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 2018

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 2018 (the "Period") together with the comparative figures for the six months ended 30 September 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars unless otherwise indicated)

		Six months ended 30 September	
		2018	2017
	Note	***$'000***	*$'000*
Revenue	*4*	**471,419**	389,053
Other income	*5*	**111,782**	71,495
Other net (loss)/gain	*6*	**(8,359)**	13,145
		574,842	473,693
Staff costs		**(70,684)**	(58,784)
Amortisation and depreciation		**(12,254)**	(6,890)
Other operating expenses	*7(b)*	**(119,040)**	(103,025)
Profit from operations		**372,864**	304,994
Finance costs	*7(a)*	**(101,475)**	(55,089)
Profit before taxation	*7*	**271,389**	249,905
Income tax	*8*	**(30,556)**	(35,801)
Profit for the period		**240,833**	214,104

	Note	Six months ended 30 September 2018 $'000	2017 $'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Net movement in investment revaluation reserve of available-for-sale securities		**—**	1,032
— Exchange reserve		**342**	(142)
Total comprehensive income attributable to equity shareholders for the period		**241,175**	214,994
Earnings per share			
Basic (cents)	*9*	**14.19**	12.62
Diluted (cents)	*9*	**14.19**	12.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current assets			
Property, plant and equipment		**22,312**	24,231
Intangible assets		**2,133**	7,867
Available-for-sale securities		**—**	61,809
Deferred tax assets		**6,601**	4,029
Other receivables, deposits and prepayments		**5,938**	5,289
Other non-current assets		**49,713**	110,422
Total non-current assets		**86,697**	213,647
Current assets			
Accounts receivable	*11*	**7,426,203**	11,885,526
Other receivables, deposits and prepayments		**29,945**	27,347
Financial assets at fair value through profit or loss		**38,903**	—
Tax recoverable		**37**	697
Cash and cash equivalents		**554,368**	511,887
Total current assets		**8,049,456**	12,425,457

	Note	At 30 September 2018 $’000	At 31 March 2018 $’000
Current liabilities			
Accounts payable	*12*	**1,182,370**	1,705,125
Accrued expenses and other payables		**73,613**	86,178
Amount due to a related company		**210,164**	—
Held for trading investments		**—**	420
Bank loans	*13*	**3,869,795**	8,165,885
Current taxation		**76,898**	44,495
Total current liabilities		**5,412,840**	10,002,103
Net current assets		**2,636,616**	2,423,354
Total assets less current liabilities		**2,723,313**	2,637,001
Non-current liability			
Deferred tax liabilities		**26**	39
NET ASSETS		**2,723,287**	2,636,962
EQUITY			
Share capital		**509,189**	509,189
Share premium		**738,020**	738,020
Exchange reserve		**357**	15
Investment revaluation reserve		**—**	3,977
Merger reserve		**(20,000)**	(20,000)
Share option reserve		**—**	7,399
Retained profits		**1,495,721**	1,398,362
TOTAL EQUITY		**2,723,287**	2,636,962

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 2018 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 2017/18 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018/19 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 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 May 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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 2018, as disclosed in the annual report and financial statements for the year ended 31 March 2018 except for the followings which are first time being applied for the period:

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company with the following amendments considered relevant to the Group:

— Amendments to HKFRS 9, Financial instruments
— HKFRS 15, Revenue from contracts with customers
— HK(IFRIC) – Int 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. The adoption of HKFRS 15 and HK(IFRIC) – Int 22 does not have any significant impact on the financial position and the performance of the Group. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9, note 2(c) for HKFRS 15 and note 2(d) for HK(IFRIC) – Int 22.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, prepayment features with negative compensation

Under the transition methods chosen, the Group recognises cumulative effect of the initial adoption of HKFRS 9 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and also the Group's financial assets and financial liabilities under HKAS 39 and reconciles the carrying amounts of those financial assets and financial liabilities determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

		Impact on initial adoption of HKFRS 9		
	At 31 March 2018	Reclassification	Remeasurement	At 1 April 2018
	$'000	***$'000***	***$'000***	***$'000***
Financial assets carried at amortised cost				
Current				
Other receivables, deposits and prepayments	**27,347**	—	(27)	27,320
Cash and cash equivalents	**511,887**	—	(264)	511,623
Accounts receivable *(note ii)*	**11,885,526**	(10,754,095)	(183)	1,131,248
Financial assets carried at FVPL				
Non-current				
Financial assets classified as available-for-sale under HKAS 39 *(note i)*	**61,809**	(61,809)	—	—
Current				
Financial assets at fair value through profit or loss	**—**	61,389	—	61,389
Accounts receivable	**—**	10,754,095	—	10,754,095
Other assets				
Deferred tax assets	**—**	—	78	78
Financial liabilities carried at FVPL				
Held for trading investments	**(420)**	420	—	—
Reserves	**1,389,753**	—	(396)	1,389,357
Total equity	**2,636,962**	—	(396)	2,636,566

Note i: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at fair value through profit or loss ("FVPL") under HKFRS 9, unless they are eligible for and designated at fair value through other comprehensive income ("FVOCI") by the Group.

Note ii: Accounts receivable arising from cash clients, margin clients and subscriptions of new shares in IPO were reclassified to financial assets measured at FVPL upon the initial adoption of HKFRS 9 at 1 April 2018.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 April 2018.

Retained profits

	$'000
Transferred from investment revaluation reserve relating to financial assets now measured at FVPL	**3,977**
Recognition of additional expected credit losses on financial assets measured at amortised cost	**(474)**
Deferred tax	**78**
Net increase in retained profits at 1 April 2018	**3,581**

Investment revaluation reserve

	$'000
Transferred to retained profits relating to financial assets now measured at FVPL	**(3,977)**
Net decrease in investment revaluation reserve at 1 April 2018	**(3,977)**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss. Certain accounts receivable are classified as FVPL because the investment is held within a business model which is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. This includes assets which are to manage on a fair value basis in accordance with a documented risk management strategy, and information provided to key management personnel is provided on that basis.

