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**BRIGHT SMART SECURITIES**  
**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 2017**

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 2017 together with the comparative figures for the six months ended 30 September 2016 as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 September 2017 – unaudited*

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

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	2016
		<b>\$'000</b>	\$'000
<b>Revenue</b>	Note 4	<b>389,053</b>	263,860
Other income	5	<b>71,495</b>	50,809
Other net gain	6	<b>13,145</b>	19,015
		<b>473,693</b>	333,684
Staff costs		<b>(58,784)</b>	(50,062)
Depreciation		<b>(6,890)</b>	(5,267)
Other operating expenses	7(b)	<b>(103,025)</b>	(97,971)
<b>Profit from operations</b>		<b>304,994</b>	180,384
Finance costs	7(a)	<b>(55,089)</b>	(22,762)
<b>Profit before taxation</b>	7	<b>249,905</b>	157,622
Income tax	8	<b>(35,801)</b>	(22,065)
<b>Profit for the period</b>		<b>214,104</b>	135,557
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities		<b>1,032</b>	(5,279)
– Exchange reserve		<b>(142)</b>	96
<b>Total comprehensive income attributable to equity shareholders for the period</b>		<b>214,994</b>	130,374
<b>Earnings per share</b>			
Basic ( <i>cents</i> )	9	<b>12.62</b>	7.99
Diluted ( <i>cents</i> )	9	<b>12.62</b>	7.99

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2017 \$'000	At 31 March 2017 \$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		27,178	22,476
Available-for-sale securities		8,050	7,018
Deferred tax assets		2,760	2,381
Other receivables, deposits and prepayments		14,647	16,948
Other non-current assets		85,645	71,900
<b>Total non-current assets</b>		<b>138,280</b>	120,723
<b>Current assets</b>			
Accounts receivable	11	10,803,406	7,788,352
Other receivables, deposits and prepayments		13,685	14,219
Held for trading investments		632	–
Tax recoverable		3	2,756
Cash and cash equivalents		413,733	596,903
<b>Total current assets</b>		<b>11,231,459</b>	8,402,230
<b>Current liabilities</b>			
Accounts payable	12	1,402,942	1,174,196
Accrued expenses and other payables		62,588	50,109
Amount due to a related company		200,153	–
Bank loans and overdrafts	13	7,334,062	5,096,000
Current taxation		36,320	2,863
<b>Total current liabilities</b>		<b>9,036,065</b>	6,323,168
<b>Net current assets</b>		<b>2,195,394</b>	2,079,062
<b>Total assets less current liabilities</b>		<b>2,333,674</b>	2,199,785
<b>Non-current liability</b>			
Deferred tax liabilities		58	94
<b>NET ASSETS</b>		<b>2,333,616</b>	2,199,691
<b>EQUITY</b>			
Share capital		509,189	509,099
Share premium		738,020	737,677
Exchange reserve		238	380
Investment revaluation reserve		2,403	1,371
Merger reserve		(20,000)	(20,000)
Share option reserve		7,566	8,341
Retained profits		1,096,200	962,823
<b>TOTAL EQUITY</b>		<b>2,333,616</b>	2,199,691

**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 2017 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 2016/17 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/18 annual financial statements. Details of any 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 2017 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 2017 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 2017.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

## 3 SEGMENT REPORTING

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

- Securities broking – provision of broking services in securities traded in Hong Kong and 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.



	Six months ended 30 September 2016			Total \$'000
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	
Revenue from customers:				
– Brokerage commission	104,831	73,550	–	178,381
– Dealing income	–	–	2,758	2,758
– Interest income from margin financing	80,827	105	–	80,932
– Interest income from IPO financing	1,814	–	–	1,814
<b>Reportable segment revenue</b>	<b>187,472</b>	<b>73,655</b>	<b>2,758</b>	<b>263,885</b>
Interest income from cash clients	9,503	–	–	9,503
Other interest income	8,627	1,437	34	10,098
Handling and settlement fees	27,372	7	1	27,380
<b>Reportable segment profit (EBIT)</b>	<b>149,174</b>	<b>25,961</b>	<b>690</b>	<b>175,825</b>
Depreciation for the period	4,948	53	58	5,059
Finance costs	27,143	1	–	27,144
Additions to non-current segment assets during the period	3,964	–	–	3,964

	At 31 March 2017			Total \$'000
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	
Reportable segment assets	8,098,470	733,425	40,717	8,872,612
Reportable segment liabilities	(6,212,197)	(457,480)	(25,367)	(6,695,044)

