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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Bright Smart Securities & Commodities Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2022 (the “Year”) together with the comparative figures for the year ended 31 March 2021 (the “Prior Year”) as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
<b>Revenue</b>	4	<b>1,068,012</b>	1,285,201
Other income			
— Interest income calculated using effective interest rate method	5	<b>26,816</b>	54,616
— Interest income calculated using other method	5	<b>51,906</b>	38,561
— Others	5	<b>111,558</b>	150,218
Other net (loss)/gain	6	<b>(8,521)</b>	32,904
		<b>1,249,771</b>	1,561,500
Staff costs	7(b)	<b>(160,616)</b>	(152,895)
Amortisation and depreciation		<b>(77,541)</b>	(79,519)
Net charges for expected credit losses		<b>(7,429)</b>	(851)
Other operating expenses	7(c)	<b>(223,459)</b>	(271,824)

	<i>Note</i>	<b>2022</b> <b>\$'000</b>	2021 \$'000
<b>Profit from operations</b>		<b>780,726</b>	1,056,411
Finance costs	7(a)	<u>(124,512)</u>	<u>(239,223)</u>
<b>Profit before taxation</b>	7	<b>656,214</b>	817,188
Income tax	8	<u>(94,712)</u>	<u>(113,283)</u>
<b>Profit for the year</b>		<b>561,502</b>	703,905
<b>Other comprehensive income for the year:</b>			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		<u>(157)</u>	<u>(293)</u>
<b>Total comprehensive income attributable to equity shareholders for the year</b>		<u><b>561,345</b></u>	<u>703,612</u>
<b>Earnings per share</b>			
Basic (cents)	9	<u><b>33.08</b></u>	<u>41.47</u>
Diluted (cents)	9	<u><b>33.08</b></u>	<u>41.47</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>2022</b> <b>\$'000</b>	2021 \$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>136,198</b>	106,516
Intangible assets		<b>5,783</b>	5,783
Deferred tax assets		<b>1,820</b>	268
Financial assets at amortised cost		<b>1,443</b>	—
Other receivables, deposits and prepayments		<b>1,981</b>	3,822
Other non-current assets		<b>79,978</b>	78,429
<b>Total non-current assets</b>		<b>227,203</b>	194,818
<b>Current assets</b>			
Accounts receivable	<i>11</i>	<b>8,915,867</b>	15,139,668
Other receivables, deposits and prepayments		<b>29,446</b>	26,063
Amount due from a related company		—	3
Financial assets at fair value through profit or loss		<b>49,575</b>	70,593
Financial assets at amortised cost		—	7,787
Tax recoverable		<b>21,707</b>	972
Cash and cash equivalents		<b>524,716</b>	418,483
<b>Total current assets</b>		<b>9,541,311</b>	15,663,569

	<i>Note</i>	<b>2022</b> \$'000	2021 \$'000
<b>Current liabilities</b>			
Accounts payable	12	<b>1,939,351</b>	2,061,356
Accrued expenses and other payables		<b>85,881</b>	103,417
Bank loans	13	<b>5,162,165</b>	11,436,038
Lease liabilities		<b>54,186</b>	61,141
Current taxation		<b>3,462</b>	57,764
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>7,245,045</b>	13,719,716
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets</b>		<b>2,296,266</b>	1,943,853
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets less current liabilities</b>		<b>2,523,469</b>	2,138,671
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Non-current liabilities</b>			
Accrued expenses and other payables		<b>794</b>	1,431
Lease liabilities		<b>51,304</b>	6,565
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>52,098</b>	7,996
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>2,471,371</b>	2,130,675
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>EQUITY</b>			
Share capital		<b>509,189</b>	509,189
Share premium		<b>738,020</b>	738,020
Exchange reserve		<b>48</b>	205
Merger reserve		<b>(20,000)</b>	(20,000)
Retained profits		<b>1,244,114</b>	903,261
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>2,471,371</b>	2,130,675
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*Notes:*

## **1 SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### **(b) Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that certain financial instruments are stated at their fair value in accordance with the accounting policy set out below.

The preparation of financial statements in conformity with HKFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to 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 a significant impact on the consolidated financial statements.

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 annual 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 overseas markets, margin and initial public offering (“IPO”) 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**

	2022			
	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Revenue from customers:				
— Brokerage commission	465,974	225,369	—	691,343
— Dealing income	—	—	10,791	10,791
— Interest income from margin financing	326,135	—	—	326,135
— Interest income from IPO financing	37,737	—	—	37,737
Reportable segment revenue	<u>829,846</u>	<u>225,369</u>	<u>10,791</u>	<u>1,066,006</u>
Interest income from cash clients	51,906	—	—	51,906
Other interest income	24,420	2,395	—	26,815
Handling and settlement fees	<u>96,560</u>	<u>12</u>	<u>—</u>	<u>96,572</u>
Reportable segment profit (EBIT)	<u>672,580</u>	<u>93,184</u>	<u>7,860</u>	<u>773,624</u>
Amortisation and depreciation for the year	(17,089)	(8)	—	(17,097)
Finance costs	(132,865)	(3)	—	(132,868)
Additions to non-current segment assets during the year	<u>7,958</u>	<u>—</u>	<u>—</u>	<u>7,958</u>
Reportable segment assets	<u>8,703,165</u>	<u>1,085,483</u>	<u>29,304</u>	<u>9,817,952</u>
Reportable segment liabilities	<u>(6,562,238)</u>	<u>(636,323)</u>	<u>(12,615)</u>	<u>(7,211,176)</u>



	2021			
	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Revenue from customers:				
— Brokerage commission	580,667	214,816	—	795,483
— Dealing income	—	—	15,177	15,177
— Interest income from margin financing	271,238	—	—	271,238
— Interest income from IPO financing	201,661	—	—	201,661
Reportable segment revenue	<u>1,053,566</u>	<u>214,816</u>	<u>15,177</u>	<u>1,283,559</u>
Interest income from cash clients	38,561	—	—	38,561
Other interest income	47,481	7,095	39	54,615
Handling and settlement fees	<u>125,010</u>	<u>9</u>	<u>3</u>	<u>125,022</u>
Reportable segment profit (EBIT)	<u>964,392</u>	<u>72,338</u>	<u>11,014</u>	<u>1,047,744</u>
Amortisation and depreciation for the year	(17,511)	(8)	—	(17,519)
Finance costs	(243,975)	—	—	(243,975)
Additions to non-current segment assets during the year	<u>16,685</u>	<u>—</u>	<u>—</u>	<u>16,685</u>
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 revenue, profit, assets and liabilities**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>1,066,006</b>	1,283,559
Elimination	<b>(542)</b>	(1,663)
Unallocated corporate revenue	<b>2,548</b>	3,305
	<hr/>	<hr/>
Consolidated revenue	<b>1,068,012</b>	1,285,201
	<hr/>	<hr/>
<b>Profit</b>		
Reportable segment profit (EBIT)	<b>773,624</b>	1,047,744
Finance costs	<b>(124,512)</b>	(239,223)
Unallocated corporate income	<b>115,812</b>	117,345
Unallocated corporate expenses	<b>(108,710)</b>	(108,678)
	<hr/>	<hr/>
Consolidated profit before taxation	<b>656,214</b>	817,188
	<hr/>	<hr/>
<b>Assets</b>		
Reportable segment assets	<b>9,817,952</b>	15,943,996
Elimination	<b>(223,715)</b>	(213,541)
Unallocated corporate assets	<b>174,277</b>	127,932
	<hr/>	<hr/>
Consolidated total assets	<b>9,768,514</b>	15,858,387
	<hr/>	<hr/>
<b>Liabilities</b>		
Reportable segment liabilities	<b>(7,211,176)</b>	(13,669,039)
Elimination	<b>1,151,688</b>	1,735,642
Unallocated corporate liabilities	<b>(1,237,655)</b>	(1,794,315)
	<hr/>	<hr/>
Consolidated total liabilities	<b>(7,297,143)</b>	(13,727,712)
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## 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:

