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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2016**

The board of directors (the “Board”) of Bright Smart Securities & Commodities Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016 (the “Year”) together with the comparative figures for the year ended 31 March 2015 (the “Prior Year”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	2016 \$'000	2015 \$'000
Revenue	3	675,967	516,785
Other income	4	114,137	93,276
Other net loss	5	(6,969)	(1,725)
		783,135	608,336
Staff costs	6(b)	(124,000)	(106,496)
Depreciation		(13,137)	(14,196)
Other operating expenses	6(c)	(185,467)	(158,725)

	<i>Note</i>	2016 \$'000	2015 \$'000
Profit from operations		460,531	328,919
Finance costs	6(a)	<u>(76,838)</u>	<u>(72,235)</u>
Profit before taxation	6	383,693	256,684
Income tax	7	<u>(58,218)</u>	<u>(38,307)</u>
Profit for the year		325,475	218,377
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities		14,932	–
– Exchange reserve		<u>188</u>	<u>–</u>
Total comprehensive income attributable to equity shareholders for the year		<u>340,595</u>	<u>218,377</u>
Earnings per share			
Basic (cents)	8	<u>19.19</u>	<u>15.21</u>
Diluted (cents)	8	<u>19.19</u>	<u>15.20</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	2016 \$'000	2015 \$'000
Non-current assets			
Property, plant and equipment		23,612	23,514
Available-for-sale securities	<i>10</i>	193,264	–
Deferred tax assets		4,062	3,062
Other receivables, deposits and prepayments		15,319	16,225
Other non-current assets		24,891	84,472
		<hr/>	<hr/>
Total non-current assets		261,148	127,273
		<hr/>	<hr/>
Current assets			
Accounts receivable	<i>11</i>	4,919,461	17,245,624
Other receivables, deposits and prepayments		9,020	4,354
Tax recoverable		–	1,574
Cash and cash equivalents		503,442	521,782
		<hr/>	<hr/>
Total current assets		5,431,923	17,773,334
		<hr/>	<hr/>

	<i>Note</i>	2016 \$'000	2015 \$'000
Current liabilities			
Accounts payable	12	1,020,631	2,089,489
Accrued expenses and other payables		56,277	49,487
Bank loans and overdrafts	13	2,554,000	14,010,261
Current taxation		24,682	10,492
		<u>3,655,590</u>	<u>16,159,729</u>
Total current liabilities		<u>3,655,590</u>	<u>16,159,729</u>
Net current assets		<u>1,776,333</u>	<u>1,613,605</u>
Total assets less current liabilities		<u>2,037,481</u>	<u>1,740,878</u>
Non-current liability			
Deferred tax liabilities		<u>137</u>	<u>224</u>
NET ASSETS		<u>2,037,344</u>	<u>1,740,654</u>
EQUITY			
Share capital		508,966	506,876
Share premium		737,216	729,795
Exchange reserve		188	–
Investment revaluation reserve		14,932	–
Merger reserve		(20,000)	(20,000)
Share option reserve		11,104	1,255
Retained profits		784,938	522,728
TOTAL EQUITY		<u>2,037,344</u>	<u>1,740,654</u>

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

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

The impacts of these developments are discussed below:

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards, with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities are stated at their fair value.

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

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

2. SEGMENT REPORTING

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

- Securities broking – provision of broking services in securities traded in Hong Kong and selected overseas markets, and margin financing services to those broking clients.
- Commodities and futures broking – provision of broking services in commodities and futures contracts traded in Hong Kong and overseas markets.
- Bullion trading – provision of trading services in bullion contracts traded in overseas markets.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of unallocated corporate assets. Segment liabilities include liabilities and accruals attributable to the activities of the individual segments.

The measure used for reporting segment profit is earnings before finance costs and taxes ("EBIT"). To arrive at EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs.

(b) Segment information

	2016			Total \$'000
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	
Revenue from customers:				
– Brokerage commission	314,123	136,483	–	450,606
– Dealing income	–	–	7,759	7,759
– Interest income from margin financing	205,629	172	–	205,801
– Interest income from IPO financing	11,801	–	–	11,801
Consolidated revenue	531,553	136,655	7,759	675,967
Interest income from cash clients	29,283	–	–	29,283
Other interest income	19,503	2,940	38	22,481
Handling and settlement fees	58,840	36	4	58,880
Reportable segment revenue	639,179	139,631	7,801	786,611
Reportable segment profit (EBIT)	412,795	40,063	4,242	457,100
Depreciation for the year	(12,515)	(106)	(117)	(12,738)
Finance costs	(80,798)	(27)	–	(80,825)
Additions to non-current segment assets during the year	13,374	–	–	13,374
Reportable segment assets	5,291,056	550,140	34,749	5,875,945
Reportable segment liabilities	(3,697,587)	(305,639)	(28,418)	(4,031,644)

