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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 2024

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 2024 (the “Period”) together with the comparative figures for the six months ended 30 September 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024 — unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

		Six months ended	
		30 September	
		2024	2023
	Note	\$'000	\$'000
			(Restated)
Revenue	4	448,778	477,376
Other income			
— Interest income calculated using effective interest rate method	5	140,284	147,056
— Interest income calculated using other method	5	20,043	19,960
— Others	5	6,770	7,739
Other net gain/(loss)	6	27,961	(15,887)
		643,836	636,244

		Six months ended	
		30 September	
		2024	2023
	<i>Note</i>	\$'000	\$'000
			(Restated)
Staff costs		(73,301)	(63,388)
Amortisation and depreciation		(30,527)	(34,834)
Net charges for expected credit losses		(1,136)	(1,029)
Other operating expenses	<i>7(b)</i>	(90,646)	(83,981)
Profit from operations		448,226	453,012
Finance costs	<i>7(a)</i>	(104,585)	(122,179)
Profit before taxation	<i>7</i>	343,641	330,833
Income tax	<i>8</i>	(31,617)	(27,206)
Profit for the period		312,024	303,627
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		—	(333)
Total comprehensive income attributable to equity shareholders for the period		<u>312,024</u>	<u>303,294</u>
Earnings per share			
Basic (<i>cents</i>)	<i>9</i>	<u>18.38</u>	<u>17.89</u>
Diluted (<i>cents</i>)	<i>9</i>	<u>18.38</u>	<u>17.89</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2024 \$'000	At 31 March 2024 \$'000
Non-current assets			
Property, plant and equipment		82,626	112,094
Intangible assets		5,783	5,783
Deferred tax assets		6,089	3,761
Other receivables, deposits and prepayments		13,790	15,530
Other assets		104,977	55,239
		<u>213,265</u>	<u>192,407</u>
Total non-current assets		<u>213,265</u>	<u>192,407</u>
Current assets			
Accounts receivable	11	7,180,720	6,349,686
Other receivables, deposits and prepayments		18,767	20,338
Financial assets at fair value through profit or loss		73,659	51,578
Financial assets at amortised cost		226	162
Tax recoverable		18	23,010
Cash and cash equivalents		634,893	441,275
		<u>7,908,283</u>	<u>6,886,049</u>
Total current assets		<u>7,908,283</u>	<u>6,886,049</u>
Current liabilities			
Accounts payable	12	3,665,774	1,702,548
Accrued expenses and other payables		65,984	47,595
Bank loans	13	3,099,348	3,775,000
Lease liabilities		50,008	50,789
Current taxation		12,437	1,499
		<u>6,893,551</u>	<u>5,577,431</u>
Total current liabilities		<u>6,893,551</u>	<u>5,577,431</u>

	At 30 September 2024 Note \$'000	At 31 March 2024 \$'000
Net current assets	<u>1,014,732</u>	<u>1,308,618</u>
Total assets less current liabilities	<u>1,227,997</u>	<u>1,501,025</u>
Non-current liabilities		
Accrued expenses and other payables	7,084	7,640
Lease liabilities	<u>24,722</u>	<u>49,110</u>
Total non-current liabilities	<u>31,806</u>	<u>56,750</u>
NET ASSETS	<u><u>1,196,191</u></u>	<u><u>1,444,275</u></u>
EQUITY		
Share capital	509,189	509,189
Share premium	388,020	388,020
Merger reserve	(20,000)	(20,000)
Retained profits	<u>318,982</u>	<u>567,066</u>
TOTAL EQUITY	<u><u>1,196,191</u></u>	<u><u>1,444,275</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 2024 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 HKFRSs that are first effective for the current accounting period of the Group.

- Amendments to HKAS 1, *“Presentation of financial statements: Classification of liabilities as current or non-current (‘2020 amendments’)”*
- Amendments to HKAS 1, *“Presentation of financial statements: Non-current liabilities with covenants (‘2022 amendments’)”*
- Amendments to HKFRS 16, *“Leases: Lease liability in sale and leaseback”*
- Amendments to HKAS 7, *“Statement of cash flows”* and HKFRS 7, *“Financial Instruments: Disclosures — Supplier finance arrangements”*

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 2024			
	Commodities			
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	Total \$'000
Revenue from customers:				
— Brokerage commission	142,933	79,733	—	222,666
— Dealing income	—	—	3,665	3,665
— Interest income from margin financing	164,094	—	—	164,094
— Handling and settlement fee income	37,498	20,640	—	58,138
Reportable segment revenue	<u>344,525</u>	<u>100,373</u>	<u>3,665</u>	<u>448,563</u>
Interest income from cash clients	20,043	—	—	20,043
Other interest income	<u>116,819</u>	<u>22,351</u>	<u>186</u>	<u>139,356</u>
Reportable segment profit (EBIT)	<u>385,903</u>	<u>54,418</u>	<u>2,402</u>	<u>442,723</u>
Amortisation and depreciation	(4,628)	—	—	(4,628)
Finance costs	<u>(124,266)</u>	<u>(2)</u>	<u>—</u>	<u>(124,268)</u>
	At 30 September 2024			
	Commodities			
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	Total \$'000
Reportable segment assets	8,146,421	884,946	24,094	9,055,461
Reportable segment liabilities	<u>(6,744,905)</u>	<u>(615,693)</u>	<u>(20,207)</u>	<u>(7,380,805)</u>