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Brokerage commission	<b>690,801</b>	793,820
<b>Revenue from other sources</b>		
Dealing income from bullion trading	<b>10,791</b>	15,177
Dealing income from leveraged foreign exchange trading	<b>2,548</b>	3,305
Interest income from margin financing	<b>326,135</b>	271,238
Interest income from IPO financing	<b>37,737</b>	201,661
	<b>377,211</b>	491,381
	<b>1,068,012</b>	1,285,201

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about the remaining performance obligation that have original expected durations of one year or less.

## 5 OTHER INCOME

	2022 \$'000	2021 \$'000
Interest income from		
<b>Financial assets carried at amortised cost</b>		
— Authorised institutions	25,586	53,438
— Others	1,230	1,178
	<u>26,816</u>	<u>54,616</u>
<b>Financial assets carried at fair value through profit or loss (“FVPL”)</b>		
— Cash clients	51,906	38,561
	<u>78,722</u>	<u>93,177</u>
Handling and settlement fees	96,572	125,022
Dividend income	1,607	21
Government grants	1,131	14,923
Sundry income	12,248	10,252
	<u>190,280</u>	<u>243,395</u>

## 6 OTHER NET (LOSS)/GAIN

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Realised (loss)/gain from		
— Financial assets at fair value through profit or loss	<b>(3,373)</b>	14,714
Unrealised loss from		
— Financial assets at fair value through profit or loss	<b>(23,386)</b>	(4,611)
	<b>(26,759)</b>	10,103
Net foreign exchange gain	<b>19,600</b>	24,666
Loss on disposals of property, plant and equipment	<b>(36)</b>	(503)
Error trades arising from dealings	<b>(180)</b>	(112)
Others	<b>(1,146)</b>	(1,250)
	<b>(8,521)</b>	32,904

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2022 \$'000	2021 \$'000
<b>(a) Finance costs</b>		
Interest expenses on		
— Bank loans for IPO financing	26,514	144,156
— Other bank loans	93,561	84,836
— Lease liabilities	1,122	2,491
— Loans from related companies	—	6,029
— Others	3,315	1,711
	<u>124,512</u>	<u>239,223</u>
<b>(b) Staff costs</b>		
Salaries, allowances and benefits in kind	111,430	103,490
Discretionary bonuses	45,402	45,822
Contributions to Mandatory Provident Fund	3,784	3,583
	<u>160,616</u>	<u>152,895</u>
<b>(c) Other operating expenses</b>		
Advertising and promotion expenses	19,488	34,979
Auditors' remuneration	1,733	1,703
Commission, handling and settlement expenses	114,566	143,997
Information and communication expenses	44,435	47,512
Legal and professional fees	1,891	2,133
Operating lease payments — property rentals	278	146
Rates and building management fees	4,340	4,626
Miscellaneous expenses	36,728	36,728
	<u>223,459</u>	<u>271,824</u>

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

(a) Taxation in the consolidated statement of comprehensive income represents:

	2022 \$'000	2021 \$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	96,153	114,157
Under/(over)-provision in respect of prior years	<u>111</u>	<u>(728)</u>
	<b>96,264</b>	113,429
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(1,552)</u>	<u>(146)</u>
Total tax charge for the year	<u><b>94,712</b></u>	<u>113,283</u>

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, 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 2021.

The provision for Hong Kong Profits Tax for 2022 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021–22 subject to a maximum reduction of \$10,000 for each business (2021: a maximum reduction of \$10,000 was granted for the year of assessment 2020–21 and was taken into account in calculating the provision for 2021).

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Profit before taxation	<b>656,214</b>	817,188
Notional tax on profit before taxation calculated at the rates applicable to profits in the countries concerned	<b>108,110</b>	134,670
Tax effect of non-deductible expenses	<b>3,656</b>	3,716
Tax effect of non-taxable revenue	<b>(13,498)</b>	(20,851)
Tax effect of unused tax losses not recognised	<b>3</b>	1
Utilisation of tax loss previously not recognised	<b>(41)</b>	(192)
Under/(over)-provision in respect of prior years	<b>111</b>	(728)
Others	<b>(3,629)</b>	(3,333)
Total tax charge for the year	<b>94,712</b>	113,283

**9 EARNINGS PER SHARE**

**Basic earnings per share**

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

	<b>2022</b>	2021
Earnings		
Profit for the year attributable to owners of the Company (\$'000)	<b>561,502</b>	703,905
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	<b>1,697,296</b>	1,697,296
Basic earnings per share (cents)	<b>33.08</b>	41.47



## Diluted earnings per share

There was no dilutive potential ordinary share during the year (2021: Nil) and diluted earnings per share is therefore equal to basic earnings per share.

## 10 DIVIDENDS

### (i) *Dividends payable to equity shareholders of the Group attributable to the year*

Dividends declared in respect of the current year are as follows:

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Final dividend proposed after the end of the reporting period of 10.0 cents (2021: 13.0 cents) per ordinary share for a total of 1,697,296,308 issued shares in 2022 (2021: 1,697,296,308 issued shares)	<b>169,730</b>	220,649

The final dividend proposed after the end of the reporting period is subject to approval of the shareholders at the forthcoming annual general meeting of the Company and has not been recognised as a liability at the end of the reporting period.

### (ii) *Dividends payable to equity shareholders of the Group attributable to the previous financial year, approved and paid during the year:*

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Final dividend in respect of previous financial year, approved and paid during the year, of 13.0 cents (2021: 28.0 cents) per ordinary share for a total of 1,697,296,308 issued shares in 2022 (2021: 1,697,296,308 issued shares)	<b>220,649</b>	475,243

## 11 ACCOUNTS RECEIVABLE

	2022 \$'000	2021 \$'000
Accounts receivable from:		
— Clearing houses	1,043,642	873,022
— Brokers and dealers	402,179	461,807
Less: Loss allowance	<u>(2,539)</u>	<u>(1,248)</u>
Financial assets measured at amortised cost	<u>1,443,282</u>	<u>1,333,581</u>
Accounts receivable from:		
— Cash clients	410,185	634,721
— Margin clients	7,062,400	10,804,648
— Subscription of new shares in IPO	<u>—</u>	<u>2,366,718</u>
Financial assets measured at FVPL	<u>7,472,585</u>	<u>13,806,087</u>
	<u><b>8,915,867</b></u>	<u><b>15,139,668</b></u>

### (a) Ageing analysis

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

	2022 \$'000	2021 \$'000
Current	<u>73,861</u>	<u>109,579</u>
Less than 1 month	166,477	361,767
1 to 3 months	79,541	137,648
More than 3 months	<u>90,306</u>	<u>25,727</u>
	<u><b>336,324</b></u>	<u><b>525,142</b></u>
	<u><b>410,185</b></u>	<u><b>634,721</b></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 31 March 2022, the total market value of their portfolios of securities was \$2,430,129,000 (2021: \$2,864,960,000).