	2015			
	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Revenue from customers:				
– Brokerage commission	222,461	108,709	–	331,170
– Dealing income	–	–	9,128	9,128
– Interest income from margin financing	166,910	261	–	167,171
– Interest income from IPO financing	9,316	–	–	9,316
Consolidated revenue	398,687	108,970	9,128	516,785
Interest income from cash clients	17,813	–	–	17,813
Other interest income	22,103	4,219	20	26,342
Handling and settlement fees	45,330	350	6	45,686
Reportable segment revenue	<u>483,933</u>	<u>113,539</u>	<u>9,154</u>	<u>606,626</u>
Reportable segment profit (EBIT)	<u>297,423</u>	<u>22,432</u>	<u>7,596</u>	<u>327,451</u>
Depreciation for the year	(13,725)	(108)	(117)	(13,950)
Finance costs	(72,235)	–	–	(72,235)
Additions to non-current segment assets during the year	<u>6,326</u>	<u>–</u>	<u>–</u>	<u>6,326</u>
Reportable segment assets	17,073,601	841,746	41,287	17,956,634
Reportable segment liabilities	<u>(15,535,020)</u>	<u>(628,816)</u>	<u>(36,502)</u>	<u>(16,200,338)</u>

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

	2016	2015
	\$'000	\$'000
Profit		
Reportable segment profit (EBIT)	457,100	327,451
Finance costs	(80,825)	(72,235)
Unallocated corporate income	24,772	3,750
Unallocated corporate expenses	(17,354)	(2,282)
	<hr/>	<hr/>
Consolidated profit before taxation	383,693	256,684
	<hr/>	<hr/>
Assets		
Reportable segment assets	5,875,945	17,956,634
Elimination of inter-segment receivables	(426,285)	(107,854)
Unallocated corporate assets	243,411	51,827
	<hr/>	<hr/>
Consolidated total assets	5,693,071	17,900,607
	<hr/>	<hr/>
Liabilities		
Reportable segment liabilities	(4,031,644)	(16,200,338)
Elimination of inter-segment payable	380,072	41,925
Unallocated corporate liabilities	(4,155)	(1,540)
	<hr/>	<hr/>
Consolidated total liabilities	(3,655,727)	(16,159,953)
	<hr/>	<hr/>

3. 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:

	2016 \$'000	2015 \$'000
Brokerage commission	450,606	331,170
Dealing income from bullion trading	7,759	9,128
Interest income from margin financing	205,801	167,171
Interest income from IPO financing	11,801	9,316
	<u>675,967</u>	<u>516,785</u>

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

4. OTHER INCOME

	2016 \$'000	2015 \$'000
Interest income from		
– Authorised institutions	22,433	26,395
– Cash clients	29,283	17,813
– Others	494	111
	<u>52,210</u>	<u>44,319</u>
Handling and settlement fees	58,880	45,686
Sundry income	3,047	3,271
	<u>114,137</u>	<u>93,276</u>

5. OTHER NET LOSS

	2016 \$'000	2015 \$'000
Net foreign exchange loss	(5,432)	(1,382)
Loss on disposals of property, plant and equipment	(241)	(111)
Error trades arising from dealings	(267)	(66)
Others	(1,029)	(166)
	<u>(6,969)</u>	<u>(1,725)</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2016 \$'000	2015 \$'000
(a) Finance costs		
Interest expense on		
– Bank loans for IPO financing	8,334	7,680
– Other bank loans and overdrafts	68,464	62,947
– Loans from related companies	40	1,608
	<u>76,838</u>	<u>72,235</u>
(b) Staff costs		
Salaries, allowances and benefits in kind	85,885	82,437
Discretionary bonuses	22,330	19,110
Contributions to Mandatory Provident Fund	3,606	3,257
Equity-settled share-based payments	12,179	1,692
	<u>124,000</u>	<u>106,496</u>
(c) Other operating expenses		
Advertising and promotion expenses	8,204	9,602
Auditors' remuneration	1,654	1,496
Commission expense to overseas brokers	16,787	12,073
Handling and settlement expenses	47,796	35,478
Information and communication expenses	29,449	24,376
Legal and professional fees	2,886	2,648
Operating lease payments – property rentals	48,858	45,843
Rates and building management fees	3,812	3,139
Miscellaneous expenses	26,021	24,070
	<u>185,467</u>	<u>158,725</u>

7. INCOME TAX

	2016 \$'000	2015 \$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	60,507	39,759
(Over)/under-provision in respect of prior years	<u>(1,202)</u>	<u>23</u>
	59,305	39,782
Deferred tax		
Origination and reversal of temporary differences	<u>(1,087)</u>	<u>(1,475)</u>
Total tax charge for the year	<u>58,218</u>	<u>38,307</u>

The provision for Hong Kong Profits Tax for the year ended 31 March 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of \$20,000 for each business (2015: a maximum reduction of \$20,000 was granted for the year of assessment 2014-15 and was taken into account in calculating the provision for 2015).

8. EARNINGS PER SHARE

Basic earnings per share

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

	2016	2015
Earnings		
Profit for the year attributable to owners of the Company (\$'000)	<u>325,475</u>	<u>218,377</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	<u>1,695,825</u>	<u>1,435,846</u>
Basic earnings per share (<i>cents</i>)	<u>19.19</u>	<u>15.21</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.

	2016	2015
Earnings		
Profit for the year attributable to owners of the Company (\$'000)	<u>325,475</u>	<u>218,377</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	1,695,825	1,435,846
Effect of dilutive potential ordinary shares:		
– Share options (in thousands) (<i>note</i>)	<u>428</u>	<u>857</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	<u>1,696,253</u>	<u>1,436,703</u>
Diluted earnings per share (<i>cents</i>)	<u>19.19</u>	<u>15.20</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 years ended 31 March 2016 and 31 March 2015 and with the adjustment for the share options lapsed or exercised during the respective year.