Six months ended 30 September 2023

	Commodities			
	Securities broking \$'000 (Restated)	and futures broking \$'000 (Restated)	Bullion trading \$'000	Total \$'000 (Restated)
Revenue from customers:				
— Brokerage commission	130,051	104,805	—	234,856
— Dealing income	—	—	3,200	3,200
— Interest income from margin financing	201,770	—	—	201,770
— Interest income from IPO financing	22	—	—	22
— Handling and settlement fee income	37,346	14	—	37,360
	<u>369,189</u>	<u>104,819</u>	<u>3,200</u>	<u>477,208</u>
Reportable segment revenue				
Interest income from cash clients	19,960	—	—	19,960
Other interest income	<u>120,744</u>	<u>26,150</u>	<u>—</u>	<u>146,894</u>
Reportable segment profit (EBIT)	<u>378,571</u>	<u>64,713</u>	<u>1,831</u>	<u>445,115</u>
Amortisation and depreciation	(7,347)	—	—	(7,347)
Finance costs	<u>(135,987)</u>	<u>(13)</u>	<u>—</u>	<u>(136,000)</u>

At 31 March 2024

	Commodities			
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	Total \$'000
Reportable segment assets	6,999,067	958,205	21,122	7,978,394
Reportable segment liabilities	<u>(5,429,811)</u>	<u>(628,198)</u>	<u>(9,271)</u>	<u>(6,067,280)</u>

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

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
		(Restated)
Revenue		
Reportable segment revenue	448,563	477,208
Elimination	(296)	(257)
Unallocated corporate revenue	511	425
	<hr/>	<hr/>
Consolidated revenue	448,778	477,376
Profit		
Reportable segment profit (EBIT)	442,723	445,115
Finance costs	(104,585)	(122,179)
Unallocated corporate income	61,304	36,125
Unallocated corporate expenses	(55,801)	(28,228)
	<hr/>	<hr/>
Consolidated profit before taxation	343,641	330,833
	<hr/> <hr/>	<hr/> <hr/>

	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Assets		
Reportable segment assets	9,055,461	7,978,394
Elimination	(1,145,012)	(1,067,561)
Unallocated corporate assets	<u>211,099</u>	<u>167,623</u>
Consolidated total assets	<u>8,121,548</u>	<u>7,078,456</u>
Liabilities		
Reportable segment liabilities	(7,380,805)	(6,067,280)
Elimination	1,231,956	1,143,544
Unallocated corporate liabilities	<u>(776,508)</u>	<u>(710,445)</u>
Consolidated total liabilities	<u>(6,925,357)</u>	<u>(5,634,181)</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	
	2024	2023
	\$'000	\$'000
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Brokerage commission	222,370	234,599
Handling and settlement fee income	58,138	37,360
Revenue from other sources		
Dealing income from bullion trading	3,665	3,200
Dealing income from leveraged foreign exchange trading	511	425
Interest income from margin financing	164,094	201,770
Interest income from IPO financing	—	22
	<u>448,778</u>	<u>477,376</u>

The Group reclassified handling and settlement fee income of \$58,138,000 (six months ended 30 September 2023: \$37,360,000) from other income to revenue since the Group considers handling and settlement fee income is generated from principal activities of the Group and the amount is material to the Group since 1 April 2024.

5 OTHER INCOME

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
		(Restated)
Interest income from		
Financial assets carried at amortised cost		
— Authorised institutions	133,073	138,079
— Others	7,211	8,977
	<u>140,284</u>	<u>147,056</u>
Financial assets carried at fair value through profit or loss (“FVPL”)		
— Cash clients	20,043	19,960
	<u>160,327</u>	<u>167,016</u>
Dividend income	2,407	1,860
Sundry income	4,363	5,879
	<u>167,097</u>	<u>174,755</u>