Margin clients are required to pledge securities as collateral to the Group in order to obtain margin loans. When determining the fair value of the accounts receivable at the reporting date, management evaluate the margin loan portfolios on a fair value basis by primarily considering the value of collateral, which principally comprised listed securities, with reference to the quoted prices, to the extent of the outstanding loan amounts. At 31 March 2022, margin loans due from margin clients were current and repayable on demand except for \$146,000 (2021: \$195,000) where the margin loans were past due. \$14,000 (2021: \$122,000) were past due for less than 1 month. \$3,000 (2021: \$1,000) were past due for 1 to 3 months. \$11,000 (2021: \$1,000) were past due for 3 months to 1 year. \$118,000 (2021: \$71,000) were past due for over 1 year following the trading suspension of the pledged securities. At 31 March 2022, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were \$16,880,241,000 and \$25,630,574,000 respectively (2021: \$24,420,252,000 and \$32,897,670,000 respectively). Margin loans that were past due were considered immaterial by management.

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.

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.

**(b) Loss allowance of accounts receivable**

Loss allowance in respect of accounts receivable measured at amortised cost are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss is written off against the accounts receivable directly.

**12 ACCOUNTS PAYABLE**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Accounts payable		
— Cash clients	<b>450,682</b>	471,844
— Margin clients	<b>1,017,756</b>	891,915
— Clearing houses	<b>143,022</b>	210,178
— Brokers	<b>327,891</b>	487,419
	<b><u>1,939,351</u></b>	<u>2,061,356</u>

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

No ageing analysis in respect of accounts payable is disclosed as the ageing analysis does not give additional value in view of the business nature.

## 13 BANK LOANS

	<b>2022</b> <b>\$'000</b>	2021 \$'000
Secured loans		
— Bank loans	<b>4,042,165</b>	7,357,038
— Bank loans for IPO	—	2,365,000
Unsecured loans		
— Bank loans	<b>1,120,000</b>	1,714,000
	<b><u>5,162,165</u></b>	<b><u>11,436,038</u></b>

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

The bank loans as at 31 March 2022 are interest-bearing. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure loan facilities. Such banking facilities were utilised to the extent of \$4,042,165,000 (2021: \$9,722,038,000). The fair value of the collateral re-pledged to banks as at 31 March 2022 amounted to \$9,093,292,000 (2021: \$14,240,019,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

The global market was an ever-changing landscape in the Year. In spite of more than two years into the COVID-19 pandemic, it is capricious, with the virus constantly mutating and spreading across many countries. The fifth wave of the COVID-19 pandemic is even worse than the previous waves. As of the end of April 2022, there were more than 500 million confirmed cases and more than 6.2 million deaths in the world. The pandemic has caused disruptions to supply chains in many countries, and the resumption of flights seems light years away. As the saying goes, one trouble follows another. The world's focus has been on whether COVID-19 could subside as soon as possible and on rebuilding the economy, but the war between Russia and Ukraine suddenly began, which has fuelled a surge in energy prices, bringing the already stagnant financial economy into unprecedented difficulties and further worsening global stock markets. The U.S. was striving to achieve economic recovery and implemented the quantitative easing to prop up markets. However, amid the pandemic, the US job market remained under stress, commodity prices and wage costs went up, and wages of workers cannot keep up with inflation, with soaring grain and petrol prices and worsening inflation. The US consumer price index, the annual inflation rate, rose 8.5% in March, hitting a new 40-year high. In the face of inflation, the Federal Reserve accelerated tapering programme, marking the start of a rate-hike cycle.

The ongoing dispute between China and the United States casts a haze on the market. In recent years, the U.S. has been putting pressure on Chinese U.S.-listed companies and even delisted such companies, which has put them in a predicament. It can be said that there is an opportunity when there is a crisis, because this delisting wave creates an opportunity for Hong Kong stock market due to the fact that most of such delisted companies may return to Hong Kong for listing, which in turn further enlarges the scale of Hong Kong stock. Due to certain unfavourable factors like the pandemic, the fund-raising activities of Hong Kong IPO continued to slow down this year. According to the statistics from the Hong Kong Exchanges and Clearing Limited ("HKEX"), 96 new companies went public in 2021, a decrease of approximately 34.2% from 146 in 2020. The total amount of funds raised was approximately HK\$331.3 billion, a year-on-year decrease of approximately 17.2%. With the pandemic easing and under control, IPO activity is expected to pick up gradually. With the return of Chinese Concept Stocks, the Hong Kong IPO market is set to take a new turn.

Hong Kong experienced ups and downs in the Year, when the stock market rose first but fell afterwards, and transactions continuously shrank. At the beginning of 2021, the market expectation is that the global economy will recover. Capital inflows from Mainland China drove the market upward. The Hang Seng Index performed well at the beginning of last year. However, as a series of regulatory measures have been in place in Mainland China since 2021, various sectors such as education and new economy have been impacted. The unpredictable policies have led to large fluctuations in related sectors, and the overall market sentiment has been affected. Hong Kong stocks fell repeatedly during the Year. The statistics from HKEX showed that the total market value of Hong Kong-listed companies amounted to HK\$42.4 trillion in 2021, a year-on-year drop of 10.7% from HK\$47.5 trillion in 2020. The situation does not reverse in 2022. The Hang Seng Index plunged more than 6,800 points in just over a month from a high of 25,050 on 10 February to 18,235 on 15 March, its lowest level in more than a decade.

Due to a slowdown in internal and external demand, coupled with government measures such as lockdown and strict social distancing, various business activities were forced to be put on hold, leading to a tougher business environment and weak economic fundamentals in Hong Kong. The 5th wave of COVID-19 outbreak started in Hong Kong in March 2022, causing more than one million infections and overwhelming the city's healthcare system. A large number of employees had to undergo isolation and quarantine at home, and some industries were paralysed at one point. It is estimated that there were even 500 restaurants closed during the fifth wave of the pandemic in the catering industry, and about 100,000 catering employees have lost their jobs or been idle. Hong Kong's economy is facing daunting challenges, all industries are sluggish, and the market sentiment has fallen into lows. In the first quarter of this year, the seasonally adjusted unemployment rate in Hong Kong was 5%, and approximately 188,000 people were unemployed, representing a decrease of 1.3 percentage points compared to the same period of the last year, and the underemployment rate fell 0.7 percentage points to 3.1%.

