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# 耀才證券

BRIGHT SMART SECURITIES

香港交易所上市公司(1428)

## BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1428)**

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the “Board”) of directors (the “Directors”) of Bright Smart Securities & Commodities Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2021 (the “Period”) together with the comparative figures for the six months ended 30 September 2020 as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2021 — unaudited*

*(Expressed in Hong Kong dollars unless otherwise indicated)*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	4	<b>566,523</b>	582,891
Other income			
— Interest income calculated using effective interest rate method	5	<b>11,591</b>	39,636
— Interest income calculated using other method	5	<b>28,204</b>	15,648
— Others	5	<b>67,895</b>	74,636
Other net (loss)/gain	6	<b>(13,702)</b>	17,867
		<b>660,511</b>	730,678

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
Staff costs		(77,208)	(64,199)
Amortisation and depreciation		(39,779)	(39,954)
Other operating expenses	7(b)	<u>(114,937)</u>	<u>(126,349)</u>
<b>Profit from operations</b>		<b>428,587</b>	500,176
Finance costs	7(a)	<u>(81,465)</u>	<u>(99,139)</u>
<b>Profit before taxation</b>	7	<b>347,122</b>	401,037
Income tax	8	<u>(52,211)</u>	<u>(54,984)</u>
<b>Profit for the period</b>		<b>294,911</b>	346,053
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		<u>(68)</u>	<u>(144)</u>
<b>Total comprehensive income attributable to equity shareholders for the period</b>		<b><u>294,843</u></b>	<b><u>345,909</u></b>
<b>Earnings per share</b>			
Basic ( <i>cents</i> )	9	<b><u>17.38</u></b>	<u>20.39</u>
Diluted ( <i>cents</i> )	9	<b><u>17.38</u></b>	<u>20.39</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>Non-current assets</b>			
Property, plant and equipment		75,358	106,516
Intangible assets		5,783	5,783
Deferred tax assets		2,732	268
Financial assets at amortised cost		7,986	—
Other receivables, deposits and prepayments		2,482	3,822
Other non-current assets		103,880	78,429
		<u>198,221</u>	<u>194,818</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Accounts receivable	11	10,934,964	15,139,668
Other receivables, deposits and prepayments		23,067	26,063
Amount due from a related company		4	3
Financial assets at fair value through profit or loss		52,327	70,593
Financial assets at amortised cost		—	7,787
Tax recoverable		16	972
Cash and cash equivalents		630,658	418,483
		<u>11,641,036</u>	<u>15,663,569</u>
<b>Total current assets</b>			
<b>Current liabilities</b>			
Accounts payable	12	1,762,799	2,061,356
Accrued expenses and other payables		99,839	103,417
Financial liabilities at fair value through profit or loss		45	—
Bank loans	13	7,620,758	11,436,038
Lease liabilities		35,215	61,141
Current taxation		111,483	57,764
		<u>9,630,139</u>	<u>13,719,716</u>
<b>Total current liabilities</b>			

	At 30 September 2021 <i>Note</i> \$'000	At 31 March 2021 \$'000
<b>Net current assets</b>	<u>2,010,897</u>	<u>1,943,853</u>
<b>Total assets less current liabilities</b>	<u>2,209,118</u>	<u>2,138,671</u>
<b>Non-current liabilities</b>		
Accrued expenses and other payables	983	1,431
Lease liabilities	<u>3,266</u>	<u>6,565</u>
<b>Total non-current liabilities</b>	<u>4,249</u>	<u>7,996</u>
<b>NET ASSETS</b>	<u><u>2,204,869</u></u>	<u><u>2,130,675</u></u>
<b>EQUITY</b>		
Share capital	509,189	509,189
Share premium	738,020	738,020
Exchange reserve	137	205
Merger reserve	(20,000)	(20,000)
Retained profits	<u>977,523</u>	<u>903,261</u>
<b>TOTAL EQUITY</b>	<u><u>2,204,869</u></u>	<u><u>2,130,675</u></u>

## NOTES:

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1 BASIS OF PREPARATION

This interim financial report for the six months period ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim financial report also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

- Amendments to HKFRS 16, “*Covid-19-Related Rent Concessions beyond 30 June 2021*”
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, HKFRS 16, “*Interest rate benchmark reform — phase 2*”

The Group has elected not to adopt and apply the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the reporting period. Consequently, rent concessions received have been accounted for as lease re-measurement. There is no impact on the opening balance of equity at 1 April 2021.

The amendments on Interest rate benchmark reform — phase 2 provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on this interim financial report as the Group did not hold any contracts that are indexed to benchmark interest rates which are subject to the IBOR reform as at 30 September 2021.

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Securities broking — provision of broking services in securities traded in Hong Kong and selected overseas markets, and margin financing services to those broking clients.
- Commodities and futures broking — provision of broking services in commodities and futures contracts traded in Hong Kong and overseas markets.
- Bullion trading — provision of trading services in bullion contracts traded in overseas markets.

#### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of unallocated corporate assets. Segment liabilities include liabilities and accruals attributable to the activities of the individual segments.

The measure used for reporting segment profit is earnings before finance costs and taxes ("EBIT"). To arrive at EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs.

**(b) Segment information**

	Six months ended 30 September 2021			
	Commodities			Total \$'000
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	
Revenue from customers:				
— Brokerage commission	253,366	93,001	—	346,367
— Dealing income	—	—	3,918	3,918
— Interest income from margin financing	177,908	—	—	177,908
— Interest income from IPO financing	37,290	—	—	37,290
Reportable segment revenue	<u>468,564</u>	<u>93,001</u>	<u>3,918</u>	<u>565,483</u>
Interest income from cash clients	28,204	—	—	28,204
Other interest income	10,533	1,057	—	11,590
Handling and settlement fees	<u>59,736</u>	<u>5</u>	<u>—</u>	<u>59,741</u>
Reportable segment profit (EBIT)	<u>393,957</u>	<u>27,646</u>	<u>2,424</u>	<u>424,027</u>
Amortisation and depreciation	(9,285)	(4)	—	(9,289)
Finance costs	(85,942)	—	—	(85,942)
Additions to non-current segment assets during the period	<u>7,293</u>	<u>—</u>	<u>—</u>	<u>7,293</u>
	At 30 September 2021			
	Commodities			Total \$'000
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	
Reportable segment assets	10,899,457	1,026,411	29,456	
Reportable segment liabilities	<u>(8,956,241)</u>	<u>(636,165)</u>	<u>(17,316)</u>	<u>(9,609,722)</u>