9. DIVIDENDS

(a) Dividends payable to equity shareholders of the Group attributable to the year

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

	2016 \$'000	2015 \$'000
Final dividend proposed after the end of the reporting period of 5.7 cents per ordinary share (2015: 3.8 cents per ordinary share) (2016: 1,696,554,538 shares, 2015: 1,689,585,458 shares)	<u>96,704</u>	<u>64,204</u>

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

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

	2016 \$'000	2015 \$'000
Final dividend in respect of previous financial year, approved and paid during the year, of 3.8 cents per ordinary share (2015: 4.5 cents per ordinary share) (2016: 1,696,554,538 shares, 2015: 1,122,308,012 shares)	<u>64,469</u>	<u>50,504</u>

10. AVAILABLE-FOR-SALE SECURITIES

	2016 \$'000	2015 \$'000
At fair value:		
Listed equity securities		
– in Hong Kong	<u>193,264</u>	<u>–</u>

11. ACCOUNTS RECEIVABLE

	2016 \$'000	2015 \$'000
Accounts receivable from		
– Cash clients	200,342	331,979
– Margin clients	3,551,585	5,064,754
– Clearing houses	508,631	1,389,042
– Subscriptions of new shares in IPO	535,658	10,297,124
– Brokers and dealers	123,856	163,339
– Less: allowance for doubtful debts	(611)	(614)
	<u>4,919,461</u>	<u>17,245,624</u>

(a) Ageing analysis

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

	2016 \$'000	2015 \$'000
Current	18,893	150,566
Less than 1 month	86,924	133,205
1 to 3 months	26,971	22,956
More than 3 months	67,554	25,252
Amounts past due	181,449	181,413
	<u>200,342</u>	<u>331,979</u>

Accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default. These receivables are secured by their portfolios of securities. Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. At 31 March 2016, the total market value of their portfolios of securities was \$1,193,608,000 (2015: \$1,522,290,000). Based on past experience, 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 31 March 2016, margin loans from margin clients were current and repayable on demand except for \$762,000 (2015: \$3,885,000) where the margin loans were past due. Nil (2015: \$2,595,000) were past due for less than 1 month. \$762,000 (2015: \$1,290,000) were past due for more than 3 months. At 31 March 2016, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were \$9,127,551,000 and \$13,087,010,000 respectively (2015: \$10,894,423,000 and \$13,719,483,000 respectively). 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, 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 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.

(b) Impairment of receivables from margin clients traded in futures and options and receivable from a broker

Impairment losses in respect of receivables from margin clients traded in futures and options and receivable from a broker are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against margin clients and brokers and dealers receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2016	2015
	\$'000	\$'000
At 1 April	614	900
Amounts recovered	(3)	(286)
	<hr/>	<hr/>
At 31 March	611	614
	<hr/>	<hr/>

At 31 March 2016, the Group's receivables from margin clients and receivable from a broker of \$611,000 (2015: \$614,000) was determined to be impaired. The impaired receivables related to margin clients and a broker that were in financial difficulties.

12. ACCOUNTS PAYABLE

	2016 \$'000	2015 \$'000
Accounts payable		
– Cash clients	370,989	761,779
– Margin clients	627,838	1,276,272
– Clearing houses	–	28,525
– Brokers	21,804	22,913
	<u>1,020,631</u>	<u>2,089,489</u>

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

13. BANK LOANS AND OVERDRAFTS

	2016 \$'000	2015 \$'000
Secured loan		
– Bank loans	2,020,000	3,490,993
– Bank overdraft	–	269,268
– Bank loans for IPO	534,000	10,050,000
Unsecured loans		
– Bank loans	–	200,000
	<u>2,554,000</u>	<u>14,010,261</u>

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

The bank loans as at 31 March 2016 are 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 \$2,554,000,000 (2015: \$13,810,261,000). The fair value of the collateral re-pledged to banks as at 31 March 2016 amounted to \$4,593,124,000 (2015: \$6,686,415,000).

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of 5.70 HK cents per share for the year ended 31 March 2016, subject to the approval of the final dividend by the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on Monday, 8 August 2016. If approved, the final dividend will be paid to the Company's shareholders on Monday, 22 August 2016. Shareholders whose names appear on the register of members of the Company on Wednesday, 17 August 2016 will be entitled to the proposed final dividend.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the meeting, from Thursday, 4 August 2016 to Monday, 8 August 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 3 August 2016. The Annual General Meeting of the Company will be held at 10:00 a.m. on Monday, 8 August 2016.

