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 2019

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 2019 (the "Period") together with the comparative figures for the six months ended 30 September 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019 – unaudited
(Expressed in Hong Kong dollars unless otherwise indicated)

		Six months ended 30 September	
		2019	2018
	Note	***$'000***	*$'000*
Revenue	*4*	**393,757**	471,419
Other income	*5*	**119,360**	111,782
Other net loss	*6*	**(10,746)**	(8,359)
		502,371	574,842
Staff costs		**(71,365)**	(70,684)
Amortisation and depreciation		**(45,389)**	(12,254)
Other operating expenses	*7(b)*	**(92,922)**	(119,040)
Profit from operations		**292,695**	372,864
Finance costs	*7(a)*	**(55,967)**	(101,475)

	Note	Six months ended 30 September 2019 $'000	2018 $'000
Profit before taxation	*7*	**236,728**	271,389
Income tax	*8*	**(25,223)**	(30,556)
Profit for the period		**211,505**	240,833
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		**206**	342
Total comprehensive income attributable to equity shareholders for the period		**211,711**	241,175
Earnings per share			
Basic *(cents)*	*9*	**12.46**	14.19
Diluted *(cents)*	*9*	**12.46**	14.19

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2019 $'000	At 31 March 2019 $'000
Non-current assets			
Property, plant and equipment		**198,229**	48,338
Intangible assets		**6,033**	6,283
Deferred tax assets		**2,315**	84
Other receivables, deposits and prepayments		**18,713**	21,109
Other non-current assets		**62,089**	50,084
Total non-current assets		**287,379**	125,898

	Note	At 30 September 2019 $'000	At 31 March 2019 $'000
Current assets			
Accounts receivable	*11*	**6,819,784**	7,276,782
Other receivables, deposits and prepayments		**22,171**	26,840
Financial assets at fair value through profit or loss		**8,027**	8,745
Tax recoverable		**1,550**	11,822
Cash and cash equivalents		**400,863**	401,254
Total current assets		**7,252,395**	7,725,443
Current liabilities			
Accounts payable	*12*	**1,019,315**	1,226,209
Accrued expenses and other payables		**61,915**	53,747
Amount due to a related company		**200,166**	200,076
Bank loans	*13*	**3,080,871**	3,445,515
Lease liabilities	*2(c)(i)*	**66,334**	—
Current taxation		**19,686**	2,487
Total current liabilities		**4,448,287**	4,928,034
Net current assets		**2,804,108**	2,797,409
Total assets less current liabilities		**3,091,487**	2,923,307
Non-current liabilities			
Lease liabilities	*2(c)(i)*	**89,995**	—
Deferred tax liabilities		**—**	17
Total non-current liabilities		**89,995**	17
NET ASSETS		**3,001,492**	2,923,290
EQUITY			
Share capital		**509,189**	509,189
Share premium		**738,020**	738,020
Exchange reserve		**471**	265
Merger reserve		**(20,000)**	(20,000)
Retained profits		**1,773,812**	1,695,816
TOTAL EQUITY		**3,001,492**	2,923,290

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 2019 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.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018/19 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019/20 annual financial statements. Details of changes in accounting policies are set out in note 2.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of the last annual reporting period. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2019 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 June 2019.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in preparing the condensed consolidated interim financial report are the same as those applied in preparing the consolidated financial statements for the year ended 31 March 2019, as disclosed in the annual report and financial statements for the year ended 31 March 2019 except for the followings which are first time being applied for the period.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 March 2020.

The Group has initially adopted HKFRS 16 *Leases* from 1 April 2019. A number of other new standards are effective from 1 April 2019 but they do not have a material effect on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits at 1 April 2019. Accordingly, the comparative information presented for 2018/19 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) Interpretation 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) Interpretation 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases — i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets recognised on 1 April 2019 and 30 September 2019 are as below.

	Property, plant and equipment *$'000*
Balance at 1 April 2019	**35,026**
Balance at 30 September 2019	**154,906**

(i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office building. The leases typically run for a period of 1 to 4 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group' incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

— their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application — the Group applied this approach to its property leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) Impacts on financial statements

(i) Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained profits. The impact on transition is summarised below.

	1 April 2019
	$'000
Right-of-use assets presented in property, plant and equipment	**35,026**
Lease liabilities	**36,259**
Derecognition of other liability	**(113)**
Retained profits	**(1,120)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019.

	1 April 2019
	$'000
Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements	**198,437**
Commitments relating to leases not yet commenced	**(160,541)**
Discounted using the incremental borrowing rate at 1 April 2019	**(1,637)**
Lease liabilities recognised at 1 April 2019	**36,259**

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	As at 30 September 2019		As at 1 April 2019	
	Present value of the minimum lease payments	**Total minimum lease payment**	Present value of the minimum lease payments	Total minimum lease payment
	$'000	***$'000***	*$'000*	*$'000*
Within one year	**66,334**	**69,619**	19,521	20,222
After one year but within five year	**89,995**	**91,875**	16,738	17,169
	156,329	**161,494**	36,259	37,391
Less: total future interest expense		**(5,165)**		(1,132)
Present value of lease liabilities		**156,329**		36,259

(ii) Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised $154,906,000 carrying amounts of right-of-use assets and $156,329,000 of lease liabilities as at 30 September 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 September 2019, the Group recognised $37,104,000 of depreciation charges and $2,016,000 of interest costs from these leases.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

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 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 — bullion dealing and provision of bullion trading service to customers.