Six months ended 30 September 2020

	Commodities			
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	Total \$'000
Revenue from customers:				
— Brokerage commission	249,113	117,420	—	366,533
— Dealing income	—	—	6,682	6,682
— Interest income from margin financing	114,092	—	—	114,092
— Interest income from IPO financing	95,321	—	—	95,321
Reportable segment revenue	<u>458,526</u>	<u>117,420</u>	<u>6,682</u>	<u>582,628</u>
Interest income from cash clients	15,648	—	—	15,648
Other interest income	34,020	5,577	39	39,636
Handling and settlement fees	<u>59,485</u>	<u>4</u>	<u>—</u>	<u>59,489</u>
Reportable segment profit (EBIT)	<u>441,928</u>	<u>49,304</u>	<u>4,263</u>	<u>495,495</u>
Amortisation and depreciation	(8,447)	(4)	—	(8,451)
Finance costs	(101,861)	—	—	(101,861)
Additions to non-current segment assets during the period	<u>16,186</u>	<u>—</u>	<u>—</u>	<u>16,186</u>

At 31 March 2021

	Commodities			
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	Total \$'000
Reportable segment assets	14,994,772	922,895	26,329	15,943,996
Reportable segment liabilities	<u>(13,095,598)</u>	<u>(557,230)</u>	<u>(16,211)</u>	<u>(13,669,039)</u>



(c) **Reconciliation of reportable segment profit, assets and liabilities**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Reportable segment revenue	<b>565,483</b>	582,628
Elimination	<b>(256)</b>	(1,206)
Unallocated corporate revenue	<b>1,296</b>	1,469
	<hr/>	<hr/>
Consolidated revenue	<b><u>566,523</u></b>	<b><u>582,891</u></b>
<b>Profit</b>		
Reportable segment profit (EBIT)	<b>424,027</b>	495,495
Finance costs	<b>(81,465)</b>	(99,139)
Unallocated corporate income	<b>28,230</b>	25,112
Unallocated corporate expenses	<b>(23,670)</b>	(20,431)
	<hr/>	<hr/>
Consolidated profit before taxation	<b><u>347,122</u></b>	<b><u>401,037</u></b>
	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>11,955,324</b>	15,943,996
Elimination	<b>(214,724)</b>	(213,541)
Unallocated corporate assets	<b>98,657</b>	127,932
	<hr/>	<hr/>
Consolidated total assets	<b><u>11,839,257</u></b>	<b><u>15,858,387</u></b>

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>Liabilities</b>		
Reportable segment liabilities	(9,609,722)	(13,669,039)
Elimination	1,726,804	1,735,642
Unallocated corporate liabilities	<u>(1,751,470)</u>	<u>(1,794,315)</u>
Consolidated total liabilities	<u><u>(9,634,388)</u></u>	<u><u>(13,727,712)</u></u>

#### 4 REVENUE

The principal activities of the Group are securities broking, margin and IPO financings, commodities and futures broking, bullion trading and leveraged foreign exchange trading.

The amount of each significant category of revenue is as follows:

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Brokerage commission	<u>346,111</u>	<u>365,327</u>
<b>Revenue from other sources</b>		
Dealing income from bullion trading	3,918	6,682
Dealing income from leveraged foreign exchange trading	1,296	1,469
Interest income from margin financing	177,908	114,092
Interest income from IPO financing	<u>37,290</u>	<u>95,321</u>
	<u>220,412</u>	<u>217,564</u>
	<u><u>566,523</u></u>	<u><u>582,891</u></u>

## 5 OTHER INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Interest income from		
<b>Financial assets carried at amortised cost</b>		
— Authorised institutions	<b>10,875</b>	38,932
— Others	<b>716</b>	704
	<hr/>	<hr/>
	<b>11,591</b>	39,636
<b>Financial assets carried at fair value through profit or loss (“FVPL”)</b>		
— Cash clients	<b>28,204</b>	15,648
	<hr/>	<hr/>
	<b>39,795</b>	55,284
Handling and settlement fees	<b>59,741</b>	59,489
Dividend income	<b>1,597</b>	11
Government grants	<b>640</b>	9,925
Sundry income	<b>5,917</b>	5,211
	<hr/>	<hr/>
	<b>107,690</b>	129,920
	<hr/> <hr/>	<hr/> <hr/>

## 6 OTHER NET (LOSS)/GAIN

	Six months ended	
	30 September	
	2021	2020
	\$'000	\$'000
Realised (loss)/gain from financial assets at fair value through profit or loss	(824)	7,951
Unrealised loss from financial assets at fair value through profit or loss	<u>(20,798)</u>	<u>(736)</u>
	(21,622)	7,215
Net foreign exchange gain	8,718	11,820
Loss on disposals of property, plant and equipment	(31)	(500)
Error trades arising from dealings	(162)	(29)
Others	<u>(605)</u>	<u>(639)</u>
	<u><u>(13,702)</u></u>	<u><u>17,867</u></u>

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Finance costs</b>		
Interest expense on		
— Bank loans for IPO financing	<b>26,225</b>	60,719
— Other bank loans	<b>52,761</b>	35,704
— Lease liabilities	<b>709</b>	1,427
— Loans from related companies	<b>—</b>	922
— Others	<b>1,770</b>	367
	<b>81,465</b>	<b>99,139</b>
<b>(b) Other operating expenses</b>		
Advertising and promotion expenses	<b>11,279</b>	15,707
Auditors' remuneration	<b>791</b>	762
Commission, handling and settlement expenses	<b>59,077</b>	66,406
Information and communication expenses	<b>20,826</b>	23,757
Legal and professional fees	<b>854</b>	1,260
Operating lease payments — property rentals	<b>200</b>	—
Rates and building management fees	<b>2,129</b>	2,372
Miscellaneous expenses	<b>19,781</b>	16,085
	<b>114,937</b>	<b>126,349</b>

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the period	<b>54,675</b>	54,549
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(2,464)</u>	<u>435</u>
Total tax charge for the period	<u><b>52,211</b></u>	<u>54,984</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 September 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

## 9 EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
<b>Earnings</b>		
Profit for the period attributable to equity shareholders of the Company (\$'000)	<u>294,911</u>	<u>346,053</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<u>1,697,296</u>	<u>1,697,296</u>
Basic earnings per share ( <i>cents</i> )	<u><u>17.38</u></u>	<u><u>20.39</u></u>

### Diluted earnings per share

There was no dilutive potential ordinary share during the period (six months ended 30 September 2020: nil) and diluted earnings per share is therefore equal to basic earnings per share.