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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Reportable segment revenue	<b>389,142</b>	263,885
Elimination	<b>(89)</b>	(25)
Consolidated revenue	<b><u>389,053</u></b>	<u>263,860</u>
<b>Profit</b>		
Reportable segment profit (EBIT)	<b>302,251</b>	175,825
Finance costs	<b>(55,089)</b>	(22,762)
Unallocated corporate income	<b>12,881</b>	9,123
Unallocated corporate expenses	<b>(10,138)</b>	(4,564)
Consolidated profit before taxation	<b><u>249,905</u></b>	<u>157,622</u>
	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>12,275,094</b>	8,872,612
Elimination	<b>(948,830)</b>	(399,879)
Unallocated corporate assets	<b>43,475</b>	50,220
Consolidated total assets	<b><u>11,369,739</u></b>	<u>8,522,953</u>
<b>Liabilities</b>		
Reportable segment liabilities	<b>(9,967,331)</b>	(6,695,044)
Elimination	<b>1,134,734</b>	374,292
Unallocated corporate liabilities	<b>(203,526)</b>	(2,510)
Consolidated total liabilities	<b><u>(9,036,123)</u></b>	<u>(6,323,262)</u>

#### 4 REVENUE

The principal activities of the Group are securities broking, margin financing, commodities and futures broking and bullion trading.

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

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Brokerage commission	220,499	178,356
Dealing income from bullion trading	17,699	2,758
Interest income from margin financing	145,644	80,932
Interest income from IPO financing	5,211	1,814
	<u>389,053</u>	<u>263,860</u>

#### 5 OTHER INCOME

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Interest income from		
– Authorised institutions	19,478	10,009
– Cash clients	15,140	9,503
– Others	138	102
	<u>34,756</u>	<u>19,614</u>
Handling and settlement fees	35,275	27,380
Dividend income	182	–
Sundry income	1,282	3,815
	<u>71,495</u>	<u>50,809</u>

#### 6 OTHER NET GAIN

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Realised (loss)/gain from		
– Available-for-sale securities	–	24,339
– Held for trading investments	(1,846)	399
Unrealised gain from		
– Held for trading investments	632	–
	<u>(1,214)</u>	<u>24,738</u>
Net foreign exchange gain/(loss)	14,763	(5,400)
Loss on disposals of property, plant and equipment	(18)	(37)
Error trades arising from dealings	(178)	(65)
Others	(208)	(221)
	<u>13,145</u>	<u>19,015</u>



## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest expense on		
– Bank loans for IPO financing	3,656	1,246
– Other bank loans and overdrafts	51,280	21,512
– Loans from related companies	153	4
	<u>55,089</u>	<u>22,762</u>
<b>(b) Other operating expenses</b>		
Advertising and promotion expenses	4,145	3,740
Auditors' remuneration	745	776
Commission, handling and settlement expenses	34,098	27,891
Information and communication expenses	14,513	15,483
Legal and professional fees	2,290	4,269
Operating lease payments		
– property rentals	30,486	28,439
Rates and building management fees	2,388	2,147
Reversal of allowance for doubtful debts	–	(269)
Miscellaneous expenses	14,360	15,495
	<u>103,025</u>	<u>97,971</u>

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

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	35,638	20,806
Under/(over)-provision in respect of prior years	212	(39)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(49)	1,298
Total tax charge for the period	<u>35,801</u>	<u>22,065</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
<b>Earnings</b>		
Profit for the period attributable to equity shareholders of the Company (\$'000)	<u>214,104</u>	<u>135,557</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<u>1,697,011</u>	<u>1,696,768</u>
Basic earnings per share ( <i>cents</i> )	<u>12.62</u>	<u>7.99</u>

## 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.

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
<b>Earnings</b>		
Profit for the period attributable to equity shareholders of the Company (\$'000)	<u>214,104</u>	<u>135,557</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<b>1,697,011</b>	1,696,768
Effect of dilutive potential ordinary shares:		
– Share options ( <i>in thousands</i> ) ( <i>note</i> )	<u>9</u>	<u>146</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ( <i>in thousands</i> )	<u>1,697,020</u>	<u>1,696,914</u>
Diluted earnings per share ( <i>cents</i> )	<u>12.62</u>	<u>7.99</u>

*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 2017 (six months ended 30 September 2016: nil).

## 11 ACCOUNTS RECEIVABLE

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Accounts receivable		
– Cash clients	407,911	273,879
– Margin clients	9,275,174	6,068,589
– Clearing houses	782,720	562,068
– Subscriptions of new shares in IPO	196,255	683,597
– Brokers and dealers	141,677	200,550
Less: allowance for doubtful debts	(331)	(331)
	<u>10,803,406</u>	<u>7,788,352</u>

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

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Current	60,457	45,056
Less than 1 month	277,235	88,980
1 to 3 months	41,507	89,310
More than 3 months	28,712	50,533
	<u>347,454</u>	<u>228,823</u>
	<u>407,911</u>	<u>273,879</u>

Accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default. These receivables are secured by their portfolios of securities. Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. At 30 September 2017, the total market value of their portfolios of securities was \$1,976,760,000 (31 March 2017: \$1,503,123,000). Based on past experience and current assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered 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 2017, margin loans due from margin clients were current and repayable on demand except for \$1,847,000 (31 March 2017: \$710,000), in which the margin loans past due for less than 1 month amounted to \$1,238,000 (31 March 2017: \$6,000), past due for 1 to 3 months amounted to \$5,000 (31 March 2017: \$5,000), past due for 3 months to 1 year amounted to \$1,000 (31 March 2017: Nil) and past due for over 1 year amounted to \$603,000 (31 March 2017: \$699,000) following the trading suspension of the pledged securities. At 30 September 2017, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were approximately \$19,288,433,000 and \$23,877,017,000 (31 March 2017: \$12,957,225,000 and \$17,145,627,000). Margin loans that were past due but not impaired 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 no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered 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.

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 2017 \$'000	At 31 March 2017 \$'000
Accounts payable		
– Cash clients	309,407	297,693
– Margin clients	781,262	756,406
– Clearing houses	257,528	87,075
– Brokers	54,745	33,022
	<u>1,402,942</u>	<u>1,174,196</u>

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

## 13 BANK LOANS AND OVERDRAFTS

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Secured loans		
– Bank loans	6,479,000	3,737,000
– Bank overdraft	509,062	434,000
– Bank loans for IPO	196,000	675,000
Unsecured loans		
– Bank loans	150,000	250,000
	<u>7,334,062</u>	<u>5,096,000</u>

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

The bank loans as at 30 September 2017 and 31 March 2017 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 \$7,184,062,000 (31 March 2017: \$4,846,000,000). The fair value of the collateral repledged to banks as at 30 September 2017 amounted to \$12,344,002,000 (31 March 2017: \$7,909,095,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

During the six-month period ended 30 September 2017 (the “Period”) under review, the Hong Kong stock market hit successive new highs with a steady upward trend. After an eight-month increase in the first eight months of this year, the Hang Seng Index hit its peak since the great era in 2015. The average daily transaction amount for the first nine months of this year was HK\$82.0 billion, representing an increase of 20.9% when compared with HK\$67.8 billion for the same period last year. In overall terms, the Hang Seng Index opened at 24,237 points on 3 April 2017 and steadily rose by 13.7% to 27,554 points at the market close on 29 September 2017. Following the two black swan events – Brexit and Donald Trump’s election win – at the beginning of the Period, the global economy has already shaken off the gloom and is expanding gradually and moderately this year. China’s economy performed steadily with a positive outlook as evidenced by the year-on-year GDP growth of 6.9% in the first half of this year according to the National Bureau of Statistics of China. It is expected that the GDP growth will exceed 7% in the second half of this year and realise a further growth. Over the same period, China’s GDP reached RMB38 trillion, which is the world’s second highest, contributing more than 30% to the global economy and exerting significant influence. In June this year, MSCI also announced the inclusion of A Shares into the Emerging Markets Index, raising investors’ interest in China’s stock market.

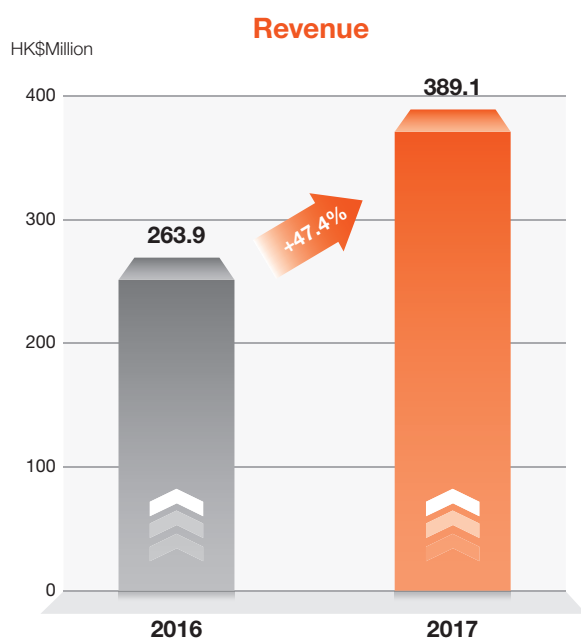
The global economy stepped into a high-speed growth period at the beginning of this year. Not only did the U.S. economic growth speed up, but also the economy of China, Japan as well as the whole Eurozone continued to maintain an accelerated growth momentum. Since the Lehman Brothers incident, U.S. stocks have seen their longest bull market for the second time in history, while the Dow Jones Index rose to record levels and has exceeded the 23,000 mark. Benefitting from the vibrant global economy, Hong Kong also achieved a satisfactory economic growth in the first quarter. Furthermore, in view of the continuous low interest environment, the People’s Bank of China announced the implementation of “targeted reduction” to be implemented next year, which is expected to result in an inflow of Mainland capital into Hong Kong, and hence will provide sufficient capital and create a favorable environment for the stock and property markets. The upward trend in the assets market also continued to support personal consumption and the overall economic performance.