An investment in equity securities is classified as financial assets at FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

Opening balances adjustment

Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable, other receivables, deposits and prepayments).

Financial assets measured at fair value, including equity securities measured at FVPL, derivative financial assets and accounts receivable measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, accounts receivable and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate; and

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK$474,000, which decreased retained profits by $396,000 and increased gross deferred tax assets by $78,000 at 1 April 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	$'000
Additional credit loss recognised at 1 April 2018 on:	
— Other receivables	**27**
— Cash and cash equivalents	**264**
— Accounts receivable	**183**
Loss allowance at 1 April 2018	**474**

Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessment have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial adoption of HKFRS 9 by the Group): the determination of the business model within which a financial asset is held.

- If, at the date of initial adoption, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from the provision of services is recognised when the service is rendered.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have any material impact on the financial position and performance of the Group.

(d) HK (IFRIC) — Int 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) — Int 22 does not have any material impact on the financial position and the performance of the Group.

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 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 30 September 2018			
	Securities broking	**Commodities and futures broking**	**Bullion trading**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Reportable segment assets	**7,196,991**	**940,033**	**71,323**	**8,208,347**
Reportable segment liabilities	**(4,718,441)**	**(678,858)**	**(52,677)**	**(5,449,976)**

	Six months ended 30 September 2017			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Revenue from customers:				
— Brokerage commission	152,739	67,849	—	220,588
— Dealing income	—	—	17,699	17,699
— Interest income from margin financing	145,407	237	—	145,644
— Interest income from IPO financing	5,211	—	—	5,211
Reportable segment revenue	303,357	68,086	17,699	389,142
Interest income from cash clients	15,140	—	—	15,140
Other interest income	17,519	2,025	52	19,596
Handling and settlement fees	35,269	5	1	35,275
Reportable segment profit (EBIT)	268,445	19,801	14,005	302,251
Amortisation and depreciation	6,583	55	39	6,677
Finance costs	59,683	—	—	59,683
Additions to non-current segment assets during the period	11,480	39	—	11,519

	At 31 March 2018			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Reportable segment assets	11,771,698	819,229	75,468	12,666,395
Reportable segment liabilities	(9,553,886)	(514,362)	(46,927)	(10,115,175)

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Revenue		
Reportable segment revenue	**472,314**	389,142
Elimination	**(1,053)**	(89)
Unallocated corporate revenue	**158**	—
Consolidated revenue	**471,419**	389,053
Profit		
Reportable segment profit (EBIT)	**370,979**	302,251
Finance costs	**(101,475)**	(55,089)
Unallocated corporate income	**34,768**	12,881
Unallocated corporate expenses	**(32,883)**	(10,138)
Consolidated profit before taxation	**271,389**	249,905

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Assets		
Reportable segment assets	**8,208,347**	12,666,395
Elimination	**(116,039)**	(124,209)
Unallocated corporate assets	**43,845**	96,918
Consolidated total assets	**8,136,153**	12,639,104
Liabilities		
Reportable segment liabilities	**(5,449,976)**	(10,115,175)
Elimination	**1,384,845**	355,358
Unallocated corporate liabilities	**(1,347,735)**	(242,325)
Consolidated total liabilities	**(5,412,866)**	(10,002,142)

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	
	2018	2017
	$'000	*$'000*
Brokerage commission	**249,934**	220,499
Dealing income from bullion trading	**15,123**	17,699
Dealing income from leveraged foreign exchange trading	**158**	—
Interest income from margin financing	**185,283**	145,644
Interest income from IPO financing	**20,921**	5,211
	471,419	389,053

5 OTHER INCOME

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Interest income from		
Financial assets carried at amortised cost		
— Authorised institutions	**54,107**	19,478
— Cash clients	**—**	15,140
— Others	**185**	138
	54,292	34,756
Financial assets carried at FVPL		
— Cash clients	**14,718**	—
	69,010	34,756
Handling and settlement fees	**38,564**	35,275
Dividend income	**1,586**	182
Sundry income	**2,622**	1,282
	111,782	71,495

6 OTHER NET (LOSS)/GAIN

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Realised gain/(loss) from		
— Held for trading investments	**—**	(1,846)
— Financial assets at fair value through profit or loss	**203**	—
Unrealised (loss)/gain from		
— Held for trading investments	**—**	632
— Financial assets at fair value through profit or loss	**(4,800)**	—
	(4,597)	(1,214)
Net foreign exchange (loss)/gain	**(3,459)**	14,763
Gain/(loss) on disposals of property, plant and equipment	**102**	(18)
Error trades arising from dealings	**(48)**	(178)
Others	**(357)**	(208)
	(8,359)	13,145

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	**16,498**	3,656
— Other bank loans	**79,175**	50,898
— Loans from related companies	**5,208**	153
— Others	**594**	382
	101,475	55,089
(b) Other operating expenses		
Advertising and promotion expenses	**3,790**	4,145
Auditors' remuneration	**766**	745
Commission, handling and settlement expenses	**42,062**	34,098
Information and communication expenses	**18,801**	14,513
Legal and professional fees	**1,552**	2,290
Operating lease payments — property rentals	**31,033**	30,486
Rates and building management fees	**2,349**	2,388
Miscellaneous expenses	**18,687**	14,360
	119,040	103,025

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**33,074**	35,638
(Over)/under-provision in respect of prior years	**(11)**	212
Deferred tax		
Origination and reversal of temporary differences	**(2,507)**	(49)
Total tax charge for the period	**30,556**	35,801

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the current period.