## 10 DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

## 11 ACCOUNTS RECEIVABLE

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>Accounts receivable</b>		
Accounts receivable from:		
— Clearing houses	780,208	873,022
— Brokers and dealers	448,171	461,807
Less: Loss allowance	(2,411)	(1,248)
	<u>1,225,968</u>	<u>1,333,581</u>
Financial assets measured at amortised cost		
Accounts receivable from:		
— Cash clients	515,841	634,721
— Margin clients	9,030,396	10,804,648
— Subscription of new shares in IPO	162,759	2,366,718
	<u>9,708,996</u>	<u>13,806,087</u>
Financial assets measured at FVPL		
	<u><u>10,934,964</u></u>	<u><u>15,139,668</u></u>

The ageing analysis of accounts receivable from cash clients based on the settlement date as at the end of the reporting period is as follows:

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Current	50,085	109,579
Less than 1 month	274,665	361,767
1 to 3 months	97,765	137,648
More than 3 months	93,326	25,727
	<u>465,756</u>	<u>525,142</u>
	<u><u>515,841</u></u>	<u><u>634,721</u></u>



Accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default. These receivables are secured by their portfolios of securities. Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. At 30 September 2021, the total market value of their portfolios of securities was \$2,462,126,000 (31 March 2021: \$2,864,960,000). Based on past experience and current assessment, management believes that the balances are fully recoverable.

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 30 September 2021, margin loans due from margin clients were current and repayable on demand except for \$230,000 (31 March 2021: \$195,000) where the margin loans were past due. \$98,000 (31 March 2021: \$122,000) were past due for less than 1 month. \$3,000 (31 March 2021: \$1,000) were past due for 1 to 3 months. \$59,000 (31 March 2021: \$1,000) were past due for 3 months to 1 year. \$70,000 (31 March 2021: \$71,000) were past due for over 1 year following the trading suspension of the pledged securities. At 30 September 2021, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were \$19,660,643,000 and \$29,179,337,000 respectively (31 March 2021: \$24,420,252,000 and \$32,897,670,000 respectively). Margin loans that were past due relate to a number of independent customers that have a good track record with the Group.

For accounts receivable relating to subscriptions of new shares in IPO, no ageing analysis of subscriptions of new shares in IPO is disclosed as the ageing analysis does not give additional value in view of the nature of this business.

The fair value of accounts receivables from cash client, margin clients and subscription in new shares in IPO is determined by the fair value of collaterals with reference to quoted prices.

Accounts receivable from clearing houses, brokers and dealers are current. These represent (1) pending trades arising from the business of dealing in securities, which are normally due within a few days after the trade date and (2) margin deposits arising from the business of dealing in futures and options contracts.

## 12 ACCOUNTS PAYABLE

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Accounts payable		
— Cash clients	351,012	471,844
— Margin clients	983,381	891,915
— Clearing houses	16,337	210,178
— Brokers	412,069	487,419
	<u>1,762,799</u>	<u>2,061,356</u>

All of the accounts payable are current, and are expected to be settled within one year or repayable on demand.

## 13 BANK LOANS

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Secured loans		
— Bank loans	5,759,758	7,357,038
— Bank loans for IPO	161,000	2,365,000
Unsecured loans		
— Bank loans	<u>1,700,000</u>	<u>1,714,000</u>
	<u>7,620,758</u>	<u>11,436,038</u>

All the bank loans are repayable within one year and are classified as current liabilities. The carrying amounts of the bank borrowings approximate their fair value.

The bank loans as at 30 September 2021 and 31 March 2021 were interest-bearing. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure these loan facilities. Such banking facilities were utilised to the extent of \$5,920,758,000 (31 March 2021: \$9,722,038,000). The fair value of the collateral repledged to banks as at 30 September 2021 amounted to \$12,444,232,000 (31 March 2021: \$14,240,019,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

The worst moments were expected to wane in Hong Kong and around the world. With the improvement of the world economy and the gradual stabilisation of the local pandemic, Hong Kong's economy began to recover in the second quarter of 2021, with a 7.6% year-on-year growth in the local GDP and increasingly active exports of goods. However, the inbound tourism was still stagnant due to the "border closure". While improving, the consumption-related activities remained below the pre-recession levels. Although the light at the end of the tunnel loomed for the economy, there emerged a global shortage of resources, which had led to higher inflation and may delay the pace of recovery. The full return of the society to normal in the coming days will rely on the premise that universal vaccination can keep the pandemic under control globally and in turn, the flow of people and goods will be restarted, driving the economy back on track.

However, with the pandemic still lingering, the major pillar of the global economy still appears to be the financial market, especially the stock market. But as the saying goes "Success or not, Finance is the key", Hong Kong's financial industry always played a pivotal role during the raging crisis. In the first three quarters of 2021, the total funds raised hit a record high of HK\$285.9 billion through a total of 72 IPOs. More than 200 companies are expected to queue up for listing. An external report from a multinational accounting firm estimates that the funds raised through IPOs in Hong Kong will reach HK\$500 billion this year, which may hit an all-time high. Meanwhile, with the return of more and more China concept stocks for secondary listing, the market capitalisation of Hong Kong stocks has directly increased, with the figure up 39% year on year from HK\$37.9 trillion to HK\$52.8 trillion as of the end of June 2021. The average daily turnover of Hong Kong stocks was also on the rise, breaking through HK\$300 billion at the beginning of this year. In the second and third quarters, the average daily turnover of the stocks stabilised at HK\$158.5 billion, up approximately 24% on an annual basis, which is fairly satisfactory.