(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 2019			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Revenue from customers:				
— Brokerage commission	122,774	109,540	—	232,314
— Dealing income	—	—	8,170	8,170
— Interest income from margin financing	150,421	—	—	150,421
— Interest income from IPO financing	2,693	—	—	2,693
Reportable segment revenue	275,888	109,540	8,170	393,598
Interest income from cash clients	10,853	—	—	10,853
Other interest income	60,550	11,723	190	72,463
Handling and settlement fees	32,907	6	—	32,913
Reportable segment profit (EBIT)	239,904	43,191	6,388	289,483
Amortisation and depreciation	(9,166)	(4)	—	(9,170)
Finance costs	(56,158)	(6)	—	(56,164)
Additions to non-current segment assets during the period	3,019	—	—	3,019

	At 30 September 2019			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment assets	**6,648,674**	**761,348**	**45,447**	**7,455,469**
Reportable segment liabilities	**(3,863,931)**	**(519,429)**	**(27,234)**	**(4,410,594)**

	Six months ended 30 September 2018			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Revenue from customers:				
— Brokerage commission	156,048	94,939	—	250,987
— Dealing income	—	—	15,123	15,123
— Interest income from margin financing	185,046	237	—	185,283
— Interest income from IPO financing	20,921	—	—	20,921
Reportable segment revenue	362,015	95,176	15,123	472,314
Interest income from cash clients	14,718	—	—	14,718
Other interest income	47,050	7,061	181	54,292
Handling and settlement fees	38,559	5	—	38,564
Reportable segment profit (EBIT)	329,880	28,468	12,631	370,979
Amortisation and depreciation	12,035	30	—	12,065
Finance costs	105,768	—	—	105,768
Additions to non-current segment assets during the period	4,015	—	—	4,015

	At 31 March 2019			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment assets	7,067,763	797,088	86,111	7,950,962
Reportable segment liabilities	(4,446,144)	(478,299)	(73,222)	(4,997,665)

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

	Six months ended 30 September 2019 $'000	2018 $'000
Revenue		
Reportable segment revenue	**393,598**	472,314
Elimination	**(541)**	(1,053)
Unallocated corporate revenue	**700**	158
Consolidated revenue	**393,757**	471,419
Profit		
Reportable segment profit (EBIT)	**289,483**	370,979
Finance costs	**(55,967)**	(101,475)
Unallocated corporate income	**11,962**	34,768
Unallocated corporate expenses	**(8,750)**	(32,883)
Consolidated profit before taxation	**236,728**	271,389

	At 30 September 2019 $'000	At 31 March 2019 $'000
Assets		
Reportable segment assets	**7,455,469**	7,950,962
Elimination	**(125,707)**	(133,941)
Unallocated corporate assets	**210,012**	34,320
Consolidated total assets	**7,539,774**	7,851,341
Liabilities		
Reportable segment liabilities	**(4,410,594)**	(4,997,665)
Elimination	**561,717**	452,626
Unallocated corporate liabilities	**(689,405)**	(383,012)
Consolidated total liabilities	**(4,538,282)**	(4,928,051)

4 REVENUE

The principal activities of the Group are securities broking, margin financing, 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	
	2019	2018
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Brokerage commission	**231,772**	249,934
Revenue from other sources		
Dealing income from bullion trading	**8,171**	15,123
Dealing income from leveraged foreign exchange trading	**700**	158
Interest income from margin financing	**150,421**	185,283
Interest income from IPO financing	**2,693**	20,921
	161,985	221,485
	393,757	471,419

5 OTHER INCOME

	Six months ended 30 September	
	2019	2018
	$'000	*$'000*
Interest income from		
Financial assets carried at amortised cost		
— Authorised institutions	**71,325**	54,107
— Others	**1,146**	185
	72,471	54,292
Financial assets carried at FVPL		
— Cash clients	**10,853**	14,718
	83,324	69,010
Handling and settlement fees	**32,913**	38,564
Dividend income	**204**	1,586
Sundry income	**2,919**	2,622
	119,360	111,782

6 OTHER NET LOSS

	Six months ended 30 September	
	2019	2018
	$'000	*$'000*
Realised (loss)/gain from financial assets at fair value through profit or loss	**(9)**	203
Unrealised loss from financial assets at fair value through profit or loss	**(683)**	(4,800)
	(692)	(4,597)
Net foreign exchange loss	**(6,043)**	(3,459)
(Loss)/gain on disposals of property, plant and equipment	**(1)**	102
Error trades arising from dealings	**(73)**	(48)
Others	**(3,937)**	(357)
	(10,746)	(8,359)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	$'000	*$'000*
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	**2,662**	16,498
— Other bank loans	**45,943**	79,175
— Lease liabilities	**2,016**	—
— Loans from related companies	**4,764**	5,208
— Others	**582**	594
	55,967	101,475

	Six months ended 30 September	
	2019	2018
	$'000	*$'000*
(b) Other operating expenses		
Advertising and promotion expenses	**5,148**	3,790
Auditors' remuneration	**762**	766
Commission, handling and settlement expenses	**40,252**	42,062
Information and communication expenses	**22,109**	18,801
Legal and professional fees	**1,668**	1,552
Operating lease payments		
— property rentals	**—**	31,033
Rates and building management fees	**2,879**	2,349
Miscellaneous expenses	**20,104**	18,687
	92,922	119,040

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2019	2018
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**27,471**	33,074
Over-provision in respect of prior years	**—**	(11)
Deferred tax		
Origination and reversal of temporary differences	**(2,248)**	(2,507)
Total tax charge for the period	**25,223**	30,556

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 September 2019, 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 2018.

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	
	2019	2018
Earnings		
Profit for the period attributable to equity shareholders of the Company *($'000)*	**211,505**	240,833
Number of shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**1,697,296**	1,697,296
Basic earnings per share *(cents)*	**12.46**	14.19

Diluted earnings per share

There was no dilutive potential ordinary share during the period (six months ended 30 September 2018: 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 2019 (six months ended 30 September 2018: nil).