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	
	2018	2017
Earnings		
Profit for the period attributable to equity shareholders of the Company *($'000)*	**240,833**	214,104
Number of shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**1,697,296**	1,697,011
Basic earnings per share *(cents)*	**14.19**	12.62

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

	Six months ended 30 September	
	2018	2017
Earnings		
Profit for the period attributable to equity shareholders of the Company *($'000)*	**240,833**	214,104
Number of shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**1,697,296**	1,697,011
Effect of dilutive potential ordinary shares:		
— Share options *(in thousands) (note)*	**—**	9
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(in thousands)*	**1,697,296**	1,697,020
Diluted earnings per share *(cents)*	**14.19**	12.62

Note: The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the six months ended 30 September 2017 with the adjustment for the share options lapsed or exercised during the period.

10 DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

11 ACCOUNTS RECEIVABLE

	At 30 September 2018 *$'000*	At 31 March 2018 *$'000*
Accounts receivable		
Accounts receivable from:		
— Cash clients *(note)*	**—**	427,229
— Margin clients *(note)*	**—**	10,327,197
— Clearing houses	**711,227**	922,901
— Brokers and dealers	**207,353**	208,530
Less: Loss allowance	**(183)**	(331)
Financial assets measured at amortised cost	**918,397**	11,885,526
Accounts receivable from:		
— Cash clients *(note)*	**234,647**	—
— Margin clients *(note)*	**6,260,818**	—
— Subscription of new shares in IPO *(note)*	**12,341**	—
Financial assets measured at FVPL	**6,507,806**	—
	7,426,203	11,885,526

Note: Accounts receivable arising from cash clients, margin clients and subscriptions of new shares in IPO were reclassified to financial assets measured at FVPL upon the initial adoption of HKFRS 9 at 1 April 2018 (see note 2).

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 2018 *$'000*	At 31 March 2018 *$'000*
Current	**50,752**	155,537
Less than 1 month	**72,318**	178,989
1 to 3 months	**45,433**	64,111
More than 3 months	**66,144**	28,592
	183,895	271,692
	234,647	427,229

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 2018, the total market value of their portfolios of securities was $1,304,166,000 (31 March 2018: $2,370,271,000). 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 2018, margin loans due from margin clients were current and repayable on demand except for $927,000 (31 March 2018: $348,000) where the margin loans were past due. $799,000 (31 March 2018: $21,000) were past due for less than 1 month. $1,000 (31 March 2018: $4,000) were past due for 3 months to 1 year. $127,000 (31 March 2018: $323,000) were past due for over 1 year following the trading suspension of the pledged securities. At 30 September 2018, margin loans totalling $5,434,574,000 were fully collateralised by securities at a total market value of $11,525,161,000. The remaining margin loans of $826,244,000 were collateralised by securities with a market value of $753,074,000. The total market value of securities pledged as collateral by all margin clients was $17,369,039,000 (31 March 2018: $25,876,765,000). Margin loans that were past due relate to a number of independent customers that have a good track record with the Group. Based on past experience and current assessment, management believes that the balances are fully recoverable.

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 fully collateralised 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. The fair value of the under-collateralised accounts receivables is determined by discounted cash flow model.

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 of accounts receivable

Loss allowance in respect of accounts receivable 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.

On 1 April 2018, the loss allowance is provided upon adoption of HKFRS 9 with details disclosed in note 2.

The movement in the loss allowance during the period is as follows:

	Six months ended 30 September 2018
	$'000
At 1 April	**331**
Amounts written off as uncollectible	**(331)**
First adoption of HKFRS 9	**183**
At 30 September	**183**

12 ACCOUNTS PAYABLE

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Accounts payable		
— Cash clients	**260,090**	293,611
— Margin clients	**802,610**	1,181,767
— Clearing houses	**86,598**	178,606
— Brokers	**33,072**	51,141
	1,182,370	1,705,125

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 2018** *$'000*	At 31 March 2018 *$'000*
Secured loans		
— Bank loans	**2,525,795**	7,924,885
Unsecured loans		
— Bank loans	**1,344,000**	241,000
	3,869,795	8,165,885

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 2018 and 31 March 2018 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 $2,525,795,000 (31 March 2018: $7,924,885,000). The fair value of the collateral repledged to banks as at 30 September 2018 amounted to $6,259,417,000 (31 March 2018: $14,123,507,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2018 is an exceptional year. Against the backdrop of a volatile global stock market, the securities market in Hong Kong ("HK") has been full of ups and downs. At the start of the year, Hong Kong stocks were bullish as the Hang Seng Index ("HSI") soared to a record high of 33,484 points on 29 January and recorded the second highest daily turnover of HK$284.1 billion. However, the market took a dramatic turn for the worse in the second quarter due to myriad causes, such as the ongoing US-China trade war, interest hikes, the currency depreciation of emerging countries and a slowdown in the Chinese economy. As a result, HSI plunged by over 7,000 points from its record high back to the low in July 2017, and is still searching for support.