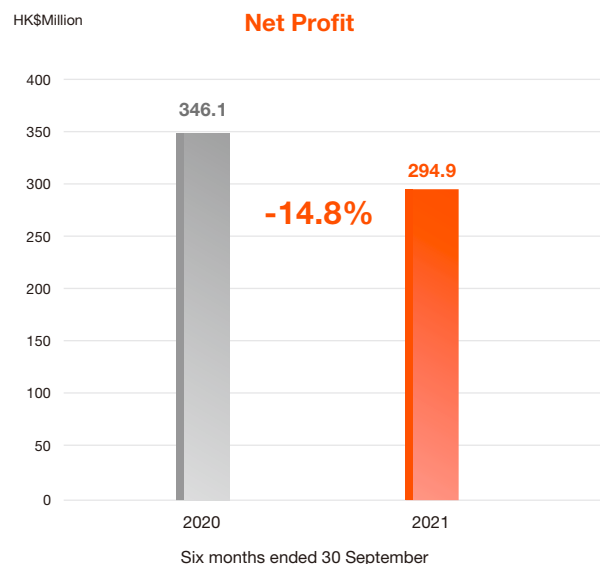
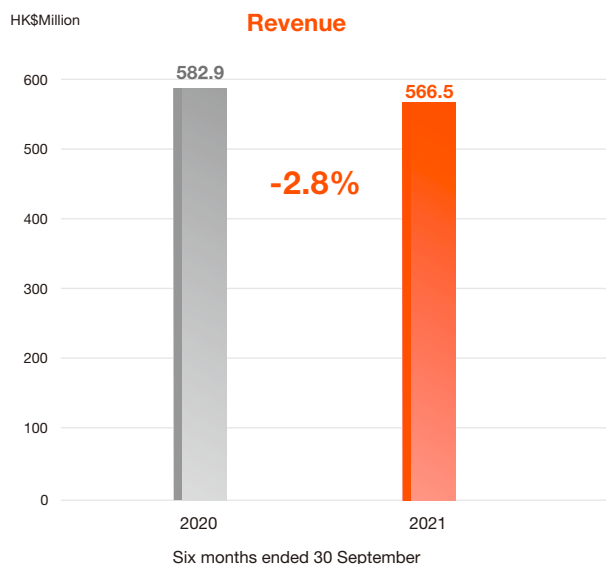
The HKSAR Government is attaching greater importance to the development of the financial sector. The fast-launched Cross-boundary Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area (“Cross-boundary WMC”) has already provided a glimpse of this. Under the framework of Cross-boundary WMC, eligible residents from the mainland side of the Greater Bay Area can invest in wealth management products distributed by the banks from Hong Kong and Macao through the closed-loop funding channels established by the mainland banking system or vice versa. The breakthrough of the Cross-boundary WMC lies in providing a formal and convenient channel, allowing retail investors to directly open and operate investment accounts across borders, with greater autonomy to choose their own wealth management products. Cross-Border WMC, divided into Northbound Scheme and Southbound Scheme, is expected to stimulate the interaction of capitals between mainland and Hong Kong, which will attract a stronger influx of southbound investments into Hong Kong and remarkably facilitate the development of the financial market in the long run. On the basis of the successful operation of the Northbound Trading under Bond Connect for four years, the Southbound Trading was launched at the end of September 2021, providing an additional channel for funds from the mainland. The abovementioned interconnection measures between Hong Kong and mainland China will facilitate the two-way opening-up of mainland’s financial market, promote the vigorous development of Hong Kong’s bond market and consolidate the city’s position as an international financial centre in the long run.

However, the intensified regulation in mainland China and the continued wobble of US-China relations will affect the movement of the market in the fourth quarter and next year. A series of regulatory policies have emerged in China this year, hitting hard the technology and education sectors. Violent volatility was ignited in these sectors following such sudden policy headwind. According to the Personal Information Protection Law, the Cyberspace Administration of China recently banned US-listed securities dealers from transferring personal data and information of Chinese citizens overseas and from conducting businesses without a licence in mainland. The securities dealers involved were put in danger with a stumbling prospect. It is believed that mainland authorities will impose increasingly stringent regulations over various industries and expected that the stock market will remain policy driven in the future.

For a long time, the ups and downs of Sino-US relations have been an important factor affecting the financial market. Since Joe Biden took the presidency, the two countries have never stopped competing in diplomacy, economy and trade. Moreover, the two countries have shifted the competition focus from trade in the past to finance. The US stock exchanges put increasing pressure on Chinese companies listed in the US, while China made the corresponding response. In view of this, there is a long way to break the ice in Sino-US relations. Naturally, Hong Kong is caught uncomfortably in-between. Despite rapid changes in external market conditions and policies, Bright Smart, rooted in Hong Kong for 26 years, has witnessed the vicissitudes of the world market. Therefore, whether in prosperity or adversity, it has been proactive and ambitious in business strategy and has launched many diverse and innovative offers and used publicity stunts to attract clients, in a bid to seize market share and lead its peers.

## **Operating Results**

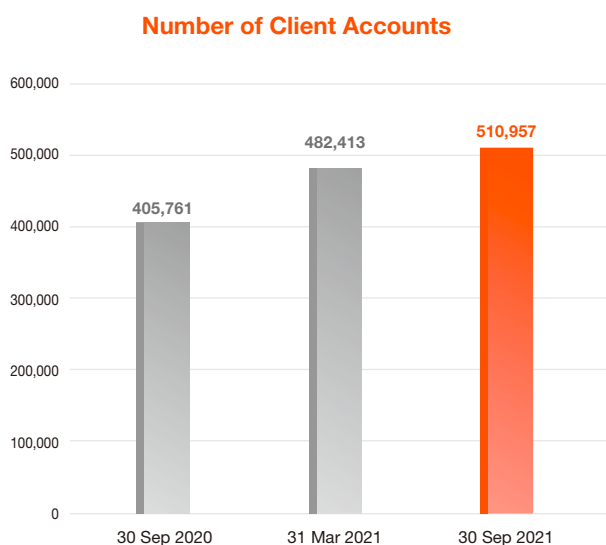
As of the six months ended 30 September 2021 (the “Period”), Bright Smart Securities & Commodities Group Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) recorded revenue of HK\$566.5 million (2020: HK\$582.9 million), a year-on-year decrease of 2.8%. Profit for the Period was HK\$294.9 million (2020: HK\$346.1 million), a year-on-year decline of 14.8%. Its total comprehensive income attributable to equity shareholders for the Period amounted to HK\$294.8 million (2020: HK\$345.9 million), down 14.8% from the prior year. Basic and diluted earnings per share were 17.38 HK cents (2020: 20.39 HK cents). The board of directors of the Company (the “Board”) does not recommend the payment of any interim dividend for the Period (2020: Nil).



In view of changes in market conditions, the Group adjusted its marketing and operating strategies in a timely and appropriate manner. Besides, the Group invested heavily in the research and development of one-stop mobile trading apps, BS Securities (Baobao) and BS Futures (Doudou), as it anticipated the rapid increase in investor demand for financial technology. With continuous improvement of their performance and remarkable results, the apps successfully drew hundred of thousands of downloads by investors. The Group will continuously improve its trading platforms and services while upgrading its network security devices in order to strengthen the protection of its clients' interests, be well-prepared for market fluctuations, overcome challenges and seize opportunities.

## TOTAL CLIENT ACCOUNTS AND ASSETS

Under the loose monetary policies of global governments and central banks, the market liquidity is abundant and capital flows into the asset markets, becoming a fuel for a steady rise in the global stock markets. However, regardless of market conditions, the Group has always been dedicated to providing clients with more comprehensive, better quality and more professional services. As at the end of September 2021, the Group, together with the Central Head Office, all branches and “Bright Smart Mobile Teaching Centre” travelling around the Hong Kong Island, Kowloon and New Territories, had a total of 14 outlets covering the core areas of Hong Kong, with most of them operating seven days a week, breaking the industry tradition. The Group is committed to improving client service quality. With online client services, it allows investors to flexibly open accounts, deposit money, trade financial products, browse information and make inquiries without time and geographical limitations, bringing convenience to clients. The Group’s proactive expansion successfully led to a steady growth in the total number of client accounts. During the Period, the number of new accounts reached 28,544 (after deducting the number of client accounts closed), increasing the total number of client accounts to 510,957, a growth of 25.9% as compared to 405,761 as at 30 September 2020. As at 30 September 2021, client assets (including cash, stocks and margins) increased by 27.8% to approximately HK\$68.5 billion (30 September 2020: approximately HK\$53.6 billion).