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

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Monday, 15 August 2016 to Wednesday, 17 August 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Friday, 12 August 2016. Shares of the Company will be traded ex-dividend as from Thursday, 11 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the Year under review, the Hong Kong stock market witnessed a surge before a retreat. In the beginning of the Year, a continually bullish outlook of the Mainland stock market and an influx of capital going south led to a strong performance of the Hong Kong stock market. The Hang Seng Index soared nearly 3,000 points in just one week, and further hit a 7-year record high of 28,443 points on 28 April 2015. The surge of Hong Kong stock market lifted the market sentiment to a peak level. The average daily turnover in April 2015 reached HK\$200 billion which was a monthly record high. The Hong Kong stock market remained at a high level after the upswing. However, following the Chinese regulatory bodies taking initiatives to wipe out off-market financing at a large scale for easing overheated speculation in the Mainland stock market, coupled with the upheaval of the global financial market, the Hong Kong stock market was impacted to a certain extent. While the confidence of investors in the market has yet to recovered, the US Federal Reserve announced to raise the interest rate by 0.25%, in the fourth quarter of the Prior year, being the first hike since 2006. This move made the market worry about the US commencing the rate hike cycle which hit the market investment sentiment again. At the same time, the statistics of Europe's economy and Mainland China remained fragile. International organizations even lowered the forecast for the growth of the global economy. As a result of these uncertainties, the Hong Kong stock market dropped. The Hang Seng Index fell below 19,000 points, as a record three-and-a-half-year low, in early 2016. Overall, the Hang Seng Index recorded a sharp increase since the opening of 24,955 points on 1 April 2015 and dropped gradually to a closing of 20,777 points on 31 March 2016, representing a decrease of 16.7%.

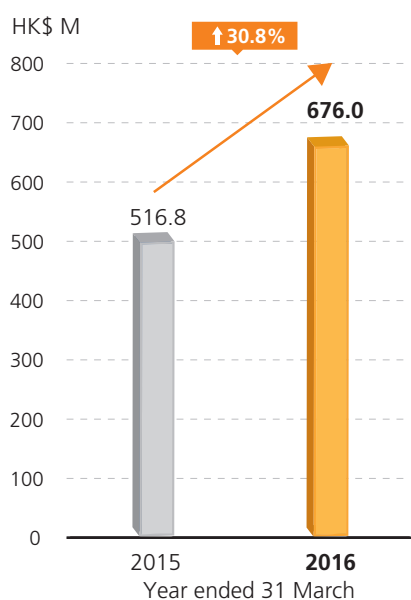
Generally speaking, although the Hong Kong stock market fell from record highs, trading activities were still active. The average daily turnover during the year was HK\$102.48 billion (2015: HK\$73.93 billion), up 38.6% when compared with the Prior Year's. The average number of derivative contracts traded daily on The Hong Kong Futures Exchange Limited and the average number of stock options contracts traded daily on the Stock Exchange were 443,721 and 357,513 (2015: 282,143 and 323,669) respectively. In the initial public offering market, the number of newly listed companies (on the Main Board and GEM Board but excluding those transferred from GEM Board to the Main Board) during the Year was 118 (2015: 117), and funds raised by way of IPO were approximately HK\$270.8 billion, representing an increase of 31.8% as compared to HK\$205.5 billion in the Prior Year. According to the information of the Hong Kong Stock Exchange, a number of enterprises listed before the end of 2015, which resulted in a record high for the number of newly listed companies in Hong Kong in 2015. Hong Kong regained the first global ranking in terms of total amount of funds raised by way of initial listing since 2011 and the Hong Kong Stock Exchange significantly outstripped the New York Stock Exchange and Shanghai Stock Exchange that ranked the second and the third respectively.

FINANCIAL KEY PERFORMANCE

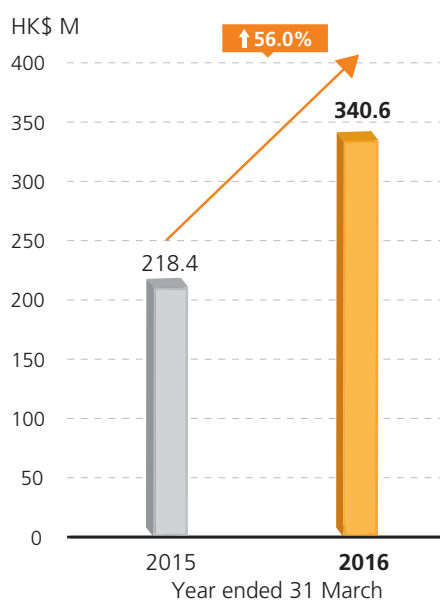
OPERATING RESULTS

For the year ended 31 March 2016, the Group's revenue reached a record high of HK\$676.0 million (2015: HK\$516.8 million), representing an increase of 30.8% over the Prior Year. Profit attributable to equity shareholders was HK\$325.5 million (2015: HK\$218.4 million), representing a substantial increase of 49.0% over the Prior Year. Total comprehensive income attributable to equity shareholders was HK\$340.6 million (2015: HK\$218.4 million), increased by 56.0% over the Prior Year. The achievement of excellent performance by the Group in the Year is attributable to the active market sentiment, which stimulated trading volume to surge and resulted in a significant increase in brokerage fees and margin financing income, together with the adoption of a proactive and aggressive business development strategy and the effective measures on cost control, the net profit grew significantly. The basic earnings per share was 19.19 HK cents (2015: 15.21 HK cents), and the diluted earnings per share was 19.19 HK cents (2015: 15.20 HK cents). The Board proposed a final dividend of 5.70 HK cents per share for the Year (2015: 3.80 HK cents).