6 OTHER NET GAIN/(LOSS)

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
Realised gain/(loss) from financial assets at fair value through profit or loss	122	(797)
Unrealised gain/(loss) from financial assets at fair value through profit or loss	21,940	(7,734)
	22,062	(8,531)
Net foreign exchange gain/(loss)	6,024	(7,350)
Gain/(loss) on disposals of property, plant and equipment	209	(9)
Others	(334)	3
	27,961	(15,887)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
(a) Finance costs		
Interest expense on		
— Other bank loans	89,640	116,525
— Lease liabilities	2,025	489
— Others	12,920	5,165
	<u>104,585</u>	<u>122,179</u>
(b) Other operating expenses		
Advertising and promotion expenses	7,469	5,983
Auditors' remuneration	771	726
Commission, handling and settlement expenses	40,717	38,911
Information and communication expenses	21,957	19,527
Legal and professional fees	836	906
Rates and building management fees	2,811	2,972
Miscellaneous expenses	16,085	14,956
	<u>90,646</u>	<u>83,981</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	33,945	29,268
Deferred tax		
Origination and reversal of temporary differences	<u>(2,328)</u>	<u>(2,062)</u>
Total tax charge for the period	<u>31,617</u>	<u>27,206</u>

The provision for Hong Kong Profits Tax is calculated by applying the tax rate of 16.5% (2023: 16.5%) on estimated assessable profit for the six months ended 30 September 2024, 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 2023.

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.

	Six months ended 30 September	
	2024	2023
Earnings		
Profit for the period attributable to equity shareholders of the Company (\$'000)	<u>312,024</u>	<u>303,627</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	<u>1,697,296</u>	<u>1,697,296</u>
Basic earnings per share (cents)	<u><u>18.38</u></u>	<u><u>17.89</u></u>

Diluted earnings per share

There was no dilutive potential ordinary share during the period (six months ended 30 September 2023: 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 2024 (six months ended 30 September 2023: nil).

11 ACCOUNTS RECEIVABLE

	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Accounts receivable		
Accounts receivable from:		
— Clearing houses	1,955,819	876,687
— Brokers and dealers	282,395	297,021
Less: Loss allowance	<u>(3,342)</u>	<u>(2,053)</u>
Financial assets measured at amortised cost	<u>2,234,872</u>	<u>1,171,655</u>
Accounts receivable from:		
— Cash clients	312,534	368,470
— Margin clients	<u>4,633,314</u>	<u>4,809,561</u>
Financial assets measured at FVPL	<u>4,945,848</u>	<u>5,178,031</u>
	<u>7,180,720</u>	<u>6,349,686</u>

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

	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Current	<u>127,417</u>	<u>37,418</u>
Less than 1 month	84,710	146,697
1 to 3 months	23,998	49,293
More than 3 months	<u>76,409</u>	<u>135,062</u>
	<u>185,117</u>	<u>331,052</u>
	<u>312,534</u>	<u>368,470</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 2024, the total market value of their portfolios of securities was \$2,189,131,000 (31 March 2024: \$2,091,511,000). 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 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 30 September 2024, margin loans due from margin clients were current and repayable on demand except for \$5,061,000 (31 March 2024: \$197,000) where the margin loans were past due. \$4,906,000 (31 March 2024: \$49,000) were past due for less than 1 month. \$Nil (31 March 2024: \$1,000) were past due for 1 to 3 months. \$4,000 (31 March 2024: \$3,000) were past due for 3 months to 1 year. \$151,000 (31 March 2024: \$144,000) were past due for over 1 year following the trading suspension of the pledged securities. Whereas \$4,894,000 of margin loans that were past due were subsequently settled up to the date of this interim report. At 30 September 2024, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were \$12,597,491,000 and \$23,744,244,000 respectively (31 March 2024: \$11,340,040,000 and \$19,883,253,000 respectively). Margin loans that were past due were considered immaterial by management.

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.

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

	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Accounts payable		
— Cash clients	1,630,153	233,369
— Margin clients	1,615,747	934,506
— Clearing houses	—	129,411
— Brokers	<u>419,874</u>	<u>405,262</u>
	<u>3,665,774</u>	<u>1,702,548</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

	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Secured loans		
— Bank loans	2,480,000	3,175,000
— Bank overdraft	2,348	—
Unsecured loans		
— Bank loans	<u>617,000</u>	<u>600,000</u>
	<u>3,099,348</u>	<u>3,775,000</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 2024 and 31 March 2024 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 \$2,482,348,000 (31 March 2024: \$3,175,000,000). The fair value of the collateral repledged to banks as at 30 September 2024 amounted to \$5,632,468,000 (31 March 2024: \$5,933,698,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