11 ACCOUNTS RECEIVABLE

	At 30 September 2019 $'000	At 31 March 2019 $'000
Accounts receivable		
Accounts receivable from:		
— Clearing houses	**750,371**	741,019
— Brokers and dealers	**188,714**	240,356
Less: Loss allowance	**(183)**	(183)
Financial assets measured at amortised cost	**938,902**	981,192
Accounts receivable from:		
— Cash clients	**229,762**	225,351
— Margin clients	**5,641,949**	6,069,755
— Subscription of new shares in IPO	**9,171**	484
Financial assets measured at FVPL	**5,880,882**	6,295,590
	6,819,784	7,276,782

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

	At 30 September 2019 $'000	At 31 March 2019 $'000
Current	**29,101**	48,011
Less than 1 month	**99,945**	122,437
1 to 3 months	**46,626**	16,317
More than 3 months	**54,090**	38,586
	200,661	177,340
	229,762	225,351

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 2019, the total market value of their portfolios of securities was $1,677,246,000 (31 March 2019: $1,420,498,000). Based on past experience and current assessment, management believes that the balances are fully recoverable.

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 30 September 2019, margin loans due from margin clients were current and repayable on demand except for $305,000 (31 March 2019: $908,000) where the margin loans were past due. $228,000 (31 March 2019: $850,000) were past due for less than 1 month. $10,000 (31 March 2019: nil) were past due for 1 to 3 months. $27,000 (31 March 2019: $33,000) were past due for 3 months to 1 year. $40,000 (31 March 2019: $25,000) were past due for over 1 year following the trading suspension of the pledged securities. At 30 September 2019, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were $10,958,384,000 and $15,837,981,000 respectively (31 March 2019: $12,935,717,000 and $17,689,627,000 respectively). Margin loans that were past due relate to a number of independent customers that have a good track record with the Group.

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

The fair value of accounts receivables from cash client, margin clients and subscription in new shares in IPO is determined by the fair value of collaterals, capped by the principal amount and accrued interest, without discounting.

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

12 ACCOUNTS PAYABLE

	At 30 September 2019 *$'000*	At 31 March 2019 *$'000*
Accounts payable		
— Cash clients	**159,751**	298,822
— Margin clients	**692,649**	750,347
— Clearing houses	**145,239**	139,275
— Brokers	**21,676**	37,765
	1,019,315	1,226,209

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

13 BANK LOANS

	At 30 September 2019 *$'000*	At 31 March 2019 *$'000*
Secured loans		
— Bank loans	**2,744,871**	3,265,515
Unsecured loans		
— Bank loans	**336,000**	180,000
	3,080,871	3,445,515

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 2019 and 31 March 2019 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 $2,744,871,000 (31 March 2019: $3,265,515,000). The fair value of the collateral repledged to banks as at 30 September 2019 amounted to $6,398,832,000 (31 March 2019: $7,306,728,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

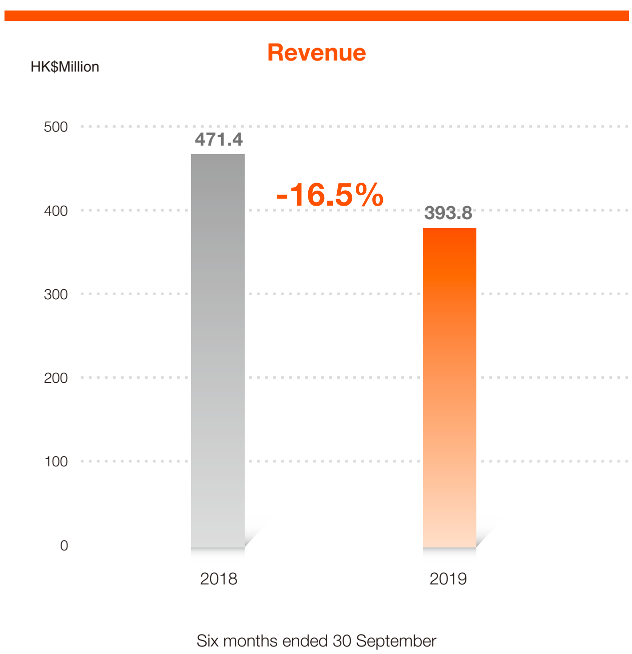
2019 will be a year never to be forgotten by Hongkongers. Firstly, there has been the ongoing trade war between the United States ("US") and China, which is impeding the economic development of both China and Hong Kong. Secondly, Hong Kong has been witnessing severe social unrest since June. The prolonged social unrest has exposed a great deal of uncertainties and showed no sign of resolution as of the beginning of the fourth quarter. As a result, the economic conditions of Hong Kong have deteriorated significantly. The Hang Seng Index ("HSI") is expected to come in like a lion with a strong start and go out like a lamb heading towards a low close for the year. Apart from the internal strife, external troubles also persisted. The unending US-China trade war can be the Achilles' heel of the global economy. Notwithstanding over a year of negotiations, the two nations continue to lock horns over growing divisions, and comprehensive solution looks far off. As the trade war intensifies, the HSI started to edge downwards in May after soaring to over 30,000 points in April, and dropped to below 25,000 points at one point in time. As at the end of September, all year-to-date gains in the HSI have evaporated. In the meantime, the average daily turnover of the Hong Kong stock market shrank to HK$75.8 billion in September, representing a plunge of 17% as compared to HK$91.5 billion for the corresponding period last year. Besides, gross domestic product ("GDP") grew at a year-on-year rate of 0.5%, a decade low, in the second quarter. If GDP growth slips into the negative zone in the third quarter, Hong Kong would technically enter a recession. Therefore, prospects of the securities industry for the coming year do not look good. In fact, the industry has started a natural selection process, in which a number of small-scale securities trading firms have been mercilessly eliminated during the year while only the fittest and most competitive bigger firms survived.