## Revenue

During the Period, the Group recorded revenue of HK\$566.5 million (2020: HK\$582.9 million), a year-on-year drop of 2.8%. A summary of the Group's revenue by business divisions is set out below.

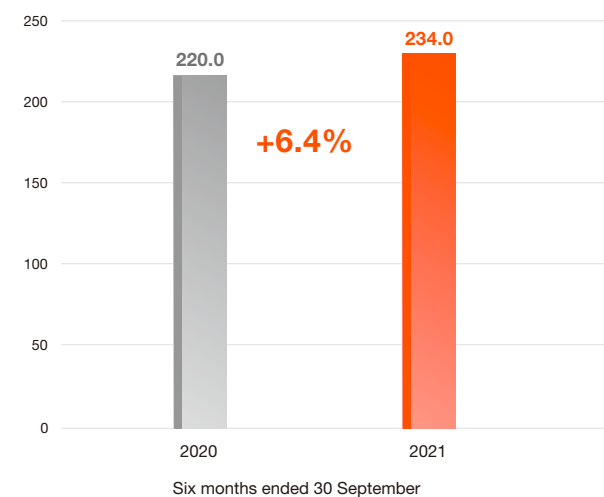
	Six months ended 30 September				
	2021 <i>HK\$'000</i>	Proportion of total revenue %	2020 <i>HK\$'000</i>	Proportion of total revenue %	Increment/ (decrement) %
Revenue from:					
— Securities brokerage	233,969	41.3%	219,990	37.7%	6.4%
— Hong Kong futures and options brokerage	58,220	10.3%	62,460	10.7%	(6.8%)
— Global futures brokerage	34,525	6.1%	53,754	9.2%	(35.8%)
— Bullion trading	3,918	0.7%	6,682	1.1%	(41.4%)
— Leveraged foreign exchange trading	1,296	0.2%	1,469	0.3%	(11.8%)
— Stock option brokerage	7,425	1.3%	7,707	1.3%	(3.7%)
— IPO brokerage	11,972	2.1%	21,416	3.7%	(44.1%)
Interest income from IPO financing	37,290	6.6%	95,321	16.4%	(60.9%)
Interest income from margin financing	177,908	31.4%	114,092	19.6%	55.9%
	<b><u>566,523</u></b>	<b><u>100.0%</u></b>	<b><u>582,891</u></b>	<b><u>100.0%</u></b>	<b><u>(2.8%)</u></b>



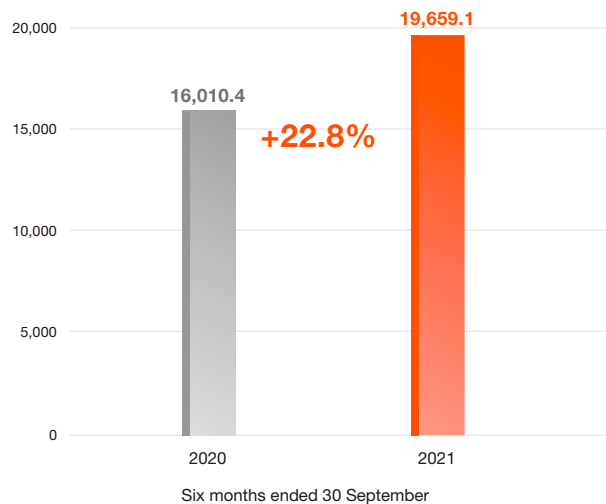
## I. Securities brokerage

The total turnover of securities on HKEX for the Period was HK\$19,659.1 billion, a year-on-year growth of 22.8% (2020: HK\$16,010.4 billion). The turnover of Hong Kong stocks surged, driving the Group's securities brokerage business to maintain a steady growth. The Group's commission income from securities brokerage stood at HK\$234.0 million (2020: HK\$220.0 million), a year-on-year increase of 6.4%, and accounting for 41.3% (2020: 37.7%) of its total revenue.

HK\$Million  
**Commission Income from Securities Brokerage of the Group**

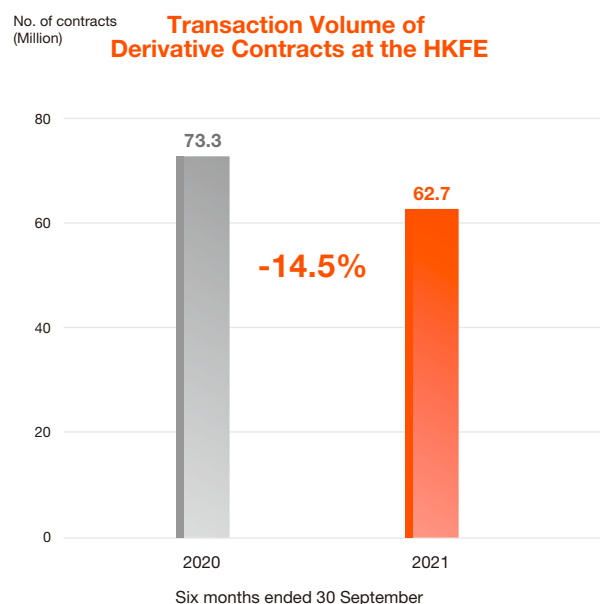
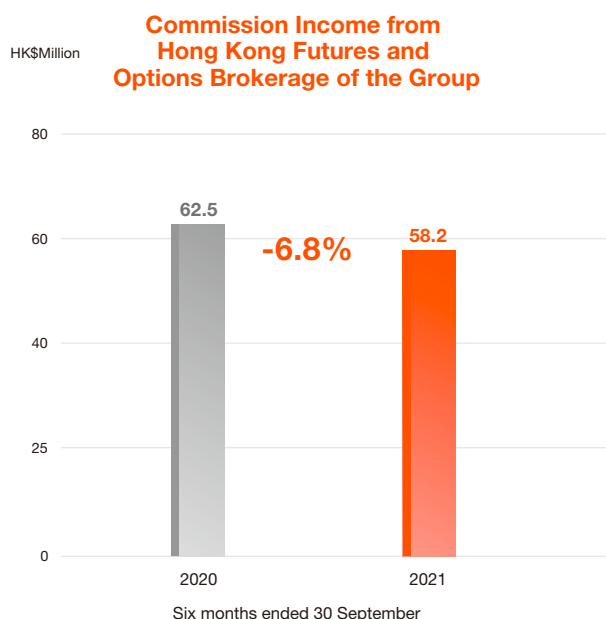


HK\$Billion  
**Transaction Amount of the Hong Kong Stock Market**



## II. Hong Kong futures and options brokerage

The trading volume of futures market in Hong Kong has shrunk, dragging down the commission income from Hong Kong futures and options brokerage. The trading volume of derivative contracts at the Hong Kong Futures Exchange Limited (“HKFE”) was 62.7 million (2020: 73.3 million) during the Period, a year-on-year decrease of 14.5%. The Group posted commission income of HK\$58.2 million (2020: HK\$62.5 million) from Hong Kong futures and options brokerage for the Period, a year-on-year decline of 6.8% and accounting for 10.3% (2020: 10.7%) of its total revenue.