Stepping into 2024, the global economy was still in a fluctuating phase, with uncertainties looming over the entire economy. Pressures such as rising inflation and interest rates slowed down the economic recovery. Global economic growth was sluggish, and major economies were facing great shocks. The relationship between China and the U.S. seemed to ease but remained tense in reality. Unexpected geopolitical conflicts in other regions have also caused negative sentiment among investors towards the investment market. Attacked from numerous internal and external problems of Hong Kong's economy and business environment, Hong Kong was facing unprecedented impacts and challenges and was in an unprecedented predicament. Although the Hong Kong government forecasted that Hong Kong's GDP growth rate in 2024 would range from 2.5% to 3.5%, which could be considered as encouraging figures. However, the actual growth mainly benefited from the rebound in domestic demand and the recovery of the tourism industry, while the real economy of Hong Kong, such as the financial and real estate sectors, seemed to have no benefit from them at all. Even though the economy seemed to have recovered to a certain extent, the consumption pattern of the citizens in Hong Kong was very different from that before the pandemic. Northbound spending has become the norm, resulting in the failure of consumer demand to rebound significantly, which has caused the recovery of Hong Kong's retail and catering industries to be almost frozen. The wave of closures has become the talk of the town this year, and vacant shops could be seen everywhere in prosperous districts with the rental rate of certain shops even dropping by 90% significantly. Even though the Hong Kong government has removed all stringent measures from the property market this year, as interest rates continued to remain high, property prices declined instead of rising, returning to the level of 10 years ago, deterring investors from purchasing. As the dominance of the stock market has also been taken away by other countries, Hong Kong stock market has repeatedly declined, which was disappointing, while the neighboring stock markets have repeatedly reached new highs. As the economic outlook in China has not significantly improved, the decline in the RMB exchange rate has not picked up, which has weakened the flow of southbound funds which has been supporting Hong Kong stocks. Stepping into May this year, although the Hang Seng Index once approached 20,000-point with substantial transactions in the Hong Kong stock market, it was a pity that the trend could not stand. The Hang Seng Index once fell below the 16,500-point level in August this year, and the daily transaction volume shrank to less than HK\$80 billion. Investors' appetite for Hong Kong stocks and their desire to enter the market have been hit again. As such, more than 30 securities firms had closed down from January to the end of September 2024 according to statistics from Hong Kong Exchanges and Clearing Limited ("HKEX"). As Hong Kong's economy was being plagued internally and externally, it is believed that the wave of securities firms' closure would continue, and the prospect of the securities industry was worrying.

After the stock markets in China and Hong Kong experienced the darkest period in early September this year, “sweetness overtook bitterness” aptly described the situation of the month, and the stock markets ultimately ushered in the dawn in late September. The U.S. Federal Reserve finally announced an interest rate cut of 0.5% on 18 September, and Hong Kong banks followed suit by cutting interest rates. This meant that the high interest rate cycle that lasted for more than four years has finally come to a halt. With the good news of the first interest rate cut, the Hang Seng Index finally broke through the 18,300-point mark, and the transaction volume also began to improve. As we all know, the rise and fall of the economy since Hong Kong’s return have not only been dependent on the global economic recovery, but also been closely linked to the economic prospects in China. “Relying on the motherland” has become an ironclad fact that no one could change. While investors were still doubtful about whether Hong Kong stocks could actually turn around, a series of measures were rolled out to save the weak economy on the eve of the 75th anniversary of the National Day in China, raising investors’ confidence in stock markets in China and Hong Kong, just like having refreshing rain from a long drought. The measures taken in China this time were mainly aimed at revitalizing the capital market. The People’s Bank of China (“PBOC”) announced a 0.2% interest rate cut and a 0.5 percentage points reserve ratio reduction to provide long-term liquidity of up to RMB1 trillion to the financial market and would further reduce the reserve ratio by 0.25 to 0.5 percentage points as appropriate. The measure has thus enabled the release of a large amount of liquidity in the market. The PBOC also launched the “Securities, Funds and Insurance Companies Swap Facility”, with an initial size of RMB500 billion, supporting qualified securities, funds and insurance companies to use their bonds, stock ETFs (exchange-traded funds) and CSI 300 constituent stocks as collateral for swapping treasury bonds and central bank bills through the PBOC, from which the proceeds could only be invested in the stock market. It was the series of bailout measures taken by the PBOC aimed at the financial market (widely regarded as the right remedy for the problem in the market) that led to the immediate rise of the Shanghai Securities Composite Index to the highs of recent years. Hong Kong stocks, which had been relying on the A-share rally and waiting for the Mainland China to come up with a bailout plan, also rebounded in response, with the strongest uptrend since the end of May 2022, and the Hang Seng Index even rose above the 23,000-point level at one point with the turnover even hitting a record high of HK\$620.4 billion, being the highest one-day turnover ever in Hong Kong. Both stock markets in Mainland China and Hong Kong overturned the declining trend during the past three years, and the momentum was unprecedented. If the uptrend continues, Hong Kong’s stock market may take on a new dimension and the Group may also benefit from it, which is expected to boost its performance and customer volume.

The Group has been rooted in Hong Kong for nearly 30 years. With its perseverance and unyielding spirit and courage, the Group has experienced the ups and downs of Hong Kong’s financial industry, and even weathered major and minor financial storms around the globe. Faced with any impact on the financial market, it still stands firm and has always implemented the business style of advancing with the times and constantly striving for self-improvement and is praised by the industry as the leader in the securities industry.