In Mainland China, despite many uncertainties in the internal and external environment, such as COVID-19 throughout the year, persistent external inflation, and the debt bubble crash of some real estate companies, the Mainland economy remained stable on the whole. Strong and effective anti-pandemic measures, continuous deepening of reforms and promotion of high-quality development, and timely cuts in reserve requirement ratios and interest rates to maintain reasonable and abundant liquidity enable China to lead the world in recovering from the pandemic. China's gross domestic product ("GDP") was increased by RMB12.8 trillion to RMB114.4 trillion in 2021 from RMB101.6 trillion in 2020, ranking second in the world. China is expected to account for more than 18% of the global economy. Compared with other countries, the Mainland economy has shown strong resilience and recovery.

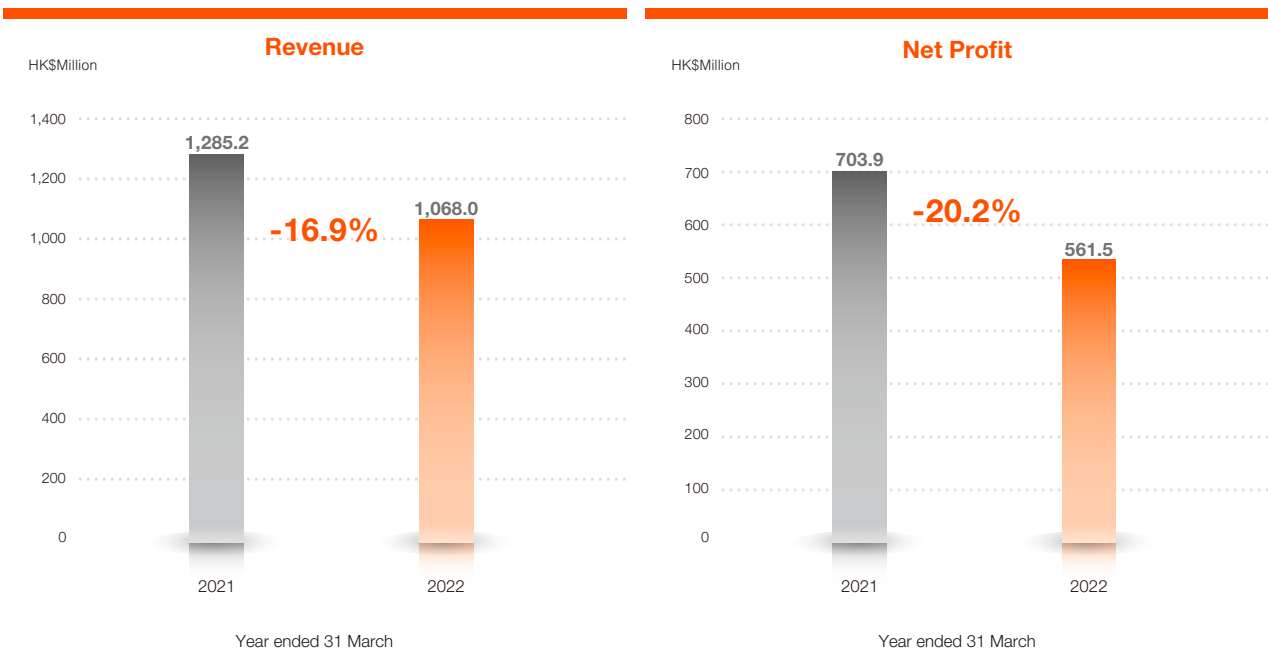
Although many Western countries advocate coexistence with the coronavirus, the virus keeps mutating, which will lead to uncertainties to the pandemic in the future. Coupled with continued geopolitical risks, it is still unknown whether the latest U.S. monetary policy can suppress inflation. However, despite the huge impact of the pandemic on the economy, it is believed that the economic recovery will be accelerated and global stock markets will be buoyed by efforts by governments around the world to encourage people to get vaccinated and see stable development. Data from the Hong Kong Monetary Authority (“HKMA”) showed that the bank balance remained strong at approximately HK\$337.5 billion as at 31 March 2022. In addition, the GDP of Hong Kong rose by 6.4% year on year to approximately HK\$2.8 trillion in 2021. Hong Kong’s economy is expected to see a strong rebound in 2023 if the haze brought about by the pandemic is swept away and business travellers swarm to the city following the reopening of borders.

## **OPERATIONAL RESULTS**

For the Year, the Group recorded revenue of HK\$1,068.0 million (2021: HK\$1,285.2 million), representing a decrease of 16.9% as compared to that for the Prior Year. Profit for the Year was HK\$561.5 million (2021: HK\$703.9 million), representing a decrease of 20.2% as compared to that for the Prior Year. Total comprehensive income attributable to equity shareholders amounted to HK\$561.3 million (2021: HK\$703.6 million), representing a decrease of 20.2% as compared to that for the Prior Year. Basic and diluted earnings per share were 33.08 HK cents (2021: 41.47 HK cents). The board of directors of the Company (the “Board”) recommended the payment of a final dividend of 10.0 HK cents per share (2021: 13.0 HK cents per share) for the Year.