### III. Global futures brokerage

The commission income from global futures brokerage fell 35.8% year-on-year to HK\$34.5 million (2020: HK\$53.8 million) during the Period, accounting for 6.1% (2020: 9.2%) of its total revenue.

### IV. Bullion trading

During the Period, the Group recorded revenue of HK\$3.9 million (2020: HK\$6.7 million) from bullion trading, a year-on-year drop of 41.4%, and accounting for 0.7% (2020: 1.1%) of the total revenue.

### V. Leveraged foreign exchange trading

The Group's income from leveraged foreign exchange trading stood at HK\$1.3 million (2020: HK\$1.5 million) during the Period, a year-on-year drop of 11.8%, and accounting for 0.2% (2020: 0.3%) of its total revenue.

## **VI. Stock option brokerage**

The Group's commission income from stock option brokerage went down 3.7% year-on-year to HK\$7.4 million (2020: HK\$7.7 million) during the Period, accounting for 1.3% (2020: 1.3%) of its total revenue. As stock options are highly leveraged investment products, the Group carefully monitors the margin level of stock option accounts and makes adjustments according to market conditions in order to properly control risks.

## **VII. IPO brokerage and IPO financing**

The Group's commission income from IPO brokerage for the Period was HK\$12.0 million (2020: HK\$21.4 million), a year-on-year drop of 44.1%. Its interest income from IPO financing slumped 60.9% to HK\$37.3 million (2020: HK\$95.3 million).

## **VIII. Margin financing**

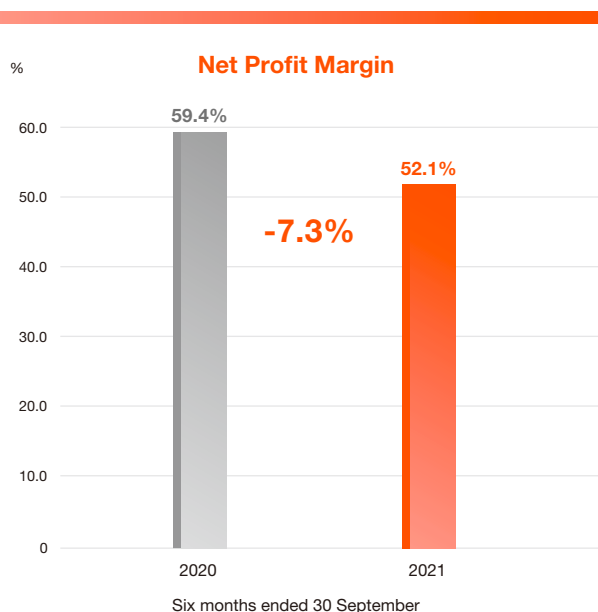
During the Period, the Group's average daily margin borrowings soared 74.5% to HK\$10.80 billion (2020: HK\$6.19 billion), interest income from margin financing amounted to HK\$177.9 million (2020: HK\$114.1 million), a year-on-year rise of 55.9%, and accounting for 31.4% (2020: 19.6%) of the total revenue. The Group is committed to implementing effective credit control procedures to avoid any bad debts.

## **INVESTMENT LOSS**

In order to enhance its financial performance, the Group held Hong Kong-listed securities, bonds and futures contracts as investments during the Period. As at 30 September 2021, the carrying value of equity, bond and futures investments stood at HK\$60.3 million (31 March 2021: HK\$78.4 million). During the Period, the investment losses from financial assets at fair value through profit or loss (including realised and unrealised losses) were HK\$21.6 million (2020: HK\$7.2 million in gains).

## OPERATING EXPENSES AND NET PROFIT MARGIN

The Group's operating expenses fell 4.9% year-on-year to HK\$313.4 million (2020: HK\$329.6 million) during the Period, and its net profit margin tumbled to 52.1% (2020: 59.4%).



A breakdown of operating expenses is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Increment/ (decrement) %
Staff costs	77,208	64,199	20.3%
Amortisation and depreciation	39,779	39,954	(0.4%)
Finance costs	81,465	99,139	(17.8%)
Advertising and promotion expenses	11,279	15,707	(28.2%)
Auditors' remuneration	791	762	3.8%
Commission, handling and settlement expenses	59,077	66,406	(11.0%)
Information and communication expenses	20,826	23,757	(12.3%)
Rental, rates and building management fees	2,329	2,372	(1.8%)
Legal and professional fee	854	1,260	(32.2%)
Miscellaneous expenses	19,781	16,085	23.0%
	<b><u>313,389</u></b>	<b><u>329,641</u></b>	<b><u>(4.9%)</u></b>

## FUTURE PLANS

The Group expects that uncertainties arising from the pandemic, geopolitics and policies will still affect the global economic outlook and the development of financial markets. In particular, tensions in Sino-US relations and the tide of regulations in mainland China will make waves in Hong Kong's stock market. However, whether Hong Kong's economy can recover quickly depends on whether the government will stick to the "zero-tolerance" principle or tend to "coexist with the virus". Neighbouring Singapore, and Europe and the US have made it clear that they would rather fight a protracted war against the pandemic and coexist with the Covid-19 virus for a long time for the economy to return to normal. Hong Kong is an export-oriented economy. If it is fully opened, the number of confirmed cases will be expected to rebound, and if further suspension of work and schools is thus caused, the public will be reluctant to see such a situation. With the gradual increase in vaccination rate, it is imperative to gradually reopen the Hong Kong-mainland border. It is believed that how to relax anti-pandemic and customs clearance measures in a phased and orderly manner will be the top priority of governance in 2022. Bright Smart is deeply rooted in Hong Kong with the gradual deepening and broadening of policies regarding the Greater Bay Area and Qianhai and the HKSAR Government's efforts to plan the Northern Metropolis, the Group is bound to follow the general direction of policy blueprint of Hong Kong and mainland China to explore new business opportunities in the Greater Bay Area encompassing nine cities and two special administrative regions.