In addition, the Group constantly optimized its trading platform and product services, maintained physical store services throughout Hong Kong Island, Kowloon and the New Territories, and provided all-round, one-stop, round-the-clock online and offline services to investors. We retained customers with “caring and professional” service quality. Therefore, the Group’s ability to rise to the challenge and continue to achieve outstanding results despite adverse economic conditions truly relied on the long-term support and trust of its customers.

The Group has always been a firm believer in the business philosophy of “crisis will bring opportunities” and “taking what others do not want”. Regardless of whether the environment was favorable or not, the Group has insisted on adopting the business philosophy of aggressiveness, with a promotional strategy of continuous investing more resources. Our advertisements and promotions could be seen both online and offline. The sales team and marketing department regularly reviewed the changes in the global market. Stepping into the first half of 2024, as Hong Kong stocks had not yet shown any improvement, our team had to put the promotion strategy in other sections, such as “reward of 2 shares of Manchester United (MANU.us) for trading the U.S. stocks, commission of only US\$0.008 per share for trading of U.S. stocks and a flat interest rate for margin financing as low as 4.78%”, “up to US\$800 reward for trading global futures”, etc. With the record high of U.S. stocks, Japanese stocks and price of gold, the Group’s U.S. stocks and global market businesses have been on a steady upward trend. The Group has always adhered to the philosophy of being born and raised in Hong Kong, and even though the Hong Kong stock market has encountered once-in-a-century difficulties, the Group has remained steadfast in its promotional strategy, believing that Hong Kong always possesses unique advantages, and that Hong Kong will one day emerge from the predicament and regain its splendor. At a time when Hong Kong stocks were still in the doldrums, our team still proactively launched numerous and appropriate Hong Kong stock promotions, such as “1-month genuine zero commission for trading Hong Kong stock and A-shares”, “margin interest rebate up to HK\$16,800” for new clients”, “transfer your stocks to Bright Smart and get up to 10 shares of Tencent and up to HK\$200,000 transfer fee rebate”, “free real-time quotes (LV1) of Hong Kong stocks” and “lifetime waiver of platform charge” for new and existing customers. When the Hong Kong stock market experienced a sudden turnaround, the Group’s practice of “sow in the off season, and harvest in the boom season” finally worked to its fullest effect, thus driving the Group to record a net profit of HK\$312 million for the Period and increase the number of client accounts to 571,170 as at 30 September 2024. The Group’s outstanding performance is attributable not only to the support and trust of our customers over the years, but also to the dedication and selfless dedication of all our staff. In the future, the Group will continue to grasp every opportunity in the market and strive to maximise the returns for our shareholders.

For many years, as a pioneer in financial technology in Hong Kong, the Group has long been aware that online trading of investors will certainly become the main trading method in the future and saw the trend of investors' transactions via mobile phones and demand for information. In anticipation of the rising demand for financial technology from investors, the Group has invested heavily in optimising, improving and upgrading the speed, performance and stability of various online trading channels, and our two major mobile applications, BS Securities (Baobao) and BS Futures (Doudou), have kept pace with the times with continuous enhancement of functions in order to achieve outstanding results, which successfully attracted hundreds of thousands of investors to download and use them. The Group will continuously improve its trading platforms and service quality 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. Investors are increasingly concerned about cybersecurity. Therefore, each year, the Group invests huge resources to expand various online trading channels. The Group fully understands that investors must have stable and reliable trading channels to avoid "crash" during trading. As such, the Group has developed its trading system with an emergency anti-disruption function. After opening an account, a customer will have access to four major trading systems, namely BS Securities (Baobao), Bright Smart Securities (MH), computer trading system (web version) and computer trading system (PC version). Customers can trade at any time via any of such trading systems. The above functions are pioneering in Hong Kong.

OPERATING RESULTS

For the Period, Bright Smart Securities & Commodities Group Limited (the "Company") and its subsidiaries (collectively known as the "Group") recorded a revenue of HK\$448.8 million (2023: HK\$477.4 million), representing a year-on-year decrease of 6.0%. Net profit after tax attributable to shareholders amounted to HK\$312.0 million (2023: HK\$303.3 million), representing a year-on-year increase of 2.9%. Earnings per share for the Period was 18.38 HK cents (2023: 17.89 HK cents). The board of directors of the Company (the "Board") does not recommend the payment of any interim dividend for the Period (2023: Nil).

TOTAL NUMBER OF CLIENT ACCOUNTS AND ASSETS

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 2024, the Group, together with the Central Head Office, all branches and "Bright Smart Mobile Teaching Centre" had a total of 13 business outlets covering the core areas of Hong Kong including Hong Kong Island, Kowloon and the New Territories, with some branches operating seven days a week, breaking the industry tradition. The Group is committed to improving client service quality. Together with online client services, it allows investors to stay in touch with us at anytime and anywhere, regardless of time and geographical constraints. Together with the 24-

hour account opening, depositing, trading, information browsing and enquiry functions in our two mobile applications, BS Securities (Baobao) and BS Futures (Doudou), customers can stay close to the world's major financial markets 24 hours a day for trading, without having to leave their homes, bringing great 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 15,602 (after deducting the number of client accounts closed), increasing the total number of client accounts to 571,170, representing a growth of 2.8% as compared to 555,568 as at 30 September 2023. Client assets (including cash, stocks and margins) as at 30 September 2024 increased by 11.6% to approximately HK\$59.5 billion (30 September 2023: approximately HK\$53.3 billion).