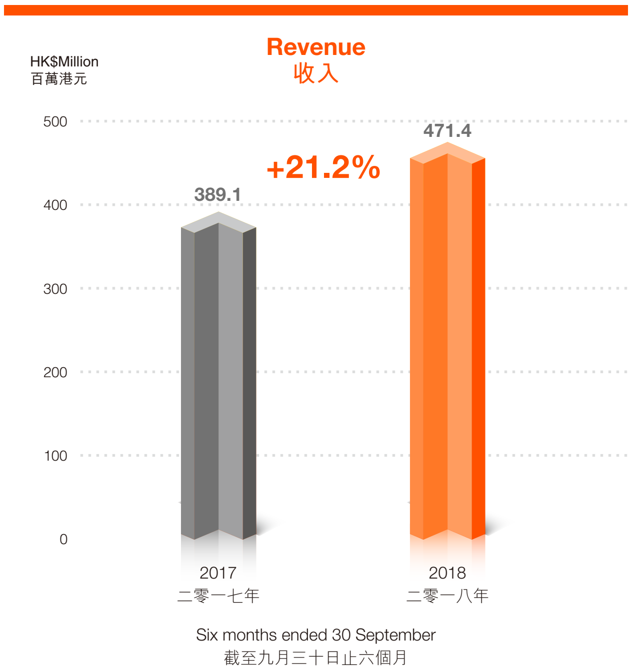
Fortunately, average daily turnover of the Hong Kong stock market for the first nine months of the year sustained an increase of 40% to HK$114.7 billion as compared to that for the corresponding period last year. Total initial public offering ("IPO") fundraising in Hong Kong for the first three quarters jumped by 1.7 times year-on-year to HK$240.0 billion. Total IPO fundraising in Hong Kong for the year is forecast to reach HK$300.0 billion, putting the city back to the top of global rankings for IPO volumes and bolstering the position of the Hong Kong Stock Exchange ("HKEX") as the most active exchange across the globe. In view of a weakening Renminbi ("RMB") and the capital outflow from China, the People's Bank of China continued to increase money supply by reducing deposit reserve ratio for four times during the year with the aim of facilitating financing activities in the real economy and thus stimulating the Chinese stock market. Nevertheless, the global stock market will probably continue to fluctuate due to the US-China trade war. Investors are expected to remain cautious because of worries over the latent impact of the US-China trade war.

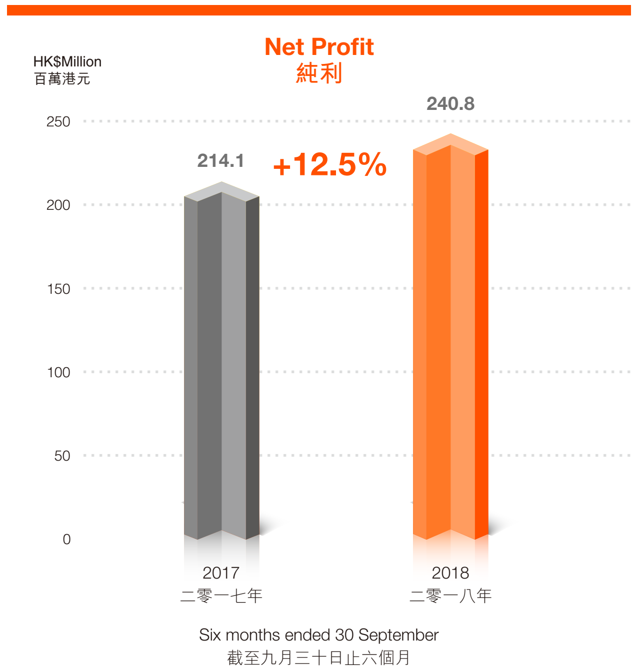
For the first three quarters of the year, gross domestic product ("GDP") of China increased by 6.7% to RMB65.09 trillion as compared to that for the corresponding period last year. It is believed that the target annual GDP growth rate of 6.5% set by Premier Li Keqiang of the State Council in the Report on the Work of the Government will be achieved. China's economy also performed steadily with a positive outlook. Driven by the rapid implementation of the Greater Bay Area national plan, the integration of Hong Kong and China is expected to accelerate. The launch of the high-speed railway and the Hong Kong-Zhuhai-Macao Bridge will drive further cross-border flow of people, goods, capital and information. The future opening of the Shenzhen-Zhongshan Bridge and the Second Humen Bridge will complete the infrastructures connecting the whole Greater Bay Area. Furthermore, free-trade zones in Qianhai, Nansha and Hengqin simplify custom clearance and administrative procedures, thus facilitating the movement of capital and goods between China and Hong Kong and Macau. Being an international financial centre, Hong Kong is poised to maintain its position as the "super intermediary" in the implementation of the Greater Bay Area national plan, thus benefiting Hong Kong's economic and social development as well as consolidating its leadership in the region.

The securities market in Hong Kong is also upgrading day by day. In April this year, HKEX implemented a series of reform of its listing rules, thereby allowing the listing of companies with weighted voting right structure as well as "pre-revenue" biotechnology companies in Hong Kong. These reforms successfully stimulated the IPO market in the city by attracting new-economy and biotech enterprises to obtain Hong Kong stock market listing. HKEX is expected to introduce the extension of Bond Connect to cover Southbound Trading, ETF Connect, Commodities Connect, Primary Equity Connect and London-Hong Kong Connect. Coupled with the influx of "unicorn" companies into the Hong Kong stock market for IPO financing, these initiatives will promote the long-term healthy development of the Hong Kong securities market.

OPERATIONAL RESULTS

During the Period, the Group recorded a revenue of HK$471.4 million (2017: HK$389.1 million), representing an increase of 21.2% as compared to that for the corresponding period last year. Profit attributable to equity shareholders for the Period was HK$240.8 million (2017: HK$214.1 million), representing an increase of 12.5% as compared to that for the corresponding period last year. Basic earnings per share were 14.19 HK cents (2017: 12.62 HK cents) while diluted earnings per share were 14.19 HK cents (2017: 12.62 HK cents). The Board does not recommend the payment of any interim dividend for the Period (2017: nil).