Revenue



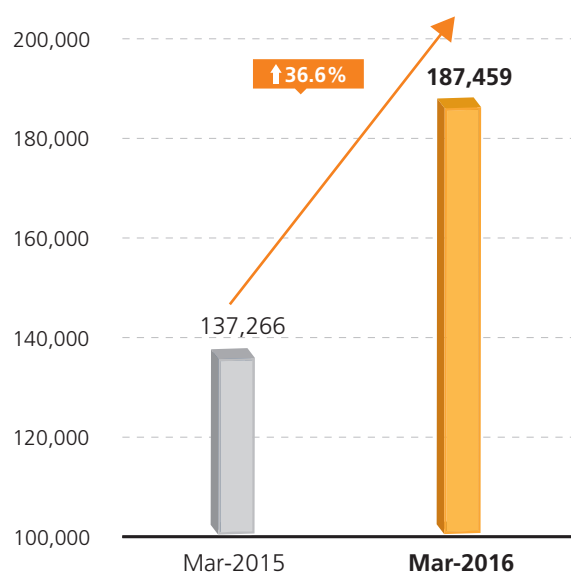
Total Comprehensive Income



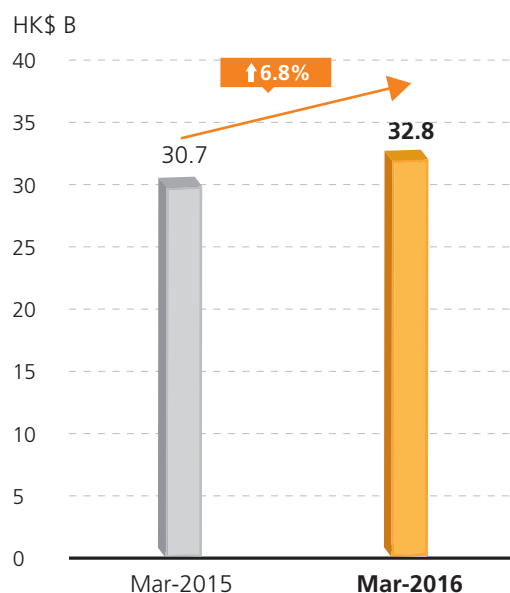
TOTAL NUMBER OF CLIENT ACCOUNTS AND CLIENT ASSETS

The excellent performance of the Group is also attributable to the high service standard which gains the trust and support of clients. With our good reputation, the number of customers and market share grew rapidly. During the Year, the number of newly opened client accounts reached 50,193 (net of closed accounts), raising the total number of client accounts to 187,459. It represents substantial growth of 36.6% as compared with 137,266 client accounts as at 31 March 2015. The total amount of client assets (including cash and shares) also increased to HK\$32.8 billion (2015: HK\$30.7 billion), representing an increase of 6.8%.

Total Number of Client Accounts



Client Assets of the Group



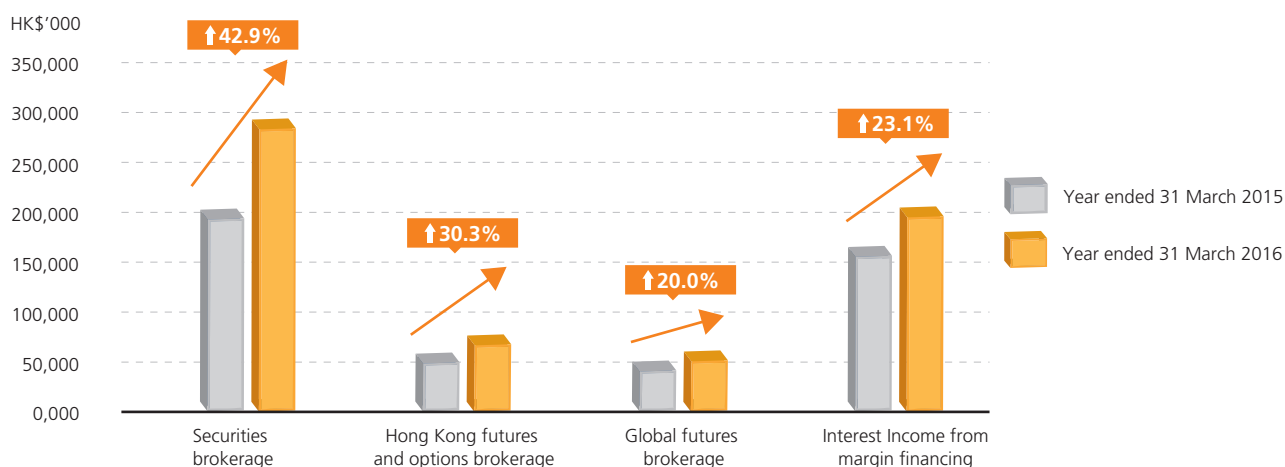
REVENUE

During the Year, benefited from the active trading in the Hong Kong stock market together with the Group's comprehensive branch network, diversified financial products and effective marketing strategy, there was a significant growth in revenue including securities brokerage, future brokerage and margin financing. During the Year, the Group recorded a revenue of HK\$676.0 million (2015: HK\$516.8 million), representing a 30.8% increase over the Prior Year.