REVENUE

During the Period, the Group recorded a revenue of HK\$448.8 million (2023: HK\$477.4 million), a year-on-year decrease of 6.0%. A summary of the Group's revenue by business divisions is set out below:

	Six months ended 30 September				
	2024		2023		Increment/ (decrement)
	HK\$'000	Proportion of total revenue	HK\$'000	Proportion of total revenue	
Revenue from :					
— Securities brokerage	135,480	30.2%	123,612	25.9%	9.6%
— Hong Kong futures and options brokerage	60,650	13.5%	61,911	13.0%	(2.0%)
— Global futures brokerage	18,787	4.2%	42,636	8.9%	(55.9%)
— Bullion trading	3,665	0.8%	3,200	0.7%	14.5%
— Leveraged foreign exchange trading	511	0.1%	425	0.1%	20.2%
— Stock option brokerage	6,547	1.5%	6,252	1.3%	4.7%
— IPO brokerage	906	0.2%	188	0.0%	381.9%
Interest income from IPO financing	—	—	22	0.0%	(100.0%)
Interest income from margin financing	164,094	36.6%	201,770	42.3%	(18.7%)
Handling and settlement fee income	58,138	12.9%	37,360	7.8%	55.6%
	<u>448,778</u>	<u>100.0%</u>	<u>477,376</u>	<u>100.0%</u>	<u>(6.0%)</u>

Securities brokerage

The total turnover of securities on HKEX for the Period was HK\$14,782.0 billion, representing a year-on-year increase of 21.5% (2023: HK\$12,170.4 billion). The Group's commission income from securities brokerage was HK\$135.5 million (2023: HK\$123.6 million), representing a year-on-year increase of 9.6%, and accounted for 30.2% (2023: 25.9%) of its total revenue.

Hong Kong futures and options brokerage

The trading volume of derivative contracts at the Hong Kong Futures Exchange Limited ("HKFE") was 99.6 million (2023: 90.8 million) during the Period, representing an increase of 9.7%. The Group posted commission income of HK\$60.7 million (2023: HK\$61.9 million) from Hong Kong futures and options brokerage for the Period, representing a year-on-year decrease of 2.0%, accounting for 13.5% (2023: 13.0%) of its total revenue.

Global futures brokerage

The Group's commission income from global futures brokerage decreased by 55.9% year-on-year to HK\$18.8 million (2023: HK\$42.6 million) during the Period, accounting for 4.2% (2023: 8.9%) of its total revenue. The decrease was mainly due to the adjustment of the global futures brokerage fee model for maintaining the competitiveness of the Group, of which a total of HK\$20.6 million was classified as handling and settlement fee income during the Period.

IPO brokerage

As the Hong Kong IPO market showed signs of recovery in the second quarter of this year, the Group's commission income from IPO brokerage business recorded HK\$906,000 (2023: HK\$188,000) for the Period, representing a significant year-on-year increase of 381.9%.

Margin financing

During the Period, the Group's average daily margin borrowings decreased by 17.6% to HK\$4.73 billion (2023: HK\$5.74 billion). Amidst the slowdown in Hong Kong Interbank Offered Rate ("HIBOR"), the Group's interest income from margin financing amounted to HK\$164.1 million (2023: HK\$201.8 million), a year-on-year decrease of 18.7%, and accounted for 36.6% (2023: 42.3%) of the total revenue. The Group is committed to implementing effective credit control procedures to avoid any bad debts.

Handling and settlement fee income

The Group's handling and settlement fee income increased by 55.6% year-on-year to HK\$58.1 million (2023: HK\$37.4 million) during the Period, accounting for 12.9% (2023: 7.8%) of its total revenue. The increase was mainly due to the adjustment of the global futures brokerage fee model, of which a total of HK\$20.6 million was classified as handling and settlement fee income during the Period.

PERFORMANCE OF PROPRIETARY INVESTMENTS

During the Period, the Group held Hong Kong-listed securities, bonds and futures contracts as investments and the book value of investment portfolio stood at HK\$73.9 million (31 March 2024: HK\$51.7 million), including HK\$73.7 million (31 March 2024: HK\$51.6 million) of Hong Kong-listed securities. During the Period, the investment income from financial assets at fair value through profit or loss was HK\$22.1 million (2023: loss of HK\$8.5 million).