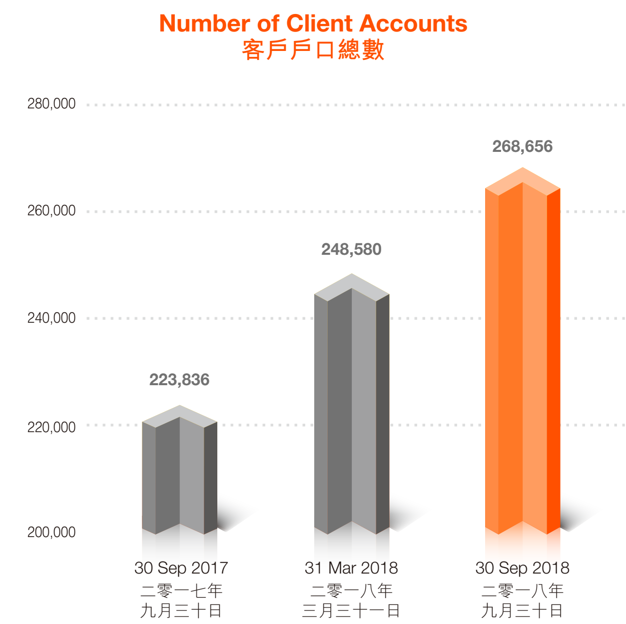


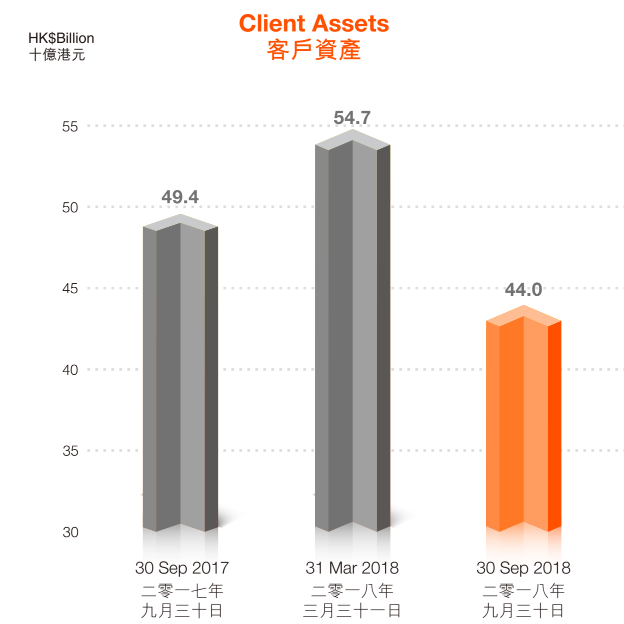


Benefitting from the continuously active and diversified investment market in Hong Kong, the Group's interest income from margin financing increased significantly, leading to a rise in revenue during the first half of the year. For the Period, the Group's interest income from margin financing was HK$185.3 million (2017: HK$145.6 million), representing an increase of 27.2% from that for the corresponding period last year. Due to the upbeat investment sentiment, an active futures and options market has been formed. For the Period, the Group's commission income from Hong Kong and global futures brokerage were HK$57.2 million and HK$36.6 million (2017: HK$43.0 million and HK$24.7 million) respectively, representing an increase of 33.0% and 48.2% respectively as compared to that for the corresponding period last year. In addition, to support the Group's proactive expansion and development strategy, the Group continued to optimise its expansion exercises by recruiting talents and expanding its network to cover 22 business locations (including the headquarters) across Hong Kong Island, Kowloon and New Territories during the Period. Furthermore, the Group also upgraded its network security infrastructure to further strengthen the protection of its clients' interests and be well-prepared for another robust growth in turnover in the future.

TOTAL NUMBER OF CLIENT ACCOUNTS AND ASSETS

With a forward-looking vision, the Group has maintained its strategy of active expansion regardless of bull or bear markets. As at the end of September 2018, the Group had a total of 22 business locations including the headquarters in Central and various branches, covering the core districts in Hong Kong. Most of these locations open seven days a week, which is a breakthrough in the industry. Moreover, adhering to the customer-oriented principle as always, the Group has been a first mover in the securities industry by launching a "Bright Smart Mobile Teaching Centre" that travels around Hong Kong Island, Kowloon and New Territories. The mobile teaching centre improved customer service quality and offered convenience to all customers. The Group's proactive expansion successfully led to a steady growth in its total number of client accounts. During the Period, the number of new client accounts (after deducting the number of client accounts closed) reached 20,076. As a result, the total number of client accounts increased to 268,656, representing an increase of 20.0% as compared to 223,836 as at 30 September 2017. As HSI has fallen by over 7,000 points since the beginning of the year, the Group's client assets also decreased. As at 30 September 2018, client assets (including cash, stocks and margin deposits) decreased by 10.9% to HK$44.0 billion (30 September 2017: approximately HK$49.4 billion).