However, worries still persist for Hong Kong's economy and global economy. Governments around the world released loose fiscal and monetary policies to maintain stability in the real economy and financial markets, but it led to soaring commodity and energy prices, such as oil and natural gas, which has a certain impact on inflation. The US Federal Reserve started tapering its bond purchases since November and may even raise interest rates earlier than scheduled. If energy prices continuously go up, it could drag down the pace of the global economic recovery.

The Group will continue adopting an aggressive development strategy and launch new products, services and market offers to expand its clientele. Apart from continuously optimising and improving four independent trading channels, four backup guarantees, to ensure safe and worry-free transactions for clients, the Group will regularly enhance the functions of the BS Baobao and BS Doudou apps and pick up the speed to place an order. Moreover, as the Group keeps growing in size, it will continuously optimise its online order placement channels and pay attention to clients' needs for trading systems, in order to support the business development. Besides, it will continuously optimise and improve the branch network and provide investors with professional and considerate investment services with the existing 14 branches, covering the core areas of Hong Kong Island, Kowloon and the New Territories. The Group will identify sites at prime locations with high pedestrian traffic to set up new branches for sales network expansion. It will also hold regular job fairs to attract a bigger pool of talents, with the aim of enhancing the service quality as well as taking up the responsibility to nurture the next generation of elites for the industry.

Meanwhile, to take up an important role in investors' education, the Group launched a live streaming channel "Bright Smart Finance Channel", through which it produces financial programmes on each trading day to provide investors with real-time information and answer their questions. Besides, it organised various complimentary investment seminars and stock and futures investment simulation competitions. For instance, the Group partnered with world-renowned stock exchanges, financial institutions and top industry experts to provide investors with comprehensive, reliable and free wealth management information so as to enhance their knowledge about financial products and economic trends across the world and broaden their investment choices. It believes that investors' education opportunities should be open for all. So there is a need to enhance the financial literacy of the public via different channels and assist them in developing good wealth management habits and investment behaviours.

## **DEVELOPING DIVERSIFIED GLOBAL FINANCIAL PRODUCTS**

The Group has found that investors have growing interest in global financial products by regularly conducting public opinion surveys and client data analysis. In view of this, it constantly innovates to provide more diversified investment products. The Group has connected its online securities and futures trading platforms as well as mobile apps to markets around the world, providing comprehensive and professional brokerage services and bringing together Hong Kong stocks, US stocks, Shanghai-Hong Kong Stock Connect A shares, Shenzhen-Hong Kong Stock Connect A shares, China B shares, Japanese stocks, Taiwanese stocks, Singaporean stocks, Australian stocks, UK stocks, Hong Kong futures, Hang Seng Index options, Hong Kong stock options, Dow Jones Futures, A50 Futures, foreign exchange futures, gold futures, oil futures, copper futures, HKEX's CNH Gold Futures, HKEX's USD Gold Futures, leveraged foreign exchange products, iron ore futures, IPO share subscription and margin financing. It will continuously seek and broaden the scope of global investment products so as to cater to the needs of different clients.

## PROMOTING DIGITAL INVESTMENT SERVICES

As the Group anticipates that the development of fintech will significantly change the investment habits of its clients, it actively engages in digitalising investment services by making substantial investments and spending half year in developing two mobile trading apps, namely BS Securities (Baobao) and BS Futures (Doudou). They are equipped with AI3.0 features (such as behavioural authentication, news tracking and personalised portfolio monitoring). The Group's mobile apps can fulfil all the investment needs of its clients, enabling them to open accounts, trade global financial products and read global financial news right away anytime and anywhere. Since the Group always strives for excellence and invests substantially in fintech and software and hardware support, new features were developed and added to the Baobao and Doudou apps with a view to satisfying market needs. For example, the Baobao app now allows users to check the gain or loss of their positions, sell odd lots automatically, browse trading records within a month, search for warrants and Callable Bull/Bear Contracts (CBBC), check the amount of CBBC in public hand, and receive notifications. In addition, as the Group saw clients have increasing interest in and more understanding of the US stocks, leading to a significant increase in trading volume in the US stock market, it would add the function of pre-market trading of the US stocks to BS Securities (Baobao) app to enable clients to trade the US stocks as early as 4pm, Hong Kong time. Moreover, in order to bring investors closer to the global market, the Group launched "24-hour Electronic Direct Debit Authorisation (eDDA) Service" approved by the Hong Kong Monetary Authority with renowned banks in Hong Kong. This service allows clients to deposit money and trade stocks and futures anytime, anywhere regardless of time differences and Hong Kong holidays after going through a simple registration procedure with any bank account on Baobao and Doudou apps. It breaks the industry tradition.

The Group kept pace with the times and invested a lot of money in upgrading existing hardware and software. This enhanced clients' confidence in its brands, services and trading systems. It has won the praises from the industry and media, including five awards presented by HKEX, namely Top Active Exchange Participant in Stock Futures, Top Active Exchange Participant in Stock Options, Top Active Exchange Participant in Weekly Index Options, Top Active Trader in Options — After-Hours Trading and Top Breakthrough Exchange Participant — L&I Product Turnover. Bright Smart has won the above awards for two consecutive years. It is the brokerage firm that was one of the most awarded, leading its peers and showing extraordinary strength. In addition, the Group was granted Most Popular Brokerage Brand Award by TVB Weekly, Best Reward & Recognition Strategy Award (Platinum) by CTGoodjob, the award for development of an outstanding stocks and futures trading app by CAPITAL for the second straight year, the award for an outstanding securities and futures trading app by Sky Post, and the Outstanding Securities Trading Mobile APP award by the Chamber of Hong Kong Computer Industry and Metro Broadcast, in recognition of the Group's outstanding results in the development of the Baobao and Doudou apps. This demonstrates the popularity of its online trading systems amongst the clients, the industry and the media for its fast speed, stability, security and reliability.

As the application of fintech in the wealth management industry matures, the Group plans to promote digital and smart trading services amongst its clients, combine online and offline marketing and operating strategies to reduce costs, enhance its efficiency, expand its clientele and enhance their experience using fintech, in order to strengthen its core competitiveness and leadership position in the industry.

