOCOM International Holdings and Mr. Yip agreed that the exercise price under the Call Option Agreement should be determined by reference to the equity attributable to equity holders of the Company as at 31 March 2010. BOCOM International Holdings assumed genuine investment risk under the Call Option Agreement upon payment of the exercise price of the Option Shares to Mr. Yip, the ultimate beneficial owner of New Charming on 2 July 2010, at which point of time, the Company was not listed and the Option Shares were not tradable on the Stock Exchange. Hence the Exercise Price has a significant discount when compared with the maximum Offer Price, which is determined based on the expected market capitalisation of the Company upon Listing.

BOCOM International Asia is one of the Joint Sponsors. BOCOM International Asia is a wholly-owned subsidiary of BOCOM International Holdings, which is a wholly-owned subsidiary of Bank of Communications Co., Ltd. Given the investment in the Company by BOCOM International Holdings, BOCOM International Asia does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Bank of Communications Co., Ltd. Hong Kong Branch, being a branch of Bank of Communications Co., Ltd., provides general banking facilities to Bright Smart Securities for the sole purpose of financing the IPO financing business of Bright Smart Securities pursuant to a master staging facility letter (stockbroker/securities margin financier) dated 10 September 2008. The maximum outstanding loan amount due from Bright Smart Securities to Bank of Communications Co., Ltd. Hong Kong Branch from the date of submission of the listing application of the Company to the Stock Exchange up to 31 July 2010 was approximately HK\$2,273.3 million, and there was no outstanding loan amount due from Bright Smart Securities to Bank of Communications Co., Ltd. Hong Kong Branch as at 31 July 2010.

Bank of Communications Co., Ltd. Hong Kong Branch also provides to China Finance general banking facilities in a maximum amount of approximately HK\$250 million, and a revolving loan in a maximum amount of approximately HK\$148 million for the purpose of shareholder’s capital injection or shareholder’s loan of Bright Smart Securities during which period Bright Smart Securities is conducting IPO financing. The maximum outstanding loan amount due from China Finance to Bank of Communications Co., Ltd. Hong Kong Branch from the date of submission of the listing application of the Company to the Stock Exchange up to 31 July 2010 was approximately HK\$443.9 million.

BOCOM International Securities, being a wholly-owned subsidiary of BOCOM International Holdings, which is a wholly-owned subsidiary of Bank of Communications Co., Ltd, is the Bookrunner, Lead Manager and one of the Underwriters. Bank of Communications Co., Ltd. Hong Kong Branch is one of the receiving bankers for the Public Offer.

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RISK FACTORS

There are certain risks relating to an investment in the Shares. These can be categorised into: (i) risks relating to the business and operations of the Group; (ii) risks relating to the industry; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer and (v) risks relating to this prospectus. A detailed discussion of the risks factors is set forth in the section headed “Risk Factors”.

Risks relating to the business and operations of the Group

- Risk of non-compliance of rules and regulations
- Volatility of the Hong Kong securities and futures market
- The US and Singapore futures markets
- Fluctuations in interest rates
- Credit and settlement risks
- Risk of financing business
- Reliance on brokerage commission and interest income from financing business
- Competitive pressure
- Risk of error trading
- Risk on branch network expansion
- Risk of operational and trading system failure
- Reliance on key management personnel
- Foreign exchange exposure
- Collection of deposits placed with brokerage firms
- Dividend policy

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Risks relating to the industry

- Competition from internet securities trading
- High level of liquidity required
- Grant of new trading rights

Risks relating to Hong Kong

- Economic and political considerations

Risks relating to the Share Offer

- Liquidity and possible price volatility of the Shares
- Shareholders' interests in the Company may be diluted in the future

Risk relating to this prospectus

- Forward-looking statements