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

	Year ended 31 March				Increment/ (decrement) %
	2016		2015		
	<i>Proportion of total \$'000 revenue %</i>		<i>Proportion of total \$'000 revenue %</i>		
Income from:					
– Securities brokerage	292,652	43.3%	204,805	39.6%	42.9%
– Hong Kong futures and options brokerage	76,688	11.3%	58,877	11.4%	30.3%
– Global futures brokerage	59,795	8.9%	49,832	9.6%	20.0%
– Bullion trading	7,759	1.1%	9,128	1.8%	(15.0%)
– Stock options brokerage	6,971	1.0%	6,368	1.2%	9.5%
– IPO brokerage	14,500	2.1%	11,288	2.2%	28.5%
Interest income from margin financing	205,801	30.5%	167,171	32.4%	23.1%
Interest income from IPO financing	11,801	1.8%	9,316	1.8%	26.7%
	675,967	100.0%	516,785	100.0%	30.8%

Revenue from Main Businesses of the Group

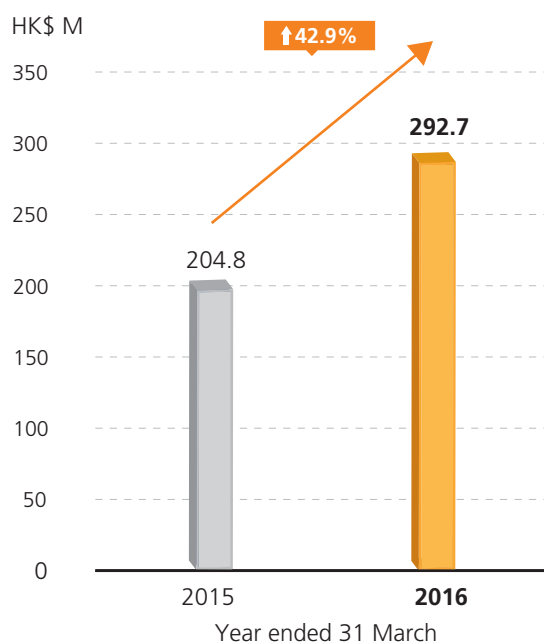


I. Securities brokerage

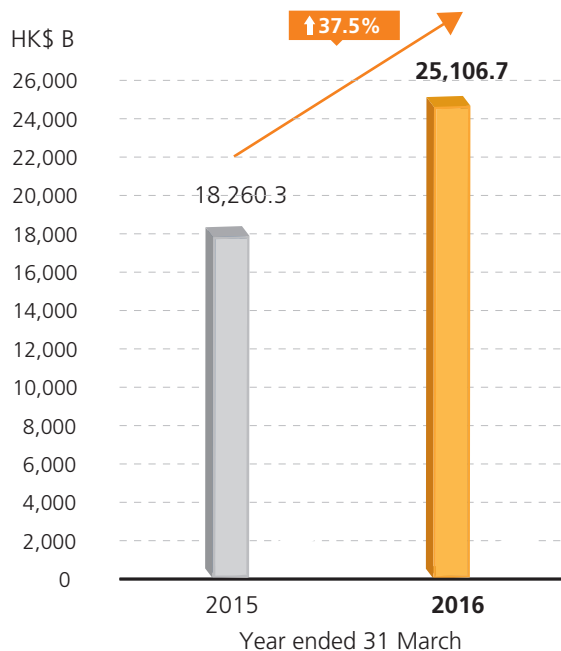
The Group's commission income from securities brokerage for the Year was HK\$292.7 million (2015: HK\$204.8 million), which largely increased by 42.9% over the Prior Year and accounted for 43.3% (2015: 39.6%) of total revenue. During the Year, the Stock Exchange recorded a transaction value of HK\$25,106.7 billion (2015: HK\$18,260.3 billion), representing a year on year increase of approximately 37.5%. The Group's growth in securities brokerage income was comparatively more significant than that of market trading volume.

In the beginning of the Year, the investment sentiment of the Hong Kong stock market was active with a sharp increase in trading volume. It directly benefited the Group's business. The online trading volume, in line with the market trading volume, also doubled, and marked a record high. In addition, the Group adopted an aggressive marketing strategy to stimulate a rapid increase in the number of customers in a short period of time, which laid the foundation for excellent results.

Commission Income from Securities Brokerage of the Group



Transaction Amount of the Hong Kong Stock Market



II. Hong Kong futures and options brokerage

The active trading of the Hong Kong stock market also drove the active trading in Hong Kong futures and options transactions. The Group's commission income from Hong Kong futures and options brokerage for the Year was HK\$76.7 million (2015: HK\$58.9 million), representing an increase of 30.3% from the Prior Year, and accounted for 11.3% (2015: 11.4%) of total revenue.

III. Global futures brokerage

The global market was volatile. As investors traded global futures for the purpose at hedging their exposure to risks, trading activities became more active. The commission income from global futures brokerage for the Year increased by 20.0% over the Prior Year to HK\$59.8 million (2015: HK\$49.8 million), representing 8.9% of total revenue (2015: 9.6%).

IV. Bullion trading

During the Year, income from bullion trading for the Year was HK\$7.8 million (2015: HK\$9.1 million), representing a year-on-year decrease of 15.0% and 1.1% of total revenue (2015: 1.8%).