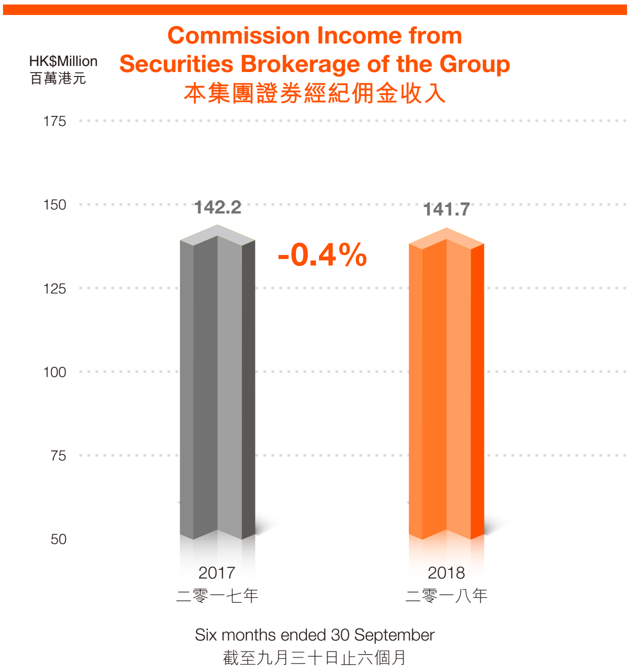
REVENUE

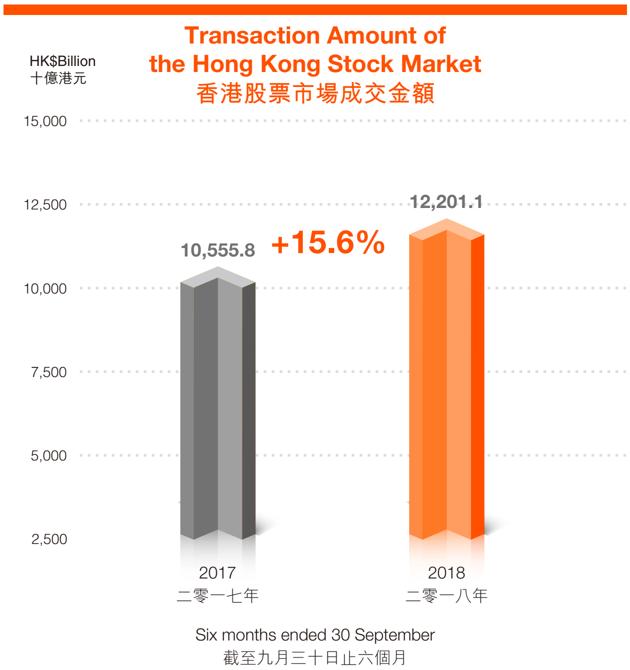
During the Period, the Group recorded a revenue of HK$471.4 million (2017: HK$389.1 million), representing an increase of 21.2% as compared to that for the corresponding period last year. A summary of revenue from different business segments of the Group is set out below:

	Six months ended 30 September				
	2018		2017		
		Proportion of total revenue		Proportion of total revenue	Increment/ (decrement)
	HK$'000	%	*HK$'000*	%	%
Income from:					
— Securities brokerage	**141,679**	**30.1%**	142,229	36.6%	(0.4%)
— Hong Kong futures and options brokerage	**57,238**	**12.1%**	43,028	11.1%	33.0%
— Global futures brokerage	**36,648**	**7.8%**	24,732	6.4%	48.2%
— Bullion trading	**15,123**	**3.2%**	17,699	4.5%	(14.6%)
— Leveraged foreign exchange trading	**158**	**0.1%**	—	—	—
— Stock option brokerage	**6,134**	**1.3%**	6,320	1.6%	(2.9%)
— IPO brokerage	**8,235**	**1.7%**	4,190	1.1%	96.5%
Interest income from IPO financing	**20,921**	**4.4%**	5,211	1.3%	301.5%
Interest income from margin financing	**185,283**	**39.3%**	145,644	37.4%	27.2%
	471,419	**100.0%**	389,053	100.0%	21.2%

I. Securities brokerage

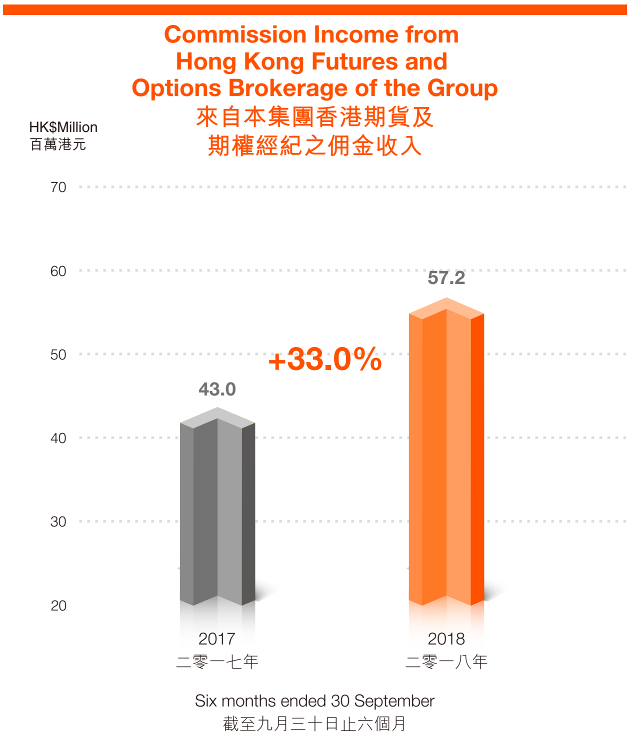
During the Period, HKEX recorded a total transaction amount of HK$12,201.1 billion (2017: HK$10,555.8 billion), representing a year-on-year increase of 15.6%. For the Period, the Group's commission income from securities brokerage amounted to HK$141.7 million (2017: HK$142.2 million), which was approximate to that for the corresponding period last year and accounted for 30.1% (2017: 36.6%) of the total revenue.

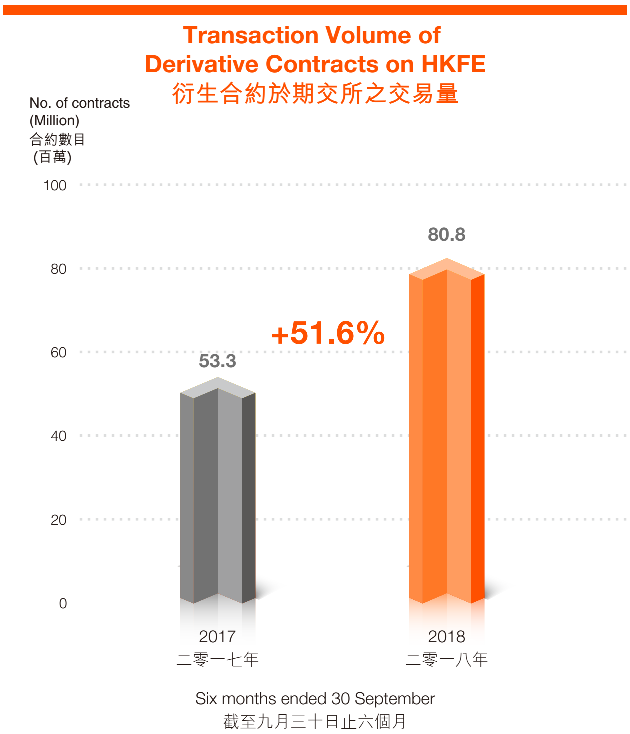




II. Hong Kong futures and options brokerage

As an active futures and options market has been formed due to the upbeat investment sentiment, 80.8 million (2017: 53.3 million) derivative contracts traded on Hong Kong Futures Exchange Limited were entered into during the Period, representing an increase of 51.6%. The Group's Hong Kong futures and options brokerage segment recorded commission income for the Period of HK$57.2 million (2017: HK$43.0 million), representing an increase of 33.0% as compared to that for the corresponding period last year and accounting for 12.1% (2017: 11.1%) of the total revenue.