OPERATING EXPENSES AND NET PROFIT MARGIN

The Group's operating expenses for the Period decreased by 1.7% year-on-year to HK\$300.2 million (2023: HK\$305.4 million), and its net profit margin increased to 69.5% (2023: 63.6%).

A breakdown of operating expenses is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	Increment/ (decrement)
Staff cost	73,301	63,388	15.6%
Amortisation and depreciation	30,527	34,834	(12.4%)
Net charges for expected credit losses	1,136	1,029	10.4%
Finance costs	104,585	122,179	(14.4%)
Advertising and promotion expenses	7,469	5,983	24.8%
Auditors' remuneration	771	726	6.2%
Commission, handling and settlement expenses	40,717	38,911	4.6%
Information and communication expenses	21,957	19,527	12.4%
Rates and building management fees	2,811	2,972	(4.9%)
Legal and professional fee	836	906	(7.7%)
Miscellaneous expenses	16,085	14,956	7.4%
	300,195	305,411	(1.7%)

FUTURE PLANS

The U.S. presidential election is settled and the “madman” Donald Trump will be back in the White House. The Group expects that Donald Trump’s election will leave a lot of uncertainties in the relationship between China and the U.S. It is believed that Donald Trump will also need to readapt to the changes of geopolitics, thus making the global economy uncertain. Although the U.S. Federal Reserve has cut interest rates twice during this year, which was a great news, it is still unknown whether it will materialize as expected or be put off in the fluctuating economic environment in the U.S. after Donald Trump takes office. Changes in the exchange rate of RMB and the recovery of the property and capital markets in Mainland China, etc. are also important factors for the improvement of Hong Kong’s economy. All these issues have a direct impact on Hong Kong’s economy. Even though the government of Mainland China has successively introduced policies to rescue the economy and flexible plans to stimulate the capital market, the effect of which still needs to be tested and proved over time. Apart from the direct impact of the external factors on Hong Kong, Hong Kong must also be self-reliant, dare to innovate and explore more new sources, so as to make concerted efforts to consolidate its status as an international financial center which has been painstakingly built up over the years. At the same time, although the Hong Kong stock market has shown signs of improvement in October this year, it is still lagging behind other active stock markets. For revitalizing Hong Kong stock market to catch up with that of Japan and the U.S., it is hoped that the Hong Kong government can introduce more realistic and pragmatic measures to revitalize its former status as the top stock market in Asia and attract investors from all over the world to reintegrate into the Hong Kong stock market. In the face of the loss of talents, it is hoped that the Hong Kong government can introduce more tax concessions to attract talents to return to the prosperous Hong Kong. It is believed that it is imminent to launch a talent attraction plan. In the securities industry, competing for “talents, technology and capital” is the key to success. With a strong capital strength, the Group will definitely continue to be “people-oriented” in the future, strengthen its core financial technology and properly provide one-stop investment services online and offline, with an aim to become the best investment partner for global investors.

For many years, as a pioneer in financial technology in Hong Kong, the Group has long been aware that online trading of investors will certainly become the main trading method in the future, and saw the trend of investors’ demand for transactions via mobile phones and information, as well as the concern of investors about cyber security. Therefore, each year, the Group invests huge resources to expand various online trading channels. The Group fully understands that investors must have stable and reliable trading channels to avoid “crash” during trading. In addition to the launch of Hong Kong’s first self-developed four major trading systems with emergency anti-disruption function where a customer will have access after opening an account, namely BS Securities (Baobao), Bright Smart Securities (MH), computer trading system (web version) and computer trading system (PC version), the Group will continue to spare no expense and invest a lot of resources to regularly improve the functions of various trading platforms, the speed of placing an order and the

network security, so that customers feel safe, fast and reliable when trading. Meanwhile, the Group will continuously optimise and improve the branch network and provide investors with professional and considerate investment services with the existing 13 outlets including Bright Smart Mobile Teaching Centre that travels across Hong Kong, covering all over Hong Kong Island, Kowloon and the New Territories. The Group will continue to identify sites at prime locations with high pedestrian traffic to set up new branches for sales network expansion. The Group also understands the principle of “sow in the off season, and harvest in the boom season”, therefore, regardless of adverse or favorable circumstances, the Group will hold regular job fairs to attract talents with potential, facilitating the enhancement of service quality as well as taking up the responsibility to nurture the next generation of elites for the industry.