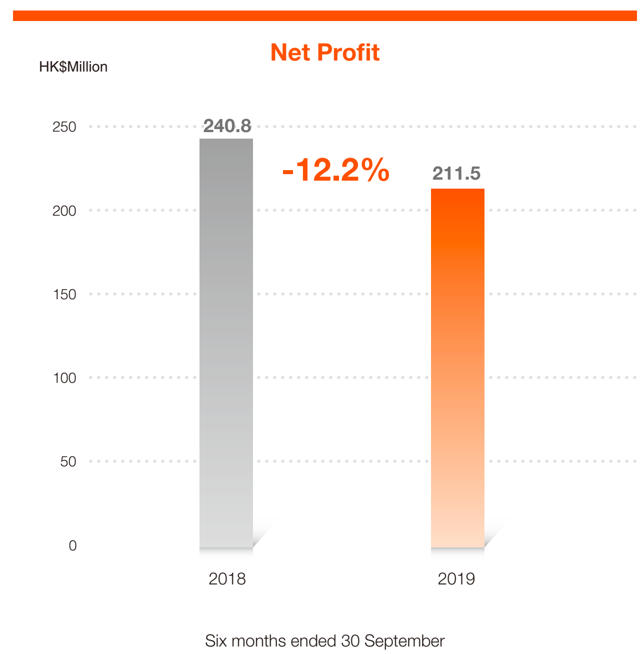
The restless Hong Kong Exchanges and Clearing Limited ("HKEx") has also been relatively restrained during the year. It has regretfully dropped its untimely takeover offer made to the London Stock Exchange. Nevertheless, the withdrawal is not expected to hurt the long-term competitiveness of HKEx. Although rumour has it that HKEx might be overtaken by Shenzhen or Macau, Hong Kong remains a well-established international financial hub with core strengths such as high international rankings in terms of legal system, establishments, professional support, human resources and offshore Renminbi ("RMB") trading over the years. As the saying goes, "Rome wasn't built in a day". Hong Kong has an excellent track record and topped the global chart of initial public offering ("IPO") fund raising amount for 5 years in the past decade. According to statistics, the total amount of IPO funds raised in Hong Kong for the first 3 quarters of the year amounted to approximately HK$127.8 billion, down by 47.4% as compared to that for the corresponding period last year. It is expected that the total amount of IPO proceeds for the whole year will reach HK$250.0 billion, making the city one of the top three IPO markets in the world. HKEx also continues to improve its services and expand its global product portfolio during the year. Such initiatives include the introduction of inline warrants and weekly index options as well as the studies of simplifying IPO processes, shortening settlement time for IPO (T+5) and other arrangements to further optimise the IPO system. On the other hand, the Securities and Futures Commission ("SFC") has strengthened its regulation on the financial industry, such as tightening the guidelines for margin lending and introducing the front-loaded regulation to eliminate the listing of shell and fraudulent companies. These measures will foster the long-term and healthy development of the financial market in Hong Kong.

As for mainland China, the intensifying US-China trade war has spread from trade tension to battles over technologies, finance and RMB exchange rates. Facing incessant external pressures, the State Council is determined to boost domestic demand. With the aims of unleashing the consumption power of the people and stimulating the economy, 20 policies were rolled out decisively at the end of August to boost car sales, expand domestic channels for export companies, foster the growth of convenience store chains, and develop a night-time economy. In respect of financial policies, the Central Government promulgated 11 measures in the third quarter to further open up the financial industry to foreign investors. These measures cover three major aspects, namely expanding market entry, easing restriction on shareholdings, and facilitating investment. The financial industries in mainland China and Hong Kong are both expected to benefit from these measures. As a matter of fact, China Securities Regulatory Commission recently announced that, starting from 1 January 2020, foreign investors will be allowed to set up wholly-owned securities, futures and mutual fund firms in mainland China. The Group is confident that we will benefit from such relaxation, and expects to expand into the mainland market when the measure is formally implemented.

OPERATIONAL RESULTS

During the six months ended 30 September 2019 (the "Period"), Bright Smart Securities & Commodities Group Limited (the "Company") and its subsidiaries (the "Group") recorded a revenue of HK$393.8 million (2018: HK$471.4 million), representing a decrease of 16.5% as compared to that for the corresponding period last year. Profit attributable to equity shareholders for the Period amounted to HK$211.5 million (2018: HK$240.8 million), representing a decrease of 12.2% as compared to that for the corresponding period last year. Basic and diluted earnings per share were 12.46 HK cents (2018: 14.19 HK cents) and 12.46 HK cents (2018: 14.19 HK cents), respectively. The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of any interim dividend for the Period (2018: nil).