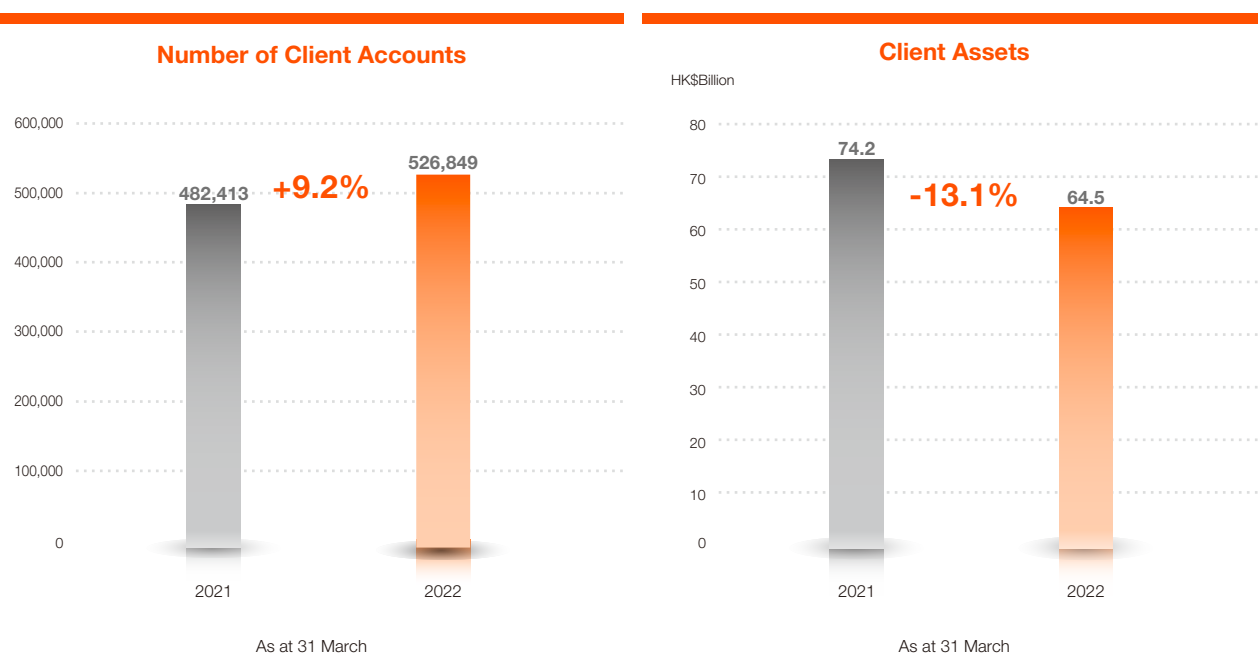


According to the statistics from HKEX, the average daily turnover for the fiscal year was approximately HK\$147.50 billion, a decrease of approximately 4.9% from approximately HK\$155.06 billion for the Prior Year. In view of changes in the market conditions, the Group adjusted its marketing and operating 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 hundreds 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 NUMBER OF CLIENT ACCOUNTS AND ASSETS

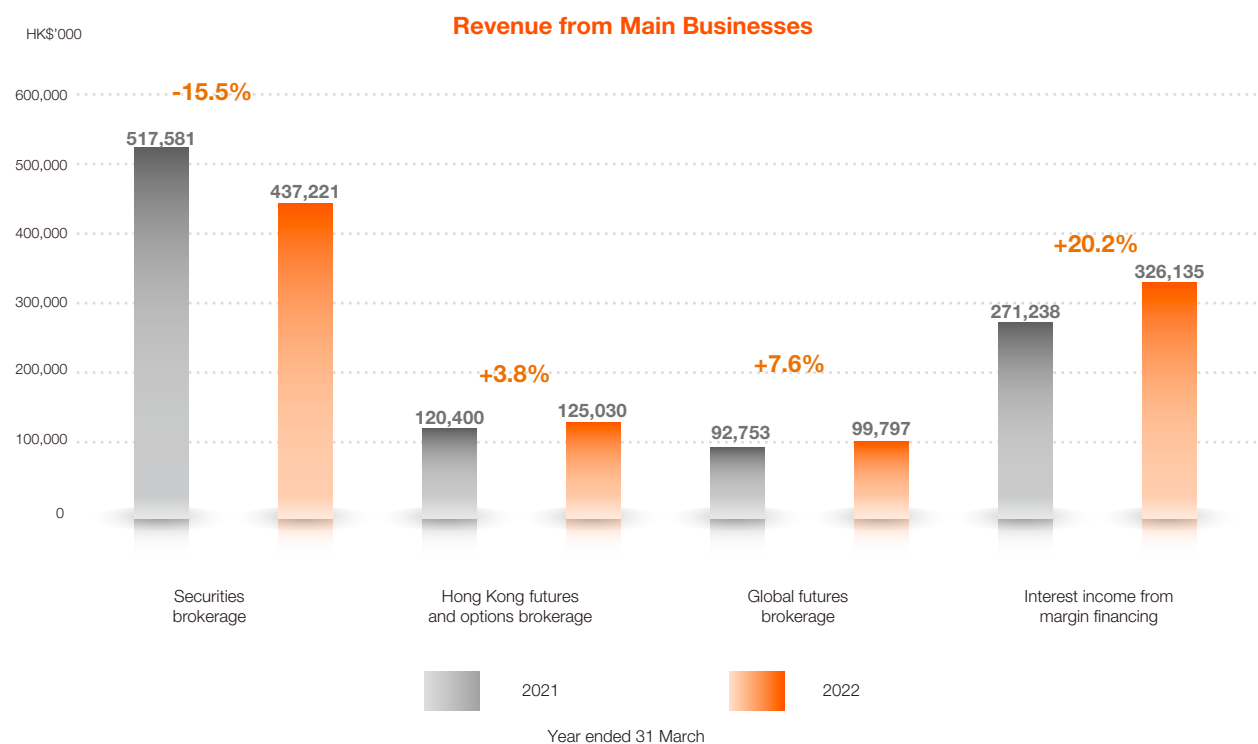
The Group that has made constant progress over the years, regardless of market conditions, has invested a lot of resources to provide clients with more comprehensive, better quality and more professional services. As at the end of March 2022, the Group, together with the Central Head Office and all branches and “Bright Smart Mobile Teaching Centre”, 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 mobile teaching centre improved client service quality and offered convenience to all clients. The Group’s proactive expansion successfully led to a steady growth in the total number of client accounts. During the fiscal year, the number of new accounts (after deducting the number of client accounts closed) reached 44,436, increasing the total number of client accounts to 526,849, a growth of 9.2% as compared to 482,413 as at 31 March 2021. As at 31 March 2022, client assets (including cash, stocks and margin deposits) amounted to approximately HK\$64.5 billion (31 March 2021: approximately HK\$74.2 billion).



## REVENUE

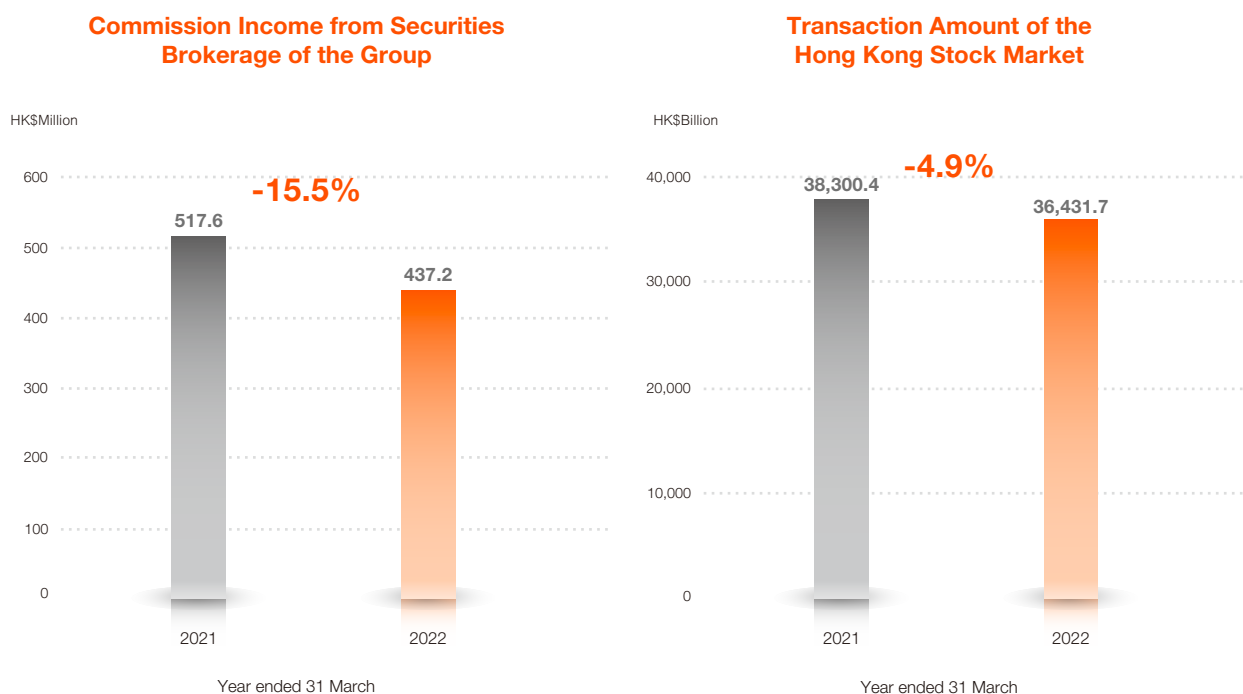
During the Year, the Group recorded revenue of HK\$1,068.0 million (2021: HK\$1,285.2 million), representing a decrease of 16.9% as compared to that for the Prior Year. A summary of the Group's revenue by business divisions is set out below.