Looking ahead into the second half of the financial year, Chief Executive Carrie Lam Cheng Yuet-ngor stated in her Policy Address that the mutual access mechanisms between Hong Kong and the Mainland will be strengthened, such as the inclusion of exchange-traded funds (“ETF”) and the extension of Bond Connect to cover Southbound Trading. Meanwhile, the Stock Exchange will also actively prepare for a new board and promote weighted voting rights, in order to absorb new-economy stocks by attracting large-scale institutions from various countries to be listed in Hong Kong. It is expected that the stock market will become more vibrant in the future. The sufficiency of Mainland capital provides an impetus to the stock market and supports the “slow bull” trend in the Hong Kong stock market with a steady upward trend. However, performance of the overseas markets will continue to be impacted by various factors, including the escalating conflict between the U.S. and North Korea, the Federal Reserve’s pace of raising interest rate, the dispute over Catalonia’s quest for independence from Spain, Brexit negotiations and the policy divergence among major central banks. Although the aforementioned factors might create uncertainties over the global economic prospects, the long-term prospect remains positive.

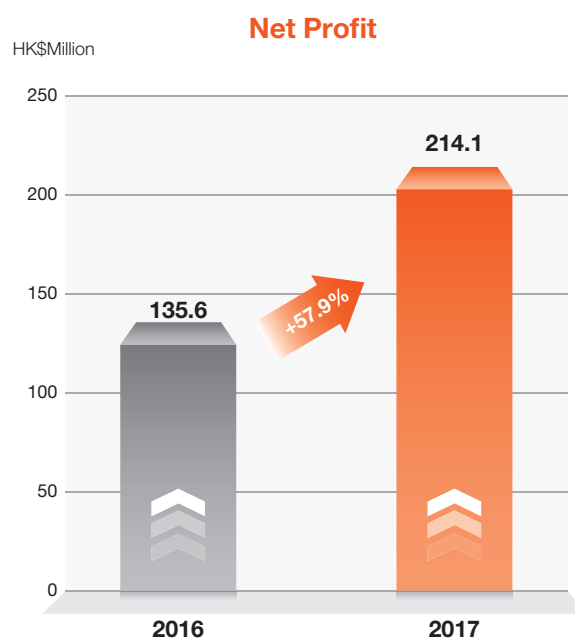
## OPERATIONAL RESULTS

During the Period, Bright Smart Securities & Commodities Group Limited (the “Company”) and its subsidiaries (the “Group”) recorded a revenue of HK\$389.1 million (2016: HK\$263.9 million), representing an increase of 47.4% as compared to the corresponding period last year. Profit attributable to equity shareholders was HK\$214.1 million (2016: HK\$135.6 million), representing an increase of 57.9% as compared to the corresponding period last year. Total comprehensive income attributable to equity shareholders was HK\$215.0 million (2016: HK\$130.4 million), representing an increase of 64.9% as compared to the corresponding period last year. Basic earnings per share were 12.62 HK cents (2016: 7.99 HK cents) and the diluted earnings per share were 12.62 HK cents (2016: 7.99 HK cents). The Board does not recommend the payment of an interim dividend for the Period (2016: nil).

Benefitting from the substantial growth in the total turnover of the Hong Kong stock market, the Group’s revenue for the past half year increased significantly. According to the statistics provided by Hong Kong Exchanges and Clearing Limited (the “Stock Exchange”), the average daily turnover of the Stock Exchange for the Period was approximately HK\$85.8 billion, representing a significant increase of approximately 31.0% as compared with approximately HK\$65.5 billion for the corresponding period of 2016. In addition, in order to support the Group’s proactive expansion and development strategy, the Group undertook expansion exercises by recruiting talents and expanding its network to cover 22 branches and headquarters across Hong Kong Island, Kowloon and New Territories during the Period. Furthermore, the Group also upgraded the network security infrastructure to further strengthen the protection on its clients which was believed to be essential for the preparation of the coming robust growth in turnover.