V. Stock options brokerage

During the Year, the Group recorded a commission income of HK\$7.0 million (2015: HK\$6.4 million) from stock option brokerage, accounting for 1.0% (2015: 1.2%) of total revenue, and a year-on-year increase of 9.5%. As stock options are highly leveraged investment products, the Group implements proper risk controls by closely monitoring the margin levels of the stock option accounts and adjusted according to market situations.

VI. IPO brokerage and IPO financing

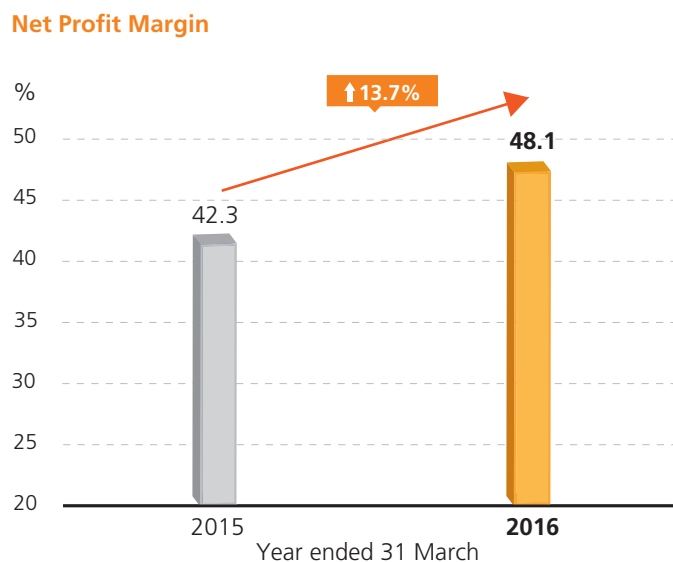
The Group's commission income from IPO brokerage was HK\$14.5 million (2015: HK\$11.3 million), representing an increase of 28.5% as compared with the Prior Year and 2.1% (2015: 2.2%) of total revenue, while interest income from IPO financing was HK\$11.8 million (2015: HK\$9.3 million), representing a year-on-year increase of 26.7% and 1.8% (2015: 1.8%) of total revenue.

VII. Margin financing

During the Year, the Group's interest income from margin financing was HK\$205.8 million (2015: HK\$167.2 million), representing an increase of 23.1% over the Prior Year, and accounted for 30.5% (2015: 32.4%) of total revenue. The Group's average daily margin financing amount increased by 10.6% from approximately HK\$4.05 billion per day for the Prior Year to approximately HK\$4.48 billion per day for the Year. The Group endeavored to provide customers with highly competitive margin ratios and interests rate such that customers can enjoy greater flexibility in liquidity. The Group has implemented effective credit control procedures. Despite the substantial growth in the amount of margin financing, the Group did not record any bad debt in the past few years.

OPERATING EXPENSES AND NET PROFIT MARGIN

In view of the development of the Group's business, the corresponding operating costs increased by 13.6% to HK\$399.4 million (2015: HK\$351.7 million), and the net profit after tax increased to HK\$ 325.5 million (2015: HK\$ 218.4 million) for the Year, representing a year-on-year increase of 49.0% over the Prior Year. As such, the net profit margin reached 48.1% for the Year (2015: 42.3%). It demonstrated the Group's effective measures in cost control which resulted in a satisfactory increase in net profit margin.



A breakdown of operating expenses is set out below:

	Year ended 31 March		Increment/ (decrement) %
	2016	2015	
	HK\$'000	HK\$'000	
Staff cost	124,000	106,496	16.4%
Depreciation	13,137	14,196	(7.5%)
Finance Cost	76,838	72,235	6.4%
Advertising and promotion expenses	8,204	9,602	(14.6%)
Auditors' remuneration	1,654	1,496	10.6%
Commission expense to overseas brokers	16,787	12,073	39.0%
Handling and settlement expenses	47,796	35,478	34.7%
Information and communication expenses	29,449	24,376	20.8%
Rentals, rates and building management fee	52,670	48,982	7.5%
Legal and professional fee	2,886	2,648	9.0%
Miscellaneous expenses	26,021	24,070	8.1%
	<u>399,442</u>	<u>351,652</u>	<u>13.6%</u>

OTHER COMPREHENSIVE INCOME

During the year, the Group acquired certain Hong Kong listed securities for investment in order to enhance the Group's revenue. The carrying value of its investments portfolio was HK\$193.3 million as at 31 March 2016, which was classified as available-for-sale investment in the consolidated statement of financial position as at 31 March 2016. Total revaluation gain of HK\$14.9 million was recognised in other comprehensive income for the Year.

FUTURE PLANS

As the global economy endures sluggish performance, slow growth and weak recovery, it would be difficult for Hong Kong, being a highly externally oriented economy, to fare any better. It is clear that 2016 will continue to be challenging and tough. However, the Chinese government's policy of openness remained unchanged. The general direction of the continual integration of China's capital market with the global capital market has never wavered. As in the past, Hong Kong will serve as an important window to connect China with other countries in the world, to assist the flow of foreign capital into and out of mainland China through the "Shanghai-Hong Kong Stock Connect" and other channels, and to accelerate the pace of internationalization of RMB. Meanwhile, the process of promoting the internationalization of RMB will bring the financial markets of both China and Hong Kong a new scene.