	Year ended 31 March				
	2022		2021		Increment/ (decrement) %
	HK\$'000	Proportion of total revenue %	HK\$'000	Proportion of total revenue %	
Revenue from:					
— Securities brokerage	437,221	40.9%	517,581	40.3%	(15.5%)
— Hong Kong futures and options brokerage	125,030	11.7%	120,400	9.4%	3.8%
— Global futures brokerage	99,797	9.4%	92,753	7.2%	7.6%
— Bullion trading	10,791	1.0%	15,177	1.2%	(28.9%)
— Leveraged foreign exchange trading	2,548	0.2%	3,305	0.2%	(22.9%)
— Stock option brokerage	15,463	1.5%	16,167	1.3%	(4.4%)
— IPO brokerage	13,290	1.3%	46,919	3.6%	(71.7%)
Interest income from IPO financing	37,737	3.5%	201,661	15.7%	(81.3%)
Interest income from margin financing	326,135	30.5%	271,238	21.1%	20.2%
	<b>1,068,012</b>	<b>100.0%</b>	<b>1,285,201</b>	<b>100.0%</b>	<b>(16.9%)</b>



## I. Securities brokerage

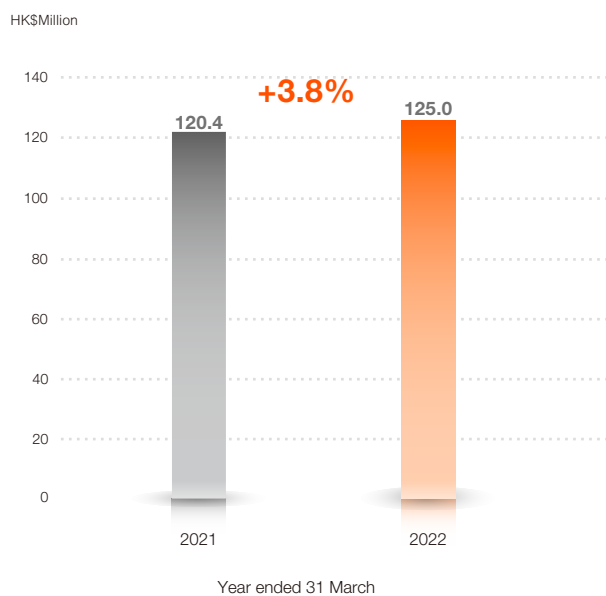
The total turnover of securities on HKEX for the Year was HK\$36,431.7 billion, a year-on-year decrease of 4.9% (2021: HK\$38,300.4 billion). Commission income from the Group's securities brokerage business amounted to HK\$437.2 million (2021: HK\$517.6 million) and accounted for 40.9% (2021: 40.3%) of the total revenue, a decrease of 15.5% as compared with the Prior Year.



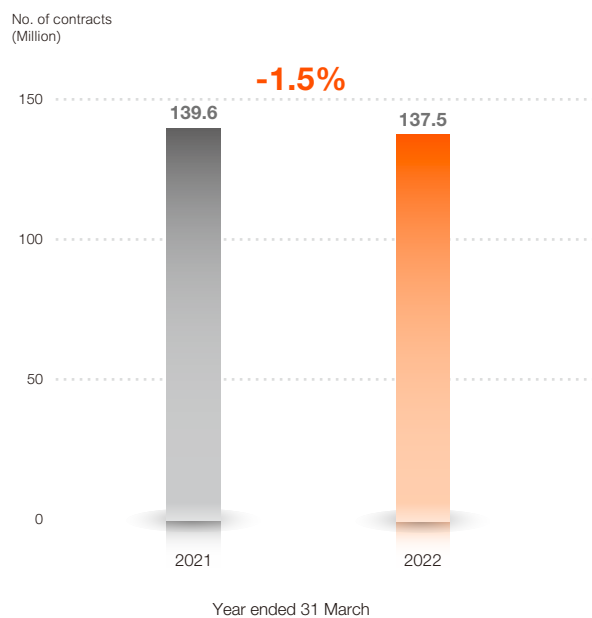
## II. Hong Kong futures and options brokerage

In view of the fluctuations in the market, clients of the Group used futures increasingly as hedging instruments. Although the number of derivative contracts traded on the Hong Kong Futures Exchange (“HKFE”) for the Year decreased by 1.5% to 137.5 million (2021: 139.6 million), commission income from the Group’s Hong Kong futures and options brokerage business went up by 3.8% to HK\$125.0 million for the Year as compared to that for the Prior Year (2021: HK\$120.4 million), accounting for 11.7% (2021: 9.4%) of the total revenue.

**Commission Income from Hong Kong Futures and Options Brokerage of the Group**



**Transaction Volume of Derivative Contracts at the HKFE**



### **III. Global futures brokerage**

The trading in the Hong Kong investment market continued to be active and diversified, stimulating investors' desire to invest in the global market; coupled with the increasingly volatile global market amid the COVID-19 pandemic, investors flocked to the futures market. Commission income from global futures brokerage for the Year increased by 7.6% to HK\$99.8 million as compared to that for the Prior Year (2021: HK\$92.8 million), accounting for 9.4% (2021: 7.2%) of the total revenue.

### **IV. Bullion trading**

Income from the Group's bullion trading business for the Year decreased by 28.9% to HK\$10.8 million as compared to that for the Prior Year (2021: HK\$15.2 million), accounting for 1.0% (2021: 1.2%) of the total revenue.

### **V. Leveraged foreign exchange trading**

Income from the Group's leveraged foreign exchange trading business for the Year decreased by 22.9% to HK\$2.5 million as compared to that for the Prior Year (2021: HK\$3.3 million), accounting for 0.2% (2021: 0.2%) of the total revenue.

### **VI. Stock options brokerage**

Commission income from the Group's stock options brokerage business for the Year decreased by 4.4% to HK\$15.5 million as compared to that for the Prior Year (2021: HK\$16.2 million), accounting for 1.5% (2021: 1.3%) of the 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**

As the market sentiment has turned cautious amidst the volatile development of the COVID-19 epidemic, and the market reaction to the new stock market has become muted, commission income from the Group's IPO brokerage business for the Year decreased substantially by 71.7% to HK\$13.3 million as compared to that for the Prior Year (2021: HK\$46.9 million). Interest income from IPO financing decreased by 81.3% correspondingly to HK\$37.7 million (2021: HK\$201.7 million).