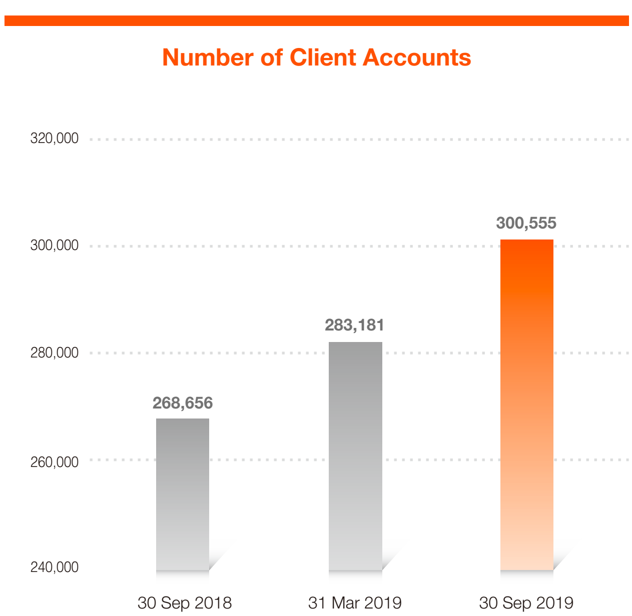


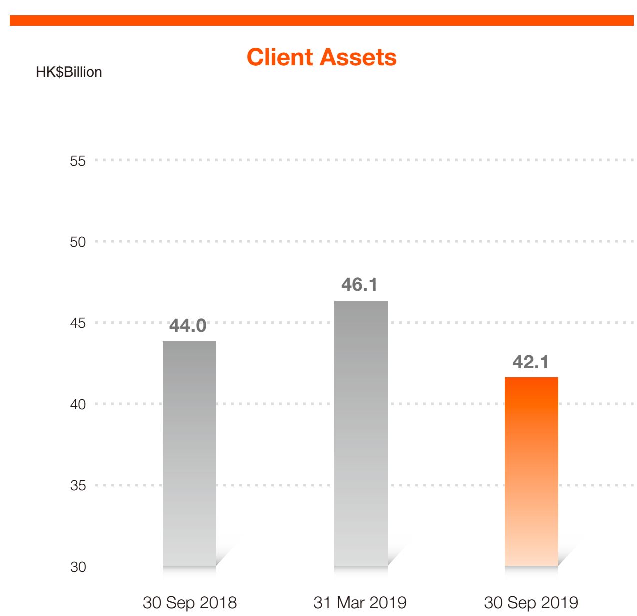
The slight decrease in the Group's revenue for the first half of the year was mainly due to the bearish sentiment in the Hong Kong investment market caused by both internal and external troubles, namely the re-ignition of the US-China trade war and the ongoing local social unrest, respectively. As such, the political and business environment in Hong Kong is clouded by uncertainties, driving the Hong Kong stock market downwards to 25,000 points at one point in time. Average daily turnover was also shrinking since investors were increasingly cautious and took a wait-and-see approach. However, the futures market was exuberant because investors craved for hedges in such a bearish market. As such, commission income from the Group's Hong Kong and global futures brokerage business for the Period surged to HK$62.4 million and HK$46.6 million (2018: HK$57.2 million and HK$36.6 million), respectively, representing increases of 9.0% and 27.2%, respectively, as compared to those for the corresponding period last year.

TOTAL NUMBER OF CLIENT ACCOUNTS AND ASSETS

The Group adheres to a strategy of active improvement and expansion regardless of bull or bear markets. As at the end of September 2019, the Group had a total of 20 business locations including the headquarters in Central, various branches covering all of the core districts in Hong Kong, and the Mobile Teaching Centre. Most of these locations open seven days a week, which is a breakthrough in the industry. Moreover, being innovative and client-oriented, the Group was the first mover in the securities industry to operate the Bright Smart Mobile Teaching Centre that travels around the Hong Kong Island, Kowloon and the New Territories to provide comprehensive services and offer convenience to all clients.

Furthermore, the Group is well aware of the rapid technological advancement as well as the investors' demand for financial technologies. As a result, we have actively engaged in digitalising investment services and spent millions of dollars and 6 months of time to develop two mobile trading applications ("apps"), namely BS Securities (Baobao) and BS Futures (Doudou). These apps allow clients to open account easily and conduct online investments and transactions right away at anytime and anywhere. By providing comprehensive online services, BS Securities (Baobao) and BS Futures (Doudou) were well received by investors, successfully leading to a steady growth in the total number of client accounts. During the Period, the number of new accounts reached 17,374. As a result, the total number of client accounts increased to 300,555 (after deducting the number of client accounts closed), representing an increase of 11.9% as compared to 268,656 as at 30 September 2018. As of the end of the reporting period, the HSI dropped by over 4,000 points from the peak in April for the year and, therefore, clients' assets of the Group decreased slightly. As at 30 September 2019, clients' assets (including cash, stocks and margin deposits) dipped by 4.3% to HK$42.1 billion (30 September 2018: approximately HK$44.0 billion).





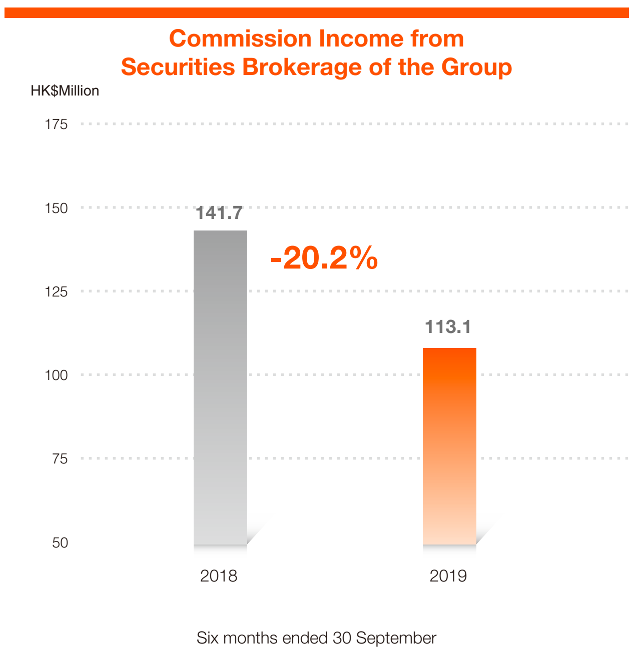
REVENUE

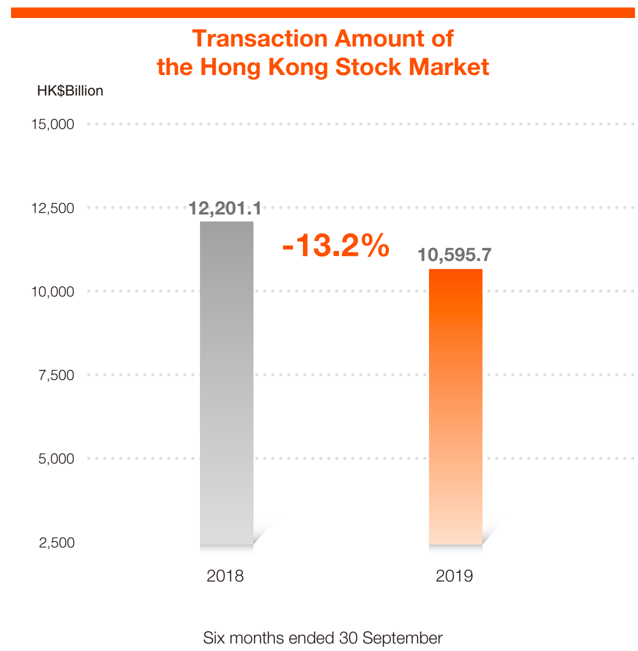
During the Period, the Group recorded a revenue of HK$393.8 million (2018: HK$471.4 million), representing a decrease of 16.5% as compared to that for the corresponding period last year. A summary of revenue from the business segments of the Group is set out below:

	Six months ended 30 September				
	2019		2018		
		Proportion of total turnover		Proportion of total turnover	Increment/ (decrement)
	HK$'000	**%**	*HK$'000*	%	%
Income from:					
— Securities brokerage	**113,080**	**28.7%**	141,679	30.1%	(20.2%)
— Hong Kong futures and options brokerage	**62,393**	**15.8%**	57,238	12.1%	9.0%
— Global futures brokerage	**46,606**	**11.8%**	36,648	7.8%	27.2%
— Bullion trading	**8,171**	**2.1%**	15,123	3.2%	(46.0%)
— Leveraged foreign exchange trading	**700**	**0.2%**	158	0.1%	343.0%
— Stock option brokerage	**5,836**	**1.5%**	6,134	1.3%	(4.9%)
— IPO brokerage	**3,857**	**1.0%**	8,235	1.7%	(53.2%)
Interest income from IPO financing	**2,693**	**0.7%**	20,921	4.4%	(87.1%)
Interest income from margin financing	**150,421**	**38.2%**	185,283	39.3%	(18.8%)
	393,757	**100.0%**	471,419	100.0%	(16.5%)

I. Securities brokerage

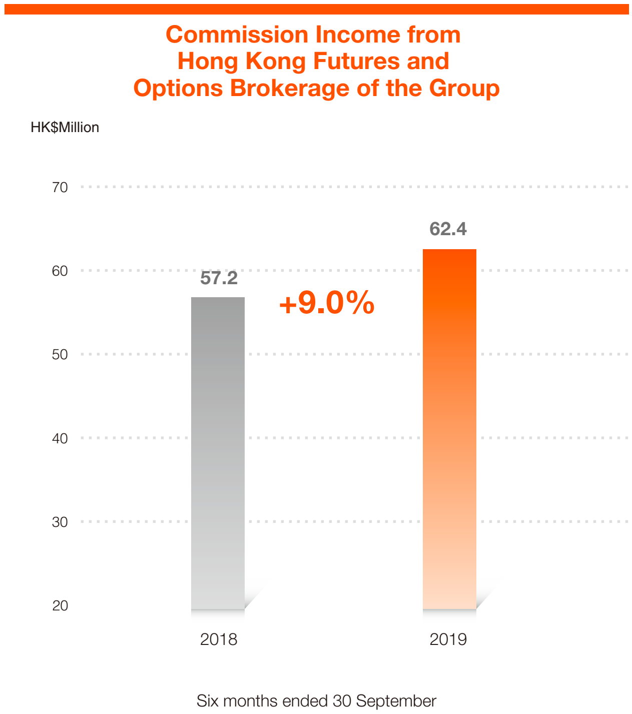
HKEx recorded a total turnover of HK$10,595.7 billion (2018: HK$12,201.1 billion) for the Period, representing a year-on-year decrease of 13.2%. Commission income from the Group's securities brokerage business for the Period decreased to HK$113.1 million as compared to that for the corresponding period last year (2018: HK$141.7 million) and accounted for 28.7% (2018: 30.1%) of the total revenue.

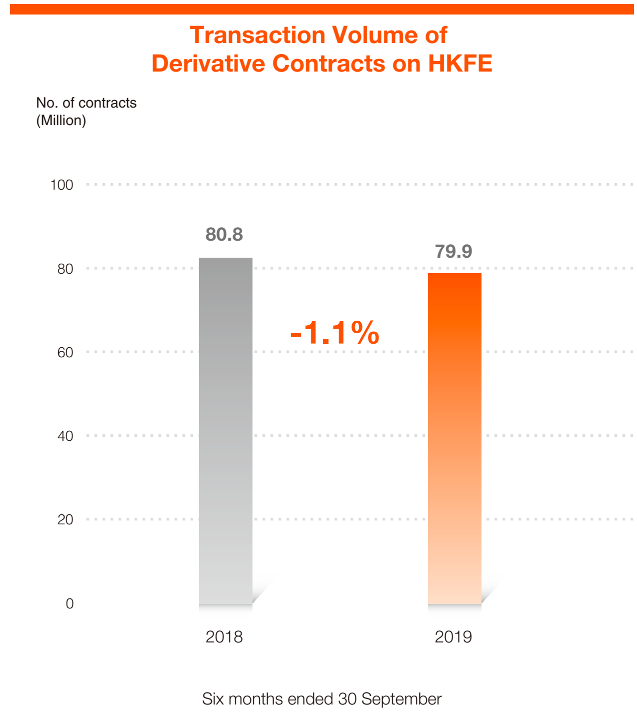




II. Hong Kong futures and options brokerage

The futures and options markets were driven because investors craved for hedges in the bearish market, and 79.9 million (2018: 80.8 million) derivative contracts traded on Hong Kong Futures Exchange Limited ("HKFE") were entered into during the Period, representing a decrease of 1.1%. Commission income from the Group's Hong Kong futures and options brokerage business for the Period increased by 9% to HK$62.4 million as compared to that for the corresponding period last year (2018: HK$57.2 million) and accounted for 15.8% (2018: 12.1%) of the total revenue.





III. Global futures brokerage

Amid weak sentiment in the Hong Kong investment market, investors were more interested in global markets. Commission income from global futures brokerage for the Period increased by 27.2% to HK$46.6 million as compared to that for the corresponding period last year (2018: HK$36.6 million) and accounted for 11.8% (2018: 7.8%) of the total revenue.

IV. Bullion trading

Income from the Group's bullion trading business for the Period decreased by 46.0% to HK$8.2 million as compared to that for the corresponding period last year (2018: HK$15.1 million) and accounted for 2.1% (2018: 3.2%) of the total revenue.

V. Leveraged foreign exchange trading

Income from the Group's leveraged foreign exchange trading business for the Period amounted to HK$700,000 (2018: HK$158,000) and accounted for 0.2% (2018: 0.1%) of the total revenue. The Group believes that the interest of investors in diversified financial investment products is growing. Therefore, the Group will actively identify business opportunities to expand into more business lines and provide more comprehensive investment instruments to the investors.