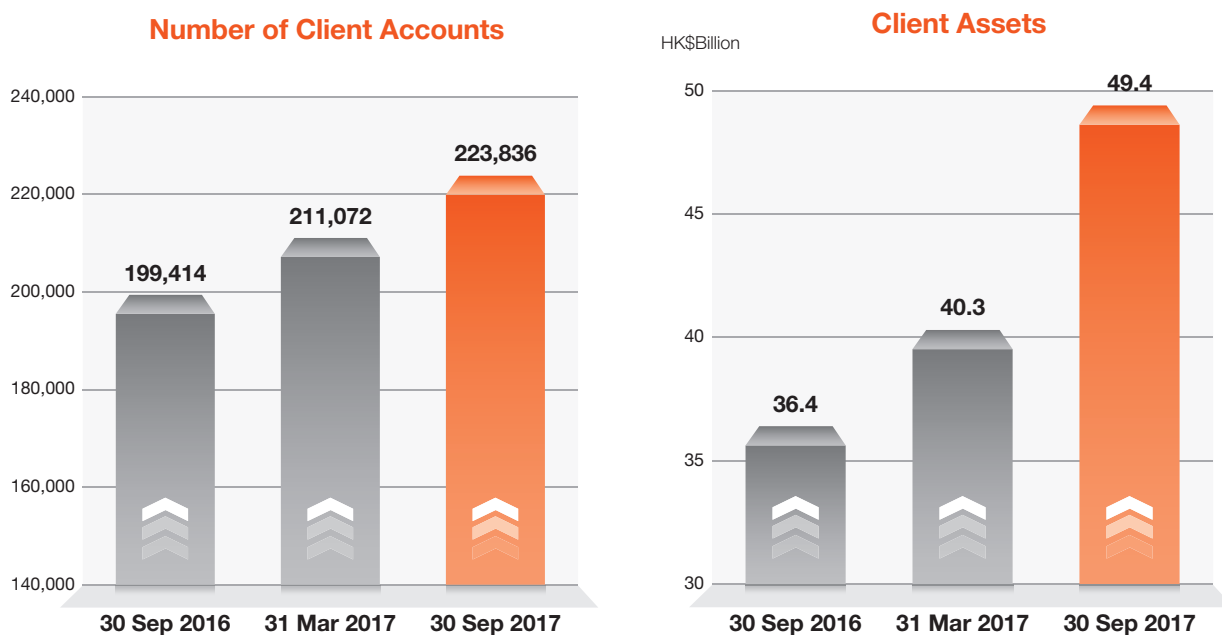
Six months ended 30 September



Six months ended 30 September

## TOTAL NUMBER OF CLIENT ACCOUNTS AND ASSETS

The global economy has stepped into a rapid growth phase. The desires of making consumption and investment amongst the general public have both gradually intensified, leading to continuous improvement of the market conditions. With a forward-looking vision, the Group has maintained its strategy of active expansion regardless of bull or bear markets. By the end of September 2017, the Group had a total of 22 branches including the headquarters in Central, covering the core districts in Hong Kong. Most of its branches open seven days a week, which is a breakthrough in the industry. Moreover, by adhering to the customer-oriented principle as always, it has been a first mover in the securities industry by launching “Bright Smart Mobile Teaching Centre”, which travels around the Hong Kong Island, Kowloon and New Territories, improving customer experience and offering convenience to its customers. The Group’s proactive expansion led to a steady growth of its total number of client accounts successfully. During the Period, the number of new client accounts (after deducting the number of client accounts closed) reached 12,764. As a result, the total number of client accounts increased to 223,836, representing an increase of 12.2% as compared to 199,414 as at 30 September 2016. As at 30 September 2017, client assets (including cash, stocks and margin deposits) increased to approximately HK\$49.4 billion (30 September 2016: approximately HK\$36.4 billion), representing an increase of 35.7%.





## REVENUE

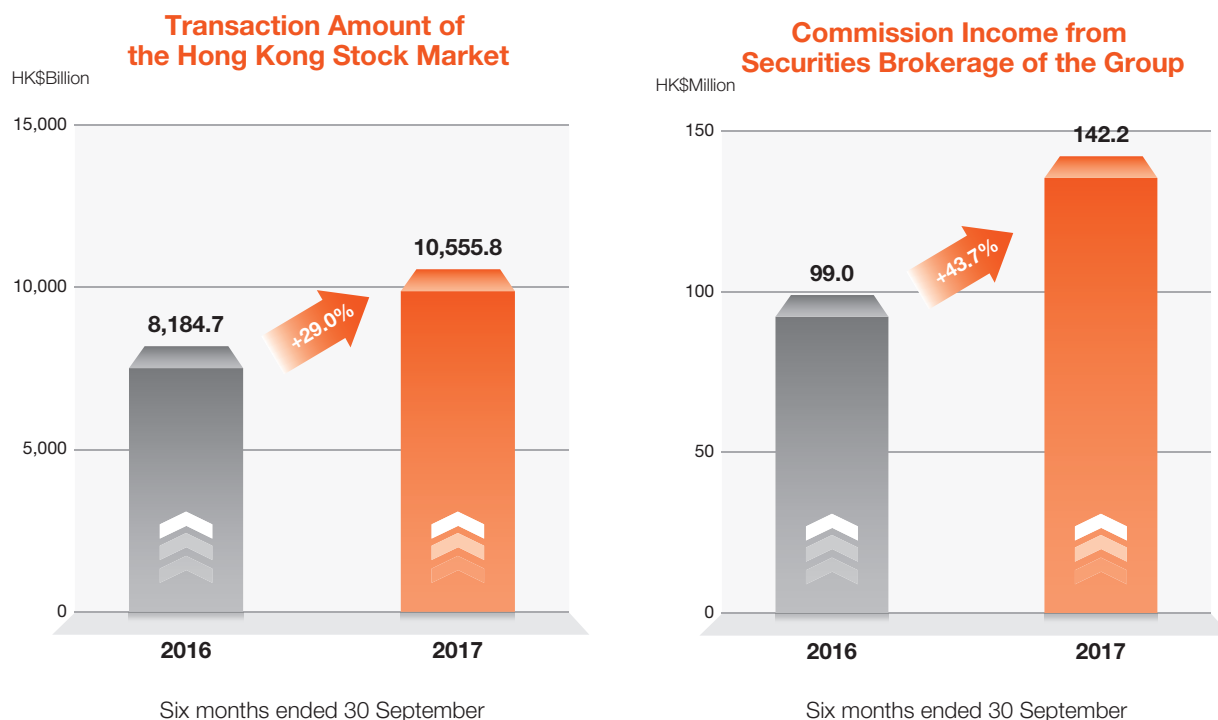
During the Period, the Group recorded a revenue of HK\$389.1 million (2016: HK\$263.9 million), representing an increase of 47.4% as compared to the corresponding period last year.