## VIII. Margin financing

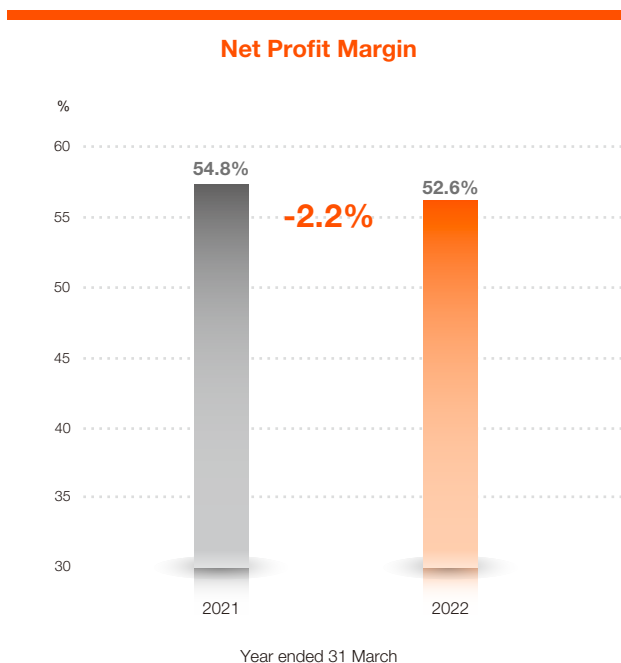
During the Year, the Group's average daily margin lending increased by 24.9% to HK\$9.79 billion (2021: HK\$7.84 billion) and the Group's interest income from margin financing amounted to HK\$326.1 million (2021: HK\$271.2 million), representing a year-on-year growth of 20.2%, and accounting for 30.5% (2021: 21.1%) of the total revenue. The Group implements effective credit control procedures and recorded no bad debts in the past few years.

## LOSS FROM INVESTMENTS

The Group held Hong Kong-listed securities, bonds and futures contracts as investments during the Year. As at 31 March 2022, the book value of investments in stocks, bonds and futures stood at HK\$51.0 million (2021: HK\$78.4 million). During the Year, the loss from financial assets at fair value through profit or loss was HK\$26.8 million (2021: gain of HK\$10.1 million).

## OPERATING EXPENSES AND NET PROFIT MARGIN

Operating expenses of the Group for the Year decreased by 20.3% to HK\$593.6 million as compared to that for the Prior Year (2021: HK\$744.3 million). Nevertheless, net profit margin of the Group fell to 52.6% (2021: 54.8%).



A breakdown of operating expenses is as follows:

	<b>2022</b>	2021	Increment/ (decrement)
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Staff cost	<b>160,616</b>	152,895	5.0%
Amortisation and depreciation	<b>77,541</b>	79,519	(2.5%)
Net changes for expected credit losses	<b>7,429</b>	851	773.0%
Finance costs	<b>124,512</b>	239,223	(48.0%)
Advertising and promotion expenses	<b>19,488</b>	34,979	(44.3%)
Auditors' remuneration	<b>1,733</b>	1,703	1.8%
Commission, handling and settlement expenses	<b>114,566</b>	143,997	(20.4%)
Information and communication expenses	<b>44,435</b>	47,512	(6.5%)
Rental, rates and building management fees	<b>4,618</b>	4,772	(3.2%)
Legal and professional fee	<b>1,891</b>	2,133	(11.3%)
Miscellaneous expenses	<b>36,728</b>	36,728	—
	<b>593,557</b>	744,312	(20.3%)

## FUTURE PLANS

Looking ahead, the speed of economic recovery will depend on the development of COVID-19. Issues, including external political factors, the phasing out of massive fiscal stimulus in other countries, and continued inflationary pressure, are believed to continuously influence the development of global economy and financial markets. With the ongoing dispute between China and the U.S., there are still many uncertainties, and the market is facing the test of rising inflation and supply shortages. However, the pandemic will finally end. With increasing vaccination rates, the global economy will stabilise. The public hopes that the pandemic will gradually be brought under control, customs clearance with the mainland will be resumed, flights will resume, and Hong Kong will reconnect with the international community. Traditional economies such as retail, tourism, aviation and manufacturing are expected to rebound after the outbreak eases. We believe that the “hardest ice age” is over, and Hong Kong’s economy is bound to get better and better.

However, regardless of changes in market conditions, the Group will continuously adopt an aggressive development strategy and also introduce new products, services and market offers to expand its clientele. Apart from continuously optimising and improving all online trading channels and regularly enhancing the functions of the “Baobao” and “Doudou” apps and improving the speed to place an order, the Group will also establish a complete branch network that will cover the 14 outlets in the core areas of Hong Kong, in a bid to provide investors with professional and considerate investment services. Moreover, it will continuously identify sites at prime geographical locations with heavy traffic to set up new branches to support the business development, and will also hold regular job fairs to attract a large number 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 broadcasting channel "Bright Smart Finance Channel", through which it makes a financial programme on each trading day to provide investors with instant information and answer their questions. Besides, it organised various investment seminars and stock and futures investment simulation competitions free of charge. 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 should be open for all, easy to understand and diversified so as to enhance the financial literacy of the public via different channels and assist them in developing responsible financial habits, behaviours and decisions.

## **DEVELOP DIVERSIFIED GLOBAL FINANCIAL PRODUCTS**

The Group has thoroughly studied investors' habits, behaviour and investment trends, and analysed them according to client data and surveys. In view of the rising attention to and popularity of global financial products, investors have growing interest in such 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 expand global investment products so as to cater to the needs of different clients. The Group believes that investors' interest in global financial products is growing. Therefore, it will continuously develop more global financial products to meet market demands.

During the Year, the Group launched a new service called "pre-market trading in U.S. stocks", where clients can buy and sell U.S. stocks earlier at 4pm (summer time) and 5pm (winter time) in Hong Kong time, enabling clients to seize opportunities and follow changes in the market to trade U.S. stocks earlier and making them more flexible and able to grasp market changes to devise strategies.

## 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 in half a year of time to develop two apps, namely BS Securities (Baobao) and BS Futures (Doudou). They are equipped with AI 3.0 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 at 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 push message. In order to bring investors closer to the global market, the Group developed and launched eDDA Service approved by the Hong Kong Monetary Authority with famous 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 keeps pace with the times and upgrades existing hardware and software at a large cost. It has increased the confidence in the Group's brand, services and trading systems and won praises from the industry and media, including seven awards like Top Active Exchange Participants in Stock Futures, Top Active Exchange Participants in Stock Options and Top Breakthrough Exchange Participant — L&I Product Turnover in the HKEX Awards 2021/2022, marking a historical high in years; excellent listed securities and futures companies and excellent securities and futures trading apps by Oriental Daily; best new stock service award by Zhitongcaijing/Royalflush Finance; most promising listed companies by organising committee of China Securities Golden Bauhinia Awards, making it the only Hong Kong's securities firm to receive this honour; excellent Hong Kong stock dealer award from Tencent, a media outlet from Mainland China; Best Reward & Recognition Strategy Award (Platinum) of Best HR Award by CT Goodjobs. This long list of awards received is a testimony to the Group's significant position and leading competitiveness in the industry.