Expansion of branch network and recruitment of talents amid market adversities

Premier Li Keqiang repeatedly and clearly states that “Shenzhen-Hong Kong Stock Connect” would be launched subsequent to “Shanghai-Hong Kong Stock Connect”. The Mainland and Hong Kong authorities have made significant efforts in commencing “Shenzhen-Hong Kong Stock Connect” within 2016. The market therefore expects that “Shenzhen-Hong Kong Stock Connect” is in the pipeline. The Group has always been forward-looking and precautionary. In preparation for the launch of the “Shenzhen-Hong Kong Stock Connect”, the Group has grasped the golden opportunities for expansion amid market adversities, and set up branches in Tuen Mun and Tsim Sha Tsui to attract new customers. The Group’s branch network increases to 20. At the same time, in response to the needs of business expansion, the Group continued to organize job fairs to attract talents to bring new mindset to the Group. The Group will continue to identify suitable locations to open branches and expand its branch network so as to bring convenience to investors from different districts and enhance service quality.

Examine the situation and consolidate the leadership

There is vigorous competition in the securities industry. In face of competition and challenges from fellow competitors, the Group will carefully examine the market situation, take advantage of its own edges, keep abreast of the market pace and constantly optimize existing systems and online trading system in order to consolidate our market leadership. On the other hand, the Group will enhance its promotion and publicity, launch more promotional offer and plans for attracting new customers and increase market share. The Group will also adapt to the market response from the launch of “Shenzhen-Hong Kong Stock Connect” so as to maintain market competitiveness.

Diversified products to meet customers demand

Diversified and global investment strategy helps to reduce volatility of investment portfolio. It resulted in a strong demand from investors for diversified financial products. The Group has always been committed to offering global financial products. In addition to Hong Kong shares, US shares, Shanghai A-shares, Shanghai B-shares, Taiwan shares, Singapore shares, Japan shares and Australia shares, it also provides a variety of global financial products, including Hang Seng Index futures, Hang Seng Index options, Hong Kong stock options, DOW Index futures, A50 futures, currency futures, gold futures, oil futures and copper futures.

Committed to enhancing the security of online transactions

The Group is always dedicated to maintaining strong security of online trading to protect our clients' interests. To enhance the security level of our clients' internet accounts, the Group has implemented the "second password" measure to create a safer environment for customers login to the trading systems. In addition, to enhance protection of customers' personal information, the Group has launched a new encryption function of customer statement such that requires password login to access the daily/monthly statements through electronic channels. The Group will continue to examine and improve the trading system and enhance online security and privacy protection comprehensively. It enables customers to trade through the online trading systems more conveniently.

Bright Smart Finance Channel strengthens interaction and optimizes programs

Bright Smart Finance Channel keeps abreast of the market pulse and provides customers with the latest market information. It also pioneered the first global live online investment seminar inviting experts from different financial institutions to analyze the market situation and investment strategies, which is popular among investors in China and Hong Kong. Bright Smart Finance Channel will continue to optimize the quality of programs for bringing more enriched and comprehensive financial information to investors. It will also strengthen the interaction and communication with customers through inviting Bright Smart analyst team to visit branches in different districts after market close each day. They will analyze the latest market trends for customers and propose specific solutions to help customers with their questions in investment.

CONCLUSION

During the year 2015/16, the Group seized the opportunities of mutual market access between China and Hong Kong, built on its advantages during the great era of the Hong Kong stock market and successfully attracted investors from China and Hong Kong to increase its market share. The year 2016/17 will be a challenging one. Many industries will be impacted by the downturn of global economy. The Group will adopt a pragmatic approach in business expansion amid market adversities, recruit talents and continuously improve the core competitiveness of the enterprise. Meanwhile, the Group will continue to offer more global financial products, and will devote more resources to strengthen the marketing strategy to increase market share and consolidate customer base. The Group is well-positioned to grasp the golden opportunities brought about by the "Shenzhen-Hong Kong Stock Connect" and is geared to achieve another peak.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintains a strong cash position with total bank deposits, bank balances and cash amounted to HK\$503.4 million as at 31 March 2016 (2015: HK\$521.8 million). The Group had bank borrowings of HK\$2,554.0 million as at 31 March 2016 (2015: HK\$14,010.3 million) which bore interest primarily at floating rate. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 31 March 2016, unutilised banking facilities amounted to HK\$9,245.0 million (2015: HK\$4,259.7 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 125.4% (2015: 804.9%). As at 31 March 2016, the net current assets of the Group increased by 10.1% to HK\$1,776.3 million (2015: HK\$1,613.6 million). As at 31 March 2016, the Group's current ratio (current assets divided by current liabilities) was 1.5 times (2015: 1.1 times).

The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules ("FRR").

CHARGES ON ASSETS

No asset of the Group was subject to any charge as at 31 March 2016 and 2015.

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\$9,165 million (2015: HK\$6,630.0 million). As at 31 March 2016, the subsidiaries of the Company have utilised HK\$1,806.0 million of these aggregate banking facilities (2015: HK\$3,021.0 million).

As at the end of the reporting period, the directors did not consider that any claim would be made against the Group under any of the guarantees. The Group has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and the transaction price was nil.

OPERATING LEASE COMMITMENTS AND CAPITAL COMMITMENTS

The operating lease commitments as at 31 March