A summary of revenue from different business segments of the Group is set out below:

	2017		2016		Increment/ (decrement) %
	HK\$'000	Proportion of total revenue %	HK\$'000	Proportion of total revenue %	
Income from:					
– Securities brokerage	142,229	36.6%	98,982	37.5%	43.7%
– Hong Kong futures and options brokerage	43,028	11.1%	40,300	15.3%	6.8%
– Global futures brokerage	24,732	6.4%	33,225	12.6%	(25.6%)
– Bullion trading	17,699	4.5%	2,758	1.0%	541.7%
– Stock option brokerage	6,320	1.6%	3,322	1.3%	90.2%
– IPO brokerage	4,190	1.1%	2,527	1.0%	65.8%
Interest income from IPO financing	5,211	1.3%	1,814	0.6%	187.3%
Interest income from margin financing	145,644	37.4%	80,932	30.7%	80.0%
	<b>389,053</b>	<b>100.0%</b>	<b>263,860</b>	<b>100.0%</b>	<b>47.4%</b>

## I. Securities brokerage

During the Period, the Stock Exchange recorded a total transaction amount of HK\$10,555.8 billion (2016: HK\$8,184.7 billion), representing a year-on-year increase of 29.0%. The substantial increase in the transaction amount directly impacted the Group's revenue. The Group's commission income from securities brokerage amounted to HK\$142.2 million (2016: HK\$99.0 million), accounting for 36.6% (2016: 37.5%) of the total revenue, representing a dramatic increase of 43.7% as compared to the corresponding period last year, outpacing the increase in market trading volume.



## II. Hong Kong futures and options brokerage

The derivative products traded on the Hong Kong Futures Exchange Limited decreased by 7% during the Period, whereas the Group's Hong Kong futures and options brokerage segment recorded commission income of HK\$43.0 million (2016: HK\$40.3 million), representing an increase of 6.8%, which outperformed the market, accounting for 11.1% (2016: 15.3%) of the total revenue.

## III. Global futures brokerage

During the Period, due to worldwide stock market booms and the lessened hedging-seeking sentiment, and under the decrease in the transaction volume of derivative products globally, the Group's commission income from global futures brokerage was HK\$24.7 million (2016: HK\$33.2 million), representing a decrease of 25.6% as compared to the corresponding period last year, accounting for 6.4% (2016: 12.6%) of the total revenue.

#### **IV. Bullion trading**

Affected by factors such as intense U.S.-North Korea relationship, slow progress of Brexit and concerns about the prospective interest rate hikes in the U.S., the global gold market experienced notable fluctuations. During the Period, the Group's bullion trading income was HK\$17.7 million (2016: HK\$2.8 million), representing an increase of 541.7% as compared to the corresponding period last year, accounting for 4.5% (2016: 1.0%) of the total revenue.

#### **V. Stock options brokerage**

Driven by the active trading of stock options in the Stock Exchange during the Period, the Group's trading service for stock options recorded an income of HK\$6.3 million (2016: HK\$3.3 million) during the Period, representing an increase of 90.2% as compared to the corresponding period last year, accounting for 1.6% (2016: 1.3%) of the total revenue. Stock option is a relatively high leveraged investment product. The Group monitored the margin levels maintained in the stock option accounts closely and adjusted them according to market conditions to ensure proper risk control.