As the application of fintech in the wealth management industry matures, the Group plans to promote digitalised and smart trading services amongst its clients, combine online and offline marketing and operating strategies, reduce costs, enhance its efficiency, expand its clientele and enhance their experience using fintech, in a bid 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 a more convenient and stable online trading platform, the Group has previously 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. As for network security, the Group has implemented the "dual password" security measure and authentication by which two different passwords are required for logging into the trading systems and conducting transactions. Furthermore, an email will be delivered instantly or a push message will be sent on Baobao and Doudou apps to notify the clients of any login or any transaction conducted electronically through their accounts in accordance with the regulatory requirements. 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.

The Group actively develops a more robust and reliable trading system to meet the professional needs of investors. It has developed an anti-disruption system to greatly enhance security from nine aspects.

The Group noted frequent "disconnections, delays, instability and even crashes" in the trading systems of individual brokers and banks during the Year. So, aware of the importance of establishment of multiple trading platforms that complement each other in the process of investment, it has developed an anti-disruption system, with four trading platforms for trading global stocks, namely BS Securities (Baobao), Bright Smart Securities (MH), computer (web version) and computer (professional version). The platforms can support and complement each other to provide clients with four-fold protection. Furthermore, the Group has set up three futures and two leveraged foreign exchange trading platforms, on which global futures and leveraged foreign exchange products can be traded. The platforms can complement each other to avoid disruptions, which ensure unimpeded and convenient investments without crashes.

## CONCLUSION

The Group firmly believes that only by keeping close to the needs of clients can it stand out in the fierce competition. The Group, with the “client-oriented and service-first” philosophy, adopted both offensive and defensive strategies at the moment when the real economy went downhill. On 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 to open accounts and trade products through Bright Smart Securities. The Group plans to further optimise 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 and trust 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 love 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 financed by shareholders’ equity, cash generated from operation and bank borrowings.

The Group maintains sufficient liquidity with total bank deposits, bank balances and cash amounting to HK\$524.7 million as at 31 March 2022 (2021: HK\$418.5 million). The Group had bank borrowings of HK\$5,162.2 million as at 31 March 2022 (2021: HK\$11,436.0 million) which bore interest primarily at floating rate. The bank borrowings were primarily collateralised by its margin clients’ securities pledged to the Group. As at 31 March 2022, unutilised banking facilities amounted to HK\$16,048.8 million (2021: HK\$9,183.4 million). The Group’s gearing ratio (total bank borrowings excluding IPO financing divided by the total shareholders’ equity) was 208.9% (2021: 425.7%). As at 31 March 2022, the Group had net current assets of HK\$2,296.3 million (2021: HK\$1,943.9 million) and a current ratio (current assets divided by current liabilities) of 1.3 times (2021: 1.1 times).

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 that each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong “FRR”).

## **CHARGES ON ASSETS**

No asset of the Group was subject to any charge as at 31 March 2022 and 2021.

## **CONTINGENT LIABILITIES**

As at 31 March 2022, corporate guarantees provided by the Company in respect of banking facilities granted by authorised institutions to its subsidiaries engaging in securities and futures broking amounted to HK\$15,724.5 million (2021: HK\$14,917.2 million). As at 31 March 2022, the subsidiaries of the Company have utilised HK\$4,063.7 million of these aggregate banking facilities (2021: HK\$7,535.0 million).

As at 31 March 2022, the directors did not consider that any claim would be made against the Group under any of the guarantees.

## **CAPITAL COMMITMENTS**

The capital commitments as at 31 March 2022 were approximately HK\$5.4 million (2021: HK\$2.3 million).

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 31 March 2022, the Group had a work force of 262 employees (2021: 260 employees). Staff costs, excluding directors' emoluments, amounted to approximately HK\$128.7 million for the Year (2021: HK\$127.1 million). The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes that the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a bonus scheme for its executives and employees as a measure to provide a competitive remuneration package 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 work ability and personal efficiency.

## **SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the Year, the Group did not make any significant acquisitions or disposals of subsidiaries.

## **LITIGATION**

As at 31 March 2022 and up to the date of this report, the Group has not been involved in any litigation of significance.

## **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 the credit risk is monitored on an ongoing basis.

In respect of amounts due from clients, individual evaluations are performed on all clients (including cash and margin clients) based on the underlying collateral. Cash clients are required to place deposits as prescribed in the Group's 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 fully recoverable, and 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 amounts 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 enjoy sound reputation in the industry.

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

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

## **Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its current and expected liquidity requirements 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 long terms.

## **Interest rate risk**

The Group charges interest on 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 deposits with banks) and financial liabilities (such as bank loans) are primarily at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

## **Foreign exchange risk**

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars ("USD"), Renminbi ("RMB"), Singapore dollars ("SGD"), Japanese Yen ("JPY"), Australian dollars ("AUD") and British pound ("GBP"). 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 as insignificant. In respect of financial instruments denominated in other currencies, the Group ensures that the net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The management monitors all the foreign currency positions on a daily basis.

## **Price risk**

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

The Group's equity investments are listed on the SEHK while investment in futures contracts are traded on HKFE. Listed investments held in the financial assets at fair value through profit or loss portfolio 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, capped by the principal amount and accrued interest, without discounting.

## **FINAL DIVIDENDS**

The Board recommended the payment of a final dividend of 10.0 HK cents per share for the year ended 31 March 2022, subject to the approval of the final dividend by the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on Friday, 19 August 2022. If approved, the final dividend will be paid to the Company's shareholders on Friday, 9 September 2022. Shareholders whose names appear on the register of members of the Company on Friday, 26 August 2022 will be entitled to the proposed final dividend.

## **CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING**

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from Monday, 15 August 2022 to Friday, 19 August 2022 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Friday, 12 August 2022. The AGM will be held on Friday, 19 August 2022.

## **CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND**

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Thursday, 25 August 2022 to Friday, 26 August 2022 (both days inclusive), during this period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 24 August 2022.

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

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



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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Year.

## **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. Having made specific enquiries of each Director, all the Directors have confirmed that they have complied with the Model Code throughout the Year.

## **REVIEW OF ANNUAL RESULTS**

The annual results for the Year had been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

## **SCOPE OF WORK OF KPMG**

The figures in respect of the preliminary announcement of the Group's results for the Year had been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

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

This results announcement is published on the website of the HKEX (<https://www.hkexnews.hk>) and the website of the Company (<https://www.bsgroup.com.hk>). The Annual Report 2021/22 and the notice of AGM 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, 24 June 2022

*As at the date of this announcement, the Board comprises Mr. Yip Mow Lum (Chairman), Mr. Hui Yik Bun (Chief Executive Officer) and 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.*