III. Global futures brokerage

Hong Kong's investment market continued to be active and diversified, driving investors' interests in investing in the global market. For the Period, the commission income from global futures brokerage was HK$36.6 million (2017: HK$24.7 million), representing a significant increase of 48.2% as compared to that for the corresponding period last year and accounting for 7.8% (2017: 6.4%) of the total revenue.

IV. Bullion trading

For the Period, the Group's bullion trading income was HK$15.1 million (2017: HK$17.7 million), representing a decrease of 14.6% as compared to that for the corresponding period last year and accounting for 3.2% (2017: 4.5%) of the total revenue.

V. Leveraged foreign exchange trading

During the Period, the Group started the leveraged foreign exchange trading business. The income from this business was HK$158,000, accounting for 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 identify business opportunities, expand its business lines and provide more comprehensive investment instruments to the investors.

VI. Stock options brokerage

The Group recorded a stock options brokerage commission income of HK$6.1 million (2017: HK$6.3 million) for the Period, representing a decrease of 2.9% as compared to that for the corresponding period last year and accounting for 1.3% (2017: 1.6%) of the total revenue. Stock options are relatively high 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

Driven by constant IPO listings, the Group's commission income from IPO brokerage for the Period was HK$8.2 million (2017: HK$4.2 million), representing a significant increase of 96.5% year-on-year. Accordingly, interest income from IPO financing also increased significantly by 301.5% to HK$20.9 million (2017: HK$5.2 million).

VIII. Margin financing

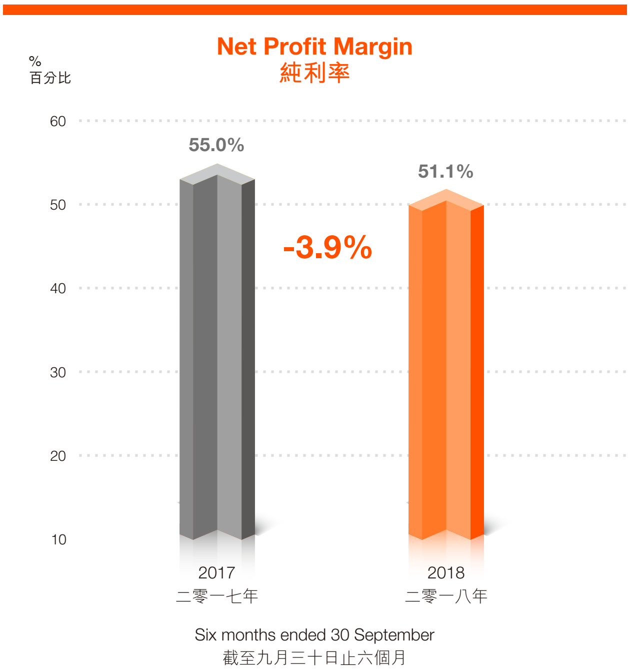
With satisfactory overall stock market turnover, average daily margin financing increased by 11.5% to HK$8.73 billion (2017: HK$7.83 billion) during the Period. For the Period, the Group's interest income from margin financing was HK$185.3 million (2017: HK$145.6 million), representing an increase of 27.2% from that for the corresponding period last year and accounting for 39.3% (2017: 37.4%) of the total revenue. The Group implements effective credit control procedures and did not have any bad debt in the last few years.

LOSS FROM INVESTMENT

To enhance its financial performance, the Group invested in certain Hong Kong-listed securities and futures contracts during the Period. As at 30 September 2018, the carrying amount of investments in stock and futures was HK$38.9 million (2017: HK$61.4 million), which was reclassified as financial assets at fair value through profit or loss from available-for-sale investments in the consolidated statement of financial position in 2018 due to the initial adoption of HKFRS 9. For the Period, loss from investment in financial assets at fair value through profit or loss amounted to HK$4.6 million (2017: HK$1.2 million).

OPERATING EXPENSES AND NET PROFIT MARGIN

During the Period, trading-related operating expenses rose due to a growth in turnover of the Group. The Group's total operating expenses for the Period was HK$303.4 million (2017: HK$223.8 million) and the net profit margin was 51.1% (2017: 55.0%).