#### **VI. IPO brokerage and IPO financing**

Driven by the more active new listing exercises on the Stock Exchange during the Period, the Group's commission income from IPO brokerage was HK\$4.2 million (2016: HK\$2.5 million) during the Period, representing a period-to-period increase of 65.8%, accounting for 1.1% (2016: 1.0%) of the total revenue, and the interest income from IPO financing increased by 187.3% to HK\$5.2 million (2016: HK\$1.8 million) accordingly, accounting for 1.3% (2016: 0.6%) of the total revenue.

#### **VII. Margin financing**

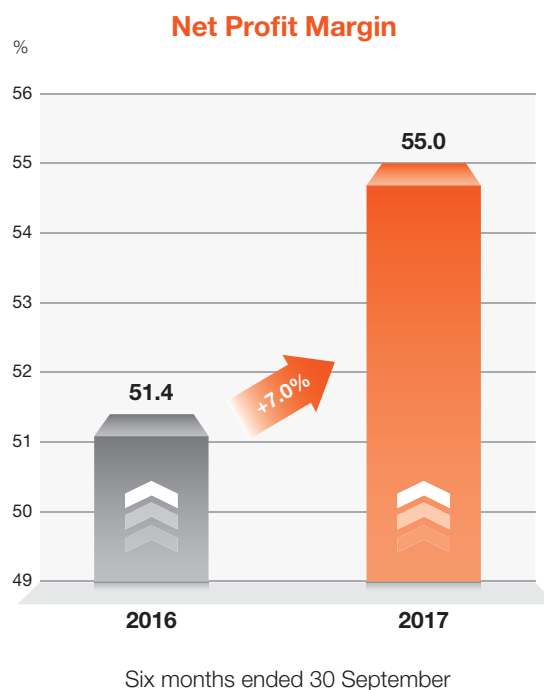
With the active trading sentiment in the overall market, investors became active in entering the market. The average daily margin financing increased by 103.4% to HK\$7.83 billion (2016: HK\$3.85 billion) during the Period. During the Period, the Group's interest income from margin financing was HK\$145.6 million (2016: HK\$80.9 million), representing an increase of 80.0% from the corresponding period last year, accounting for 37.4% (2016: 30.7%) of the total revenue. The Group has been implementing strict credit control procedures which are proved to be effective.

#### **GAIN FROM INVESTMENT**

For the purpose of enhancing the Group's financial performance, the Group has held Hong Kong listed securities since March 2016. The carrying amount of its investment portfolio was HK\$8.1 million as at 30 September 2017 (31 March 2017: HK\$7.0 million), which was classified as available-for-sale securities in the consolidated statement of financial position. During the Period, there was no realised gain from disposal of available-for-sale securities recognised (2016: HK\$24.3 million), and the investment revaluation reserve increased by HK\$1.0 million to HK\$2.4 million (31 March 2017: HK\$1.4 million) as compared with 31 March 2017.

## OPERATING EXPENSES AND NET PROFIT MARGIN

The revenue of the Group increased significantly and the operating cost related to trading also increased due to the steady improvement of market conditions. The total operating expenses of the Group for the Period was HK\$223.8 million (2016: HK\$176.1 million), representing an increase of 27.1% as compared to the corresponding period last year. However, thanks to its comprehensive management and effective cost control measures, the net profit margin increased to 55.0% (2016: 51.4%).



A breakdown of operating expenses is set out below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Increment/ (decrement) %
Staff costs	58,784	50,062	17.4%
Depreciation	6,890	5,267	30.8%
Finance costs	55,089	22,762	142.0%
Advertising and promotion expenses	4,145	3,740	10.8%
Auditors' remuneration	745	776	(4.0%)
Commission, handling and settlement expenses	34,098	27,891	22.3%
Information and communication expenses	14,513	15,483	(6.3%)
Rental, rates and building management fees	32,874	30,586	7.5%
Legal and professional fees	2,290	4,269	(46.4%)
Miscellaneous expenses	14,360	15,226	(5.7%)
	<b>223,788</b>	<b>176,062</b>	<b>27.1%</b>

## FUTURE PLANS

The global economy has entered a period of accelerated growth. Performance of the global financial market improved steadily with an upward trend, and the attitude of investors towards entering the market turned active, making the transactions and investments in stock market more vibrant. Leveraging on the first-mover advantages, the Group adopted an active expansion and development strategy by setting up 22 headquarters and branches as well as recruiting talents continuously, so as to expand its branch network and improve its service quality. In the future, the Group will continue to identify sites located at prime locations for new branches, and will regularly hold job fairs to attract talents to meet its needs for business expansion, thereby not only recruiting talents but also taking up the responsibility of nurturing the next generation for the industry. During June to August this year, the Group held a total of five “Futures and Stocks Against the Big Era (《期•股迎戰大時代》)” seminars in the Exchange Auditorium in Hong Kong for the first time, which attracted nearly 5,000 participants and received overwhelming response. In the future, the Group will work with stock exchanges around the world in organising more investment seminars, so as to deepen clients’ understanding towards global financial products and diversify their investment directions. The Group is always keen on sharing happiness with its clients. It organised the “Movie Ticket Giveaway by Bright Smart” event at the end of September and invited more than 4,000 clients to participate, which was well received by them. The Group will continue to adopt a diversified strategy and grasp all the business opportunities arising in the Big Era of Hong Kong stock market in the future.