In addition, to take up an important role in investors’ education, the Group became the first to launch a live streaming channel “Bright Smart Finance Channel” which will be enhanced, so as to produce global financial programmes on each trading day to provide investors with real-time information and answer their questions. Besides, various complimentary investment seminars and stock and futures investment simulation competitions will be organised. The Group also partnered with HKEX, the Chicago Mercantile Exchange, the Singapore Exchange and other world-renowned stock exchanges, as well as renowned financial institutions and top industry experts to provide all investors in Hong Kong with comprehensive, reliable, latest and free wealth management information, online and offline, so as to enhance their knowledge about financial products and economic trends across the world and broaden their investment choices. The Group believes that investors’ education opportunities should be open for all. So, there is a need to enhance the financial literacy and capability 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 a 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, U.S. 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. The Group saw clients have increasing interest in and more understanding of the U.S. stocks,

leading to a significant increase in trading volume in the U.S. stock market, it added the function of “pre-market trading of the U.S. stocks” to “BS Securities (Baobao)” APP to enable clients to trade the U.S. stocks as early as 4:00 p.m., Hong Kong time. In the future, the Group will actively study the businesses such as U.S. stocks after-hours trading and U.S. stock options trading.

Promoting 24-hour deposit services

Global futures has been a popular product of the Group among customers in recent years. As a result, 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 global stocks and futures anytime and anywhere regardless of time differences and Hong Kong holidays restrictions after going through a simple registration procedure with any bank account on Baobao and Doudou APPs, showcasing a breakthrough from the industry tradition. It also allows clients to keep abreast of changes in the U.S. stock market and to capitalize on such changes to make investment decisions.

The Group kept pace with the times and invested substantial resources to constantly upgrade existing hardware and software. This enhanced the confidence of clients and people from all walks of life in the brands, services and trading systems of the Group. Therefore, it has been recognised by the industry and media with numerous awards over the years. The Group has also achieved fruitful results in the award ceremonies of the above-mentioned prestigious stock exchanges for many consecutive years, which was sufficient evidence of its extraordinary strength. In the year, the Group was granted the “Top Retail Broker” award by HKEX and the “Excellent Partner Award 2024” award by CME Group successively. In terms of media awards, the Group was awarded as “Outstanding Listed Companies (Securities and Futures) (超卓上市企業大獎 (證券及期貨))” by Oriental Daily News again, being the only securities trader to win such award, which is solid proof of the painstaking efforts of the Group over the years and which we can absolutely take pride in. In the year, Baobao and Doudou APPs, two popular mobile APPs of the Group, were granted the “No.1 One-Stop Securities Investment Service (No.1 一站式證券投資服務)” award by Headline Daily and once again won the “Outstanding One-Stop Mobile Application for Securities and Futures Trading” by The Chamber of Hong Kong Computer Industry and Metro Broadcast. Their outstanding performance fully proved that the Group’s online trading systems are fast, stable, safe and reliable, and have been widely trusted and welcomed by customers.

Enhancing online trading security

As the application of fintech in the wealth management industry has become an indispensable part of the global public, the Group will continue 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 consolidate the Group's leading position in the industry.

Therefore, the Group has invested plentiful resources in improving the efficiency and capacity of its online trading systems in processing transactions to meet clients' needs. In order to offer more convenient and stable online trading platforms, the Group has also made a huge investment in improving its trading systems. Apart from the previous relocation of its central computer system to the centralised data centre of HKEX in Tseung Kwan O, the Group also conducted regular large-scale tests on all transaction systems, including regular simulated tests involving a trading volume exceeding ten 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. Moreover, 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 secure when trading.

Furthermore, when clients log into the trading systems via different electronic channels for the first time each day, 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 action 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 strengthen 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 and fast" market positioning, adopts both competitive and conservative strategies at the moment. On the one hand, it will constantly optimise the performance of various trading platforms to improve investors' user experience. On the other hand, it allocated more resources on various online and offline platforms for publicity and promotion to keep brand exposure, attracting more investors to open accounts and trade products through the Group. The Group will continuously optimise all kinds of online order placement channels and

always pay attention to clients' needs for trading systems. As some of its branches cover an area that can be regarded as comprehensive, in the future, the Group will 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 present achievements 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\$634.9 million as at 30 September 2024 (31 March 2024: HK\$441.3 million). The Group had total bank borrowings of HK\$3,099.3 million as at 30 September 2024 (31 March 2024: HK\$3,775.0 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 2024, unutilised banking facilities amounted to HK\$18,279.2 million (31 March 2024: HK\$17,609.9 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 259.1% (31 March 2024: 261.4%). As at 30 September 2024, the net current assets of the Group decreased by 22.5% to HK\$1,014.7 million (31 March 2024: HK\$1,308.6 million). As at 30 September 2024, the Group's current ratio (current assets divided by current liabilities) was 1.1 times (31 March 2024: 1.2 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 2024 and 31 March 2024.

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\$15,975.2 million (31 March 2024: HK\$15,983.2 million). As at 30 September 2024, the subsidiaries of the Company have utilised HK\$2,360.0 million of these aggregate banking facilities (31 March 2024: HK\$3,295.0 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 (i.e. usually within a few days from the trade date). 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 2024, the Group had a work force of 203 employees (31 March 2024: 196 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 C3 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 2024 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 2024/25 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 2024

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, Mr. Ling Kwok Fai, Joseph and Ms. Wong Ting Ting, Priscilla as Independent Non-executive Directors.