A breakdown of operating expenses is set out below:

	2018	2017	Increment/ (decrement)
	HK$'000	*HK$'000*	*%*
Staff costs	**70,684**	58,784	20.2%
Amortisation and depreciation	**12,254**	6,890	77.9%
Finance costs	**3,790**	4,145	(8.6%)
Advertising and promotion expenses	**101,475**	55,089	84.2%
Auditors' remuneration	**766**	745	2.8%
Commission, handling and settlement expenses	**42,062**	34,098	23.4%
Information and communication expenses	**18,801**	14,513	29.5%
Rental, rates and building management fees	**33,382**	32,874	1.5%
Legal and professional fees	**1,552**	2,290	(32.2%)
Miscellaneous expenses	**18,687**	14,360	30.1%
	303,453	223,788	35.6%

FUTURE PLANS

This year, the economy of Hong Kong and China is faced with both internal and external pressures. President Donald Trump of the United States (the "US") is waging a trade war with increasing severity. The ripple effect of the war is now spilling from the export and manufacturing sectors to the whole economy. Not only does the war impact investors' sentiment, but it also casts a shadow over the economic outlook of China for the next few years. Meanwhile, the US dollar is strengthened by a new round of interest rate hikes under the "strong dollar policy" of the US. As such, there is a net outflow of foreign capital from Hong Kong. What is more, China's debt-cutting efforts are drawing mainland capital back. Therefore, the aggregate balance maintained by banks with the Hong Kong Monetary Authority has fallen from over HK$100 billion to approximately HK$76.4 billion at the end of October. Given the host of external factors, the economic prospect of Hong Kong for the next 2 years is not optimistic. As a stock market correction has already started in the second half of the year, the property market is expected to follow suit, and the myth that property prices never fall will soon be debunked.

However, the Group believes that with challenge comes opportunity. Since the connection between the Chinese and Hong Kong stock markets is well established, Hong Kong stocks are supported by the immense mainland capital. The continuous inflow of capital from China will stabilise, and thus play a pivotal role in, the Hong Kong stock market. Looking forward, the Group will continue to seize the opportunity in the market, and make substantial investment to attract mainland clients with online and offline measures. For example, an active expansion and development strategy will be perpetuated by operating 22 business locations including headquarters and branches as well as recruiting talents so as to expand its branch network and improve its service quality. The Group is also committed to nurturing the next generation for the industry. At the same time, the Group is also fully aware of the rapid advancement of technologies and the need to stay abreast of the latest developments. Therefore, it has launched the "耀才極速開戶寶" mobile application, enabling clients to open accounts with simplified procedures and thus save time and cost. As the Internet and telecommunication proliferate, the security of online transactions becomes a matter of considerate concern amongst investors. Hence, the Group has put up huge investment in the maintenance and upgrade of its online transaction security system in order to win investors' confidence.

Adhering to the customer-oriented philosophy, the Group has not only persistently enhanced its hardware and equipment, but also actively interacted with the clients and refined its products and services. During the second and third quarters of the year, the Group and HKEX jointly held several summits that were playing to full houses and received overwhelming response. The Group also works with overseas exchanges, such as the Chicago Mercantile Exchange and the Singapore Exchange, in organising large seminars and simulated investment competitions with the aim of deepening clients' understanding of financial products around the world and diversifying their investment targets. Furthermore, the Group is always keen on sharing happiness with its clients. It invited more than 10,000 clients to watch international blockbusters at the "Chinese New Year Movie Ticket Giveaway by Bright Smart (耀才新春請睇戲)" and "Summer Movie Ticket Giveaway by Bright Smart (耀才夏日請睇戲)" events organised in mid-March and in early October, respectively, and received wide acclaim during the year. The Group will continue to strengthen its team and operation in order to prevail over market corrections and fluctuations, maintain a proactive expansion strategy, and grasp all business opportunities.

The Group has always been a pioneer. In view of investors' rising interest in, and increasingly active participation in the investment in, global financial products, the Group's online platforms and mobile applications for securities and futures trading have been connected to the global market, providing comprehensive and professional brokerage services. The Group's scope of business covers Hong Kong stocks, US stocks, Shanghai-Hong Kong Stock Connect A-Shares, Shenzhen-Hong Kong Stock Connect A-Shares, Chinese 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, RMB (HK) Gold Futures, US Dollar (HK) Gold Futures, leveraged foreign exchange products, iron ore futures, IPO share subscription and margin financing, so as to cater for the needs of different clients. The Group believes that the interest of investors in global financial products is growing. Therefore, the Group will continue to develop more global financial products to meet market demand.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintained a strong cash position with total bank deposits, bank balances and cash amounted to HK$554.3 million as at 30 September 2018 (31 March 2018: HK$511.9 million). The Group had total bank borrowings of HK$3,869.8 million as at 30 September 2018 (31 March 2018: HK$8,165.9 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 2018, unutilised banking facilities amounted to HK$15,994.2 million (31 March 2018: HK$10,020.1 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 142.1% (31 March 2018: 309.7%). As at 30 September 2018, the net current assets of the Group increased by 8.8% to HK$2,636.6 million (31 March 2018: HK$2,423.4 million). As at 30 September 2018, the Group's current ratio (current assets divided by current liabilities) was 1.5 times (31 March 2018: 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 a 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 2018 and 31 March 2018.

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$15,147.9 million (31 March 2018: HK$14,960.0 million). As at 30 September 2018, the subsidiaries of the Company has utilised HK$2,149.8 million of these aggregate banking facilities (31 March 2018: HK$6,434.9 million).

RISK MANAGEMENT

Credit risk

The Group's credit risk is primarily attributable to accounts receivable due from clients, brokers and clearing houses. 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). 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 receivable, and the prescribed deposit requirements and the short settlement period involved, the credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash and margin clients. 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.

As at 30 September 2018, the top margin customer represents 11% of the total balance of the accounts receivable. Apart from the above, no other individual account represented more than 10% of the total balance of accounts receivable.

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 policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, 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 deposits with banks, and financial liabilities such as bank loans and amount due to a related company are 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"), Renminbi ("RMB"), Australian dollars ("AUD"), Singapore dollars ("SGD"), Japanese Yen ("JPY") and British pound ("GBP"). As the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD 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. 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 the HKEX while investment in futures contracts are traded on Hong Kong Futures Exchange Limited. Listed investments held in the financial assets at fair value through profit or loss portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had a work force of 294 employees (31 March 2018: 298 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, 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 a competitive remuneration package for the Group's long term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's 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 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 2018.

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 2018/19 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 2018

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

* *Independent Non-executive Directors*