VI. Stock options brokerage

Commission income from the Group's stock options brokerage business for the Period decreased by 4.9% to HK$5.8 million as compared to that for the corresponding period last year (2018: HK$6.1 million) and accounted for 1.5% (2018: 1.3%) of the total revenue. Stock options are highly leveraged investment products. The Group closely monitors the margin levels maintained in stock option accounts and adjusts them according to market conditions in order to ensure proper risk control.

VII. IPO brokerage and IPO financing

Given the bearish market and weak investment sentiment, the level of IPO activities has decreased significantly in Hong Kong. During the Period, IPO funds raised in Hong Kong amounted to HK$112,458 million (2018: HK$218,286 million), representing a significant drop of 48.5% as compared to that of the corresponding period last year. Commission income from the Group's IPO brokerage business for the Period decreased by 53.2% year-on-year to HK$3.9 million (2018: HK$8.2 million). Interest income from IPO financing also reduced by 87.1% to HK$2.7 million (2018: HK$20.9 million).

VIII. Margin financing

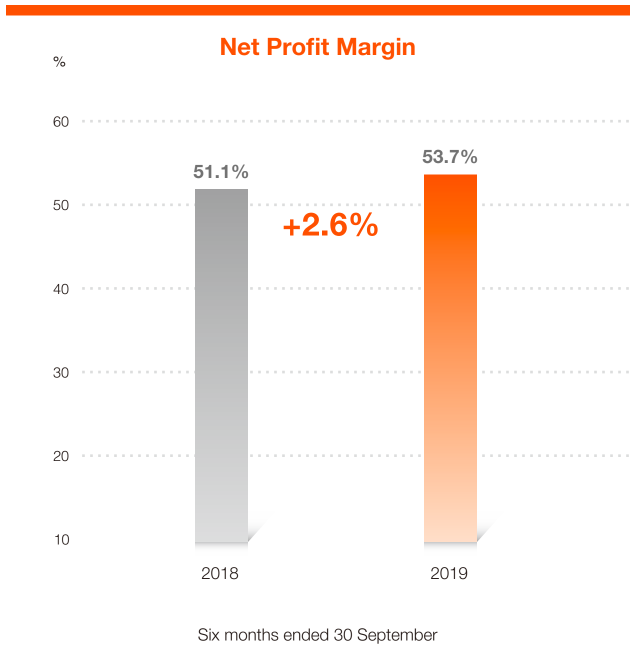
The average daily margin financing provided by the Group during the Period decreased by 34% to HK$5.76 billion (2018: HK$8.73 billion). Interest income from margin financing provided by the Group for the Period decreased by 18.8% to HK$150.4 million as compared to that for the corresponding period last year (2018: HK$185.3 million) and accounted for 38.2% (2018: 39.3%) of the total revenue. The Group implements effective credit control procedures and did not have any bad debts in the last few years.

LOSS FROM INVESTMENT

To enhance our financial performance, the Group held Hong Kong-listed securities and futures contracts as investment during the Period. As at 30 September 2019, the carrying amount of the investment in stocks and futures was HK$8.0 million (2018: HK$8.7 million), which was classified as financial assets at fair value through profit or loss in the consolidated statement of financial position. During the Period, loss from investment in financial assets at fair value through profit or loss amounted to HK$0.7 million (2018: HK$4.6 million).

OPERATING EXPENSES AND NET PROFIT MARGIN

Thanks to a drop in the Group's transaction-related operating expenses during the Period, total operating expenses for the Period was HK$265.6 million (2018: HK$303.4 million) and the net profit margin was 53.7% (2018: 51.1%).



A breakdown of operating expenses is set out below:

	2019	2018	Increment/ (decrement)
	HK$'000	*HK$'000*	*%*
Staff cost	**71,365**	70,684	1.0%
Amortisation and depreciation	**45,389**	12,254	270.4%
Finance cost	**55,967**	101,475	(44.8%)
Advertising and promotion expenses	**5,148**	3,790	35.8%
Auditors' remuneration	**762**	766	(0.5%)
Commission, handling and settlement expenses	**40,252**	42,062	(4.3%)
Information and communication expenses	**22,109**	18,801	17.6%
Rental, rates and building management fees	**2,879**	33,382	(91.4%)
Legal and professional fee	**1,668**	1,552	7.5%
Miscellaneous expenses	**20,104**	18,687	7.6%
	265,643	303,453	(12.5%)

FUTURE PLANS

Looking forward to 2020, the prospects of Hong Kong's economy and business environment continue to look bleak. With respect to the ongoing US-China trade war, the fight between the US and China is becoming a routine. Any agreement between the two nations will probably be short-term. In particular, Donald Trump, the president of the US, will turn US-China relationship into his political leverage in the upcoming presidential election next year in order to hold sway over the public. As such, the trade war is going to intensify with more and more battlegrounds, thereby impacting the global stock market. As to Hong Kong itself, uncertainties are expected to linger for years, and the city's society, economy and competitiveness will suffer. Nevertheless, with the perseverance and concerted efforts of the people of Hong Kong, the city will tide over the difficulties.

In spite of the external and internal uncertainties, the Group is confident that Hong Kong still has competitive edge. We also believe that challenges always come with opportunities. To maintain our market position in the face of adversity, the Group will stick to our proactive and aggressive development strategy. We are constantly expanding our workforce to improve our services and enlarge the branch network of 20 existing business locations. We will continue to identify sites at prime locations for new branches. We will also hold regular job fairs to attract talent with the aim of securing high quality human resources to meet our business needs as well as taking up the responsibility to nurture the next generation of elites for the industry. At the same time, the Group actively organises all kinds of investment seminars to educate investors. For example, the Group partnered with renowned overseas stock exchanges, financial institutions and leading experts to provide the clients with in-depth information about financial products and economic trends across the world so as to broaden their investment choices. Furthermore, the Group is always keen on sharing happiness with our clients. We invited more than 5,000 clients to watch Hollywood blockbusters in a Movie Ticket Giveaway by Bright Smart activity in the first quarter of the year and received wide acclaim. Looking forward, the Group is determined to continue its diversified promotional and marketing strategies with a view to grasping all valuable business opportunities and building up ourselves.