The Group has always been a pioneer. In view of investors’ rising interest in global financial products and increasingly active participation in the investment of global financial product, Bright Smart’s online trading platforms and mobile applications for securities and futures trading have been made available to connect to the world market. The Group’s scope of business covers Hong Kong shares, U.S. shares, U.K. shares, Shanghai-Hong Kong Stock Connect A-Shares, Shenzhen-Hong Kong Stock Connect A Shares, China B Shares, Japan shares, Taiwan shares, Singapore shares, Australia shares, Hong Kong futures, Hang Seng Index options, Hong Kong stock options, Dow Jones Futures, A50 Futures, foreign exchange futures, gold futures, oil futures, and copper futures products, IPO Shares Subscription and margin financing. During the Period, the Group introduced U.K. shares to cater to the needs of different clients. The Group believes that along with the growing interest of investors in investing in global financial products, and the increasing investment needs, the Group will continue to develop more global financial products to meet market demand.

Meanwhile, in order to offer a more convenient and stable online trading platform, the Group has increased capital expenditure to improve the trading system, and relocated its central computer system to the data centre of the Stock Exchange located in Tseung Kwan O, thereby continuously optimizing the existing securities and futures trading platform. Furthermore, in order to secure online trading, the Group has implemented the “dual password” security measure and authentication by which each client must enter two sets of passwords before logging in the trading system with a view to enhancing the security of online trading. In the future, the Group will emphasize more on educating clients on the importance of adopting safe online trading to improve clients’ awareness of and skills on risk prevention.

The speed and volume of transactions through Bright Smart's online trading system and its service quality have been continuously enhanced as evidenced by the "Outstanding Securities Trading Mobile App" award granted by the Chamber of Hong Kong Computer Industry and Metro Radio recently. This award was elected by business celebrities and by the public on a "one man, one vote" basis, which was widely recognized. It was a strong evidence to show the Group's online trading system which was high speed, stability, security, reliability and very popular among our clients.

Adhering to the customer-oriented service philosophy, the proactive and aggressive business development strategy and its outstanding performance, the Group has earned high affirmations and recognitions from the market. In July, the Group had the honour of being selected by the Stock Exchange as one of the shares in the "Closing Auction Session". In addition, following the inclusion to the "MSCI Index", the Group was also included into "Hang Seng Global Composite Index" and "Hang Seng Composite Index Series", being the two major benchmark indexes, by Hang Seng Indexes Company Limited, a top leading index company in Hong Kong. The Group will remain committed to providing quality services to clients, developing more global financial products and exploring diversified business. Moreover, the Group will allocate more resources to enhance marketing strategy, in order to further improve its competitive edge and solidify its strengths, so as to continue maintaining its leading position in the industry.

The Group's accomplishments are attributable to the continuous trust and support of its clients, who have been standing by us as they have always done. In the future, we will provide more high quality customer services and develop a highly secured and convenient trading platform so as to reward the long-term support from our clients, striving to provide them with high satisfaction.

## **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\$413.7 million as at 30 September 2017 (31 March 2017: HK\$596.9 million). The Group had total bank borrowings of HK\$7,334.1 million as at 30 September 2017 (31 March 2017: HK\$5,096.0 million) which bore interest primarily at floating rates. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 30 September 2017, unutilised banking facilities amounted to HK\$8,276.7 million (31 March 2017: HK\$10,041.2 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 314.3% (31 March 2017: 231.7%). As at 30 September 2017, the net current assets of the Group increased by 5.6% to HK\$2,195.4 million (31 March 2017: HK\$2,079.1 million). As at 30 September 2017, the Group's current ratio (current assets divided by current liabilities) was 1.2 times (31 March 2017: 1.3 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 2017 and 31 March 2017.

## **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 broking amounted to HK\$13,020.0 million (31 March 2017: HK\$12,060.0 million). As at 30 September 2017, the subsidiaries of the Company has utilised HK\$6,332.1 million of these aggregate banking facilities (31 March 2017: HK\$4,021.0 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.

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 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 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.

### **Equity price risk**

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities. All of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Listed investments held in the available-for-sale 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 2017, the Group had a work force of 302 employees (31 March 2017: 306 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 programs 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 of the Company's listed securities.

## **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 primary 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 2017.

## **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](http://www.hkexnews.hk) and the website of the Company at [www.bsgroup.com.hk](http://www.bsgroup.com.hk). The Interim Report 2017/18 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, 27 November 2017

*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*