## **ENHANCING ONLINE TRADING SECURITY**

At the same time, the Group has invested substantial resources in improving the efficiency and capacity of its online trading systems to meet clients' needs. In order to offer more convenient and stable online trading platforms, the Group has also made huge investment in improving its trading systems, relocated its central computer system to the centralised data centre of HKEX in Tseung Kwan O, and conducted large-scale tests on all transaction systems, including regular simulated tests involving a trading volume exceeding five times of the existing peak volume on HKEX, so as to continuously enhance the efficiency and stability of the existing securities and futures trading platforms. In terms of network security, the Group has used the two-factor authentication as a security measure in all trading systems. The move is in response to regulatory requirements and therefore, it has been recognised in network security and enables clients to feel safe and reassured when trading. Furthermore, when clients log into the trading systems via different electronic channels, or once the placed orders are completed, the Group will automatically send an email through its computer system or deliver a push message on Baobao and Doudou apps to notify the clients, so as to ensure that clients clearly understand the status of their personal accounts and trading systems. In addition, the Group also closely monitors and counteracts any unrelated fake website. If any such website is identified, the Group will notify the clients and take legal actions against the website in order to prevent its clients from suffering unnecessary loss. The Group will keep abreast of the latest market developments and study the need and room for capacity expansion of its trading systems. It will also step up client education on online trading security and enhance their awareness and skills of risk prevention.



## CONCLUSION

The Group, with the “client-oriented and service-first” philosophy and the “value-for-money” market positioning, adopted both competitive and conservative strategies at the moment when the real economy went downhill. On the one hand, it has been committed to optimising the performance of Baobao and Doudou apps to improve user experience. On the other hand, it allocated more resources on various online and offline platforms for publicity and promotion and increasing brand exposure, attracting more investors from Hong Kong and mainland China to open accounts and trade products through Bright Smart. The Group will continuously optimise all kinds of online order placement channels and always pay attention to clients’ needs for trading systems, as well as further optimising its branch network, actively look for potential locations to establish new footholds, and reach a wider range of target clients, in order to expand its market share and strengthen its brand competitiveness. The Group’s achievements today depend on the long-standing support, trust, recognition and loyalty of its clients. The Group will be dedicated to providing clients with better services and developing safer, more stable, faster and more convenient trading platforms in the future, so as to reward clients for their care and support and make them feel at home. The Group will meanwhile develop more diversified businesses, recruit talents from different sectors and seize every valuable opportunity, so as to enhance its operation efficiency and seek higher returns for shareholders.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group’s operations were mainly financed by shareholders’ equity, cash generated from operations and bank borrowings.

The Group maintained a strong cash position with total bank deposits, bank balances and cash amounted to HK\$630.7 million as at 30 September 2021 (31 March 2021: HK\$418.5 million). The Group had total bank borrowings of HK\$7,620.8 million as at 30 September 2021 (31 March 2021: HK\$11,436.0 million) which bore interest primarily at floating rates. The bank borrowings were primarily collateralised by its margin clients’ securities pledged to the Group. As at 30 September 2021, unutilised banking facilities amounted to HK\$13,454.0 million (31 March 2021: HK\$9,183.4 million). The Group’s gearing ratio (total bank borrowings excluding IPO financing divided by the total shareholders’ equity) was 338.3% (31 March 2021: 425.7%). As at 30 September 2021, the net current assets of the Group increased by 3.4% to HK\$2,010.9 million (31 March 2021: HK\$1,943.9 million). As at 30 September 2021, the Group’s current ratio (current assets divided by current liabilities) was 1.2 times (31 March 2021: 1.1 times).

## **CAPITAL MANAGEMENT**

The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of the subsidiaries maintains liquidity adequate to support the level of activities with a sufficient buffer to accommodate potential increases in the level of business activities. During the Period, all the licensed subsidiaries have complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules (“FRR”).

## **CHARGES ON ASSETS**

None of the Group’s assets were subject to any charges as at 30 September 2021 and 31 March 2021.

## **CONTINGENT LIABILITIES**

As at the end of the Period, corporate guarantees provided by the Company in respect of banking facilities granted by authorised institutions to its subsidiaries engaging in securities and futures brokerage amounted to HK\$15,644.6 million (31 March 2021: HK\$14,917.2 million). As at 30 September 2021, the subsidiaries of the Company have utilised HK\$6,713.0 million of these aggregate banking facilities (31 March 2021: HK\$7,535.0 million).

## **RISK MANAGEMENT**

### **Credit risk**

The Group’s credit risk is primarily attributable to amounts due from clients, brokers and clearing houses. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients) based on the underlying collaterals. Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default, there has not been a significant change in credit quality and the balances are considered recoverable, and in view of the prescribed deposit requirements and the short settlement period involved, the credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash and margin clients and has policy to manage these exposures on a fair value basis. Margin loans due from margin clients are repayable on demand. For commodities and futures brokerage, an initial margin is required prior to opening transaction. Market conditions and adequacy of securities collateral and margin deposits of each cash account, margin account and futures account are monitored by the management 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 have 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 it 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 ensuring compliance with FRR. The Group's policies are to regularly monitor its liquidity requirement and its compliance with loan covenants, and to ensure that it maintains sufficient cash reserves and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

## **Interest rate risk**

The Group charges interest to its margin clients and cash clients with outstanding loan amounts on the basis of its cost of funding plus a mark-up. Financial assets, such as margin loans and bank deposits, and financial liabilities, such as bank loans and amount due to a related company, bear interest primarily at floating rates. The interest-bearing assets and liabilities, such as margin loans and bank loans, are mainly priced based on HIBOR rate. The Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of bank borrowings, margin loans receivable and interest-bearing bank deposits.

## **Foreign currency risk**

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars (“USD”), Renminbi (“RMB”), Australian dollars, Singapore dollars, Japanese Yen and British pound. As the Hong Kong dollar (“HKD”) is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. In respect of financial instruments denominated in other currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The management monitors all foreign currency positions on a daily basis.

## **Price risk**

The Group is exposed to price changes arising from listed equity investments and futures contracts classified as financial assets at fair value through profit or loss.

The Group’s equity investments are listed on HKEX while its investment in futures contracts are traded on HKFE. Listed investments held in the portfolio of financial assets at fair value through profit or loss have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Accounts receivable from margin, cash and IPO clients expose the Group to price risk as their fair value is made with reference to the fair value of collaterals.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2021, the Group had a work force of 259 employees (31 March 2021: 260 employees). The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes the remuneration packages are reasonable, competitive, and in line with market trends. The Group has put in place a bonus scheme for its executives and employees in order to provide competitive remuneration packages for the Group's long term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's skills and personal effectiveness.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board is committed to ensuring high standards of corporate governance practices. During the Period, the Company fully complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry with each Director and has confirmed that all the Directors have fully complied with the required standard set out in the Model Code during the Period.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The principal duties of the Audit Committee of the Company include the review and supervision of the financial reporting processes and internal control procedures of the Company. The Audit Committee, together with the external auditor of the Group, KPMG, had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 30 September 2021 and the review of this interim report.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and the website of the Company at <https://www.bsgroup.com.hk>. The Interim Report 2021/22 will be despatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board  
**Bright Smart Securities & Commodities Group Limited**  
**Hui Yik Bun**  
*Executive Director and Chief Executive Officer*

Hong Kong, 26 November 2021

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