IMPROVE SERVICE QUALITY AND ENHANCE TRADING EXPERIENCE FOR CLIENTS

The Group is fully aware of the investors' needs for financial technologies and has therefore actively engaged in digitalising investment services. Last year, we spent tens of millions of dollars and half a year of time to develop two mobile trading 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) and a user-friendly interface that allow users to open accounts swiftly. The Group's one-stop electronic trading platforms can fulfil all the investment needs of our clients, enabling them to trade global financial products and read global financial news right away at anytime and anywhere through one mobile app. In the future, the Group will take further steps to provide clients with better services, develop more global financial products, diversify our business, and invest more resources in the refinement of our online trading platforms with the aim of further strengthening our core competitiveness and cementing our industry prominence.

DEVELOP MORE GLOBAL FINANCIAL PRODUCTS TO MEET MARKET DEMAND

The Group has thoroughly studied consumers' behaviour and investment trend according to customer data and survey. In view of the rising attention to and concern about global financial products and the growing interest in investments therein, the Group connects our mobile securities and futures trading apps, namely BS Securities (Baobao) and BS Futures (Doudou), respectively, and all of our online trading platforms to markets around the world, provides comprehensive and professional brokerage services, and brings 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, so as to cater to the needs of different clients. The Group believes that investors' interest in global financial products is growing. Therefore, we will continue to develop more global financial products to meet market demand.

ENHANCE ONLINE TRADING SECURITY

In order to offer a more convenient and stable online trading platform, the Group has also made huge investment in improving our trading systems, relocated our central computer system to the centralised data centre of HKEx in Tseung Kwan O, 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, as well as continuously enhanced 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 sets of passwords are required for logging into the trading systems and conducting transactions in order to provide adequate security to online transactions. Furthermore, email notifications are delivered instantly 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 fake website pretending to be our website. If any such website is identified, the Group will notify the clients and take legal actions against the website in order to prevent our clients from suffering unnecessary loss.

The Group has invested substantial resources to enhance the speed and capacity of our online trading systems in order to meet clients' needs and improve service quality. In recognition of our achievement in the development of the Baobao and Doudou apps, the Group was granted the Outstanding Stock and Futures Trading App Development Award in the 19th Capital Outstanding Enterprise Awards by the CAPITAL, and the Outstanding Stock and Futures Trading App award by Sky Post. The awards have demonstrated the popularity of the Group's online trading systems amongst the clients, the industry and the media for its speed, stability, security and reliability. The Group will keep abreast of the latest market developments and study the need and room for capacity expansion. We will also step up client education on online trading security and enhance their awareness and skills of risk prevention.

TAP INTO MAINLAND MARKET

The mainland has been actively reforming and opening up its capital market and attempting globalisation in recent years. With a huge population, it enjoys enormous room for growth in terms of consumption, production and investment capacity. Furthermore, the mainland may abolish the shareholding restriction on Hong Kong-based securities institutions entering the mainland market at the beginning of next year so that Hong Kong investors may wholly own mainland securities firms. Therefore, the Group is determined to tap into the mainland market which has great potential and prospects. To do so, the Group will not only recruit talents interested in working in the securities market, but also further raise our brand awareness, and establish a unique brand image in the mainland based on our high quality and cost-performance ratio through online and offline promotional and marketing strategies.

CONCLUSION

The Group firmly believes that our success hinges on thorough understanding of our clients' needs. We endeavour to develop with prudence, to excel from strength to strength and provide customer-oriented services. As such, we will continue to monitor technological advancement, develop and improve our mobile trading apps and online trading platforms while bolstering our hardware support. We will uphold "Best Value for Money" as our business philosophy, and strengthen our brand image, culture and competitiveness. The Group's accomplishments are attributable to the continuous support, trust and recognition of our clients, who have been supporting the Group as they have always done. In the future, the Group will provide more high quality customer services with a homely atmosphere and develop more highly secured and convenient trading platforms so as to appreciate the long-term support from our clients. At the same time, the Group will strengthen our existing competitive edges, diversify our businesses, identify professional talents and seize every opportunity in order to increase the Group's operational efficiency and bring better returns to the 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$400.9 million as at 30 September 2019 (31 March 2019: HK$401.3 million). The Group had total bank borrowings of HK$3,080.9 million as at 30 September 2019 (31 March 2019: HK$3,445.5 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 2019, unutilised banking facilities amounted to HK$17,634.3 million (31 March 2019: HK$17,277.3 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 102.6% (31 March 2019: 117.9%). As at 30 September 2019, the net current assets of the Group increased by 0.2% to HK$2,804.1 million (31 March 2019: HK$2,797.4 million). As at 30 September 2019, the Group's current ratio (current assets divided by current liabilities) was 1.6 times (31 March 2019: 1.6 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 2019 and 31 March 2019.

CONTINGENT LIABILITIES

As at the end of the reporting 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$15,952.3 million (31 March 2019: HK$15,953.3 million). As at 30 September 2019, the subsidiaries of the Company have utilised HK$2,798.7 million of these aggregate banking facilities (31 March 2019: HK$3,040.5 million).

RISK MANAGEMENT

Credit risk

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

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients) based on the underlying collaterals. Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default, there has not been a significant change in credit quality and the balances are considered fully 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 lending 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 Group's income and operating cash flows are not subject to significant interest rate risk.

Foreign currency risk

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars ("USD"), 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 2019, the Group had a work force of 282 employees (31 March 2019: 283 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 share option scheme and a bonus scheme for its executives and employees in a bid 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 SHARES

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 mandatory code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The principal duties of the Audit Committee of the Company are to review and supervise the financial reporting process 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 2019.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.bsgroup.com.hk. The Interim Report 2019/20 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, 28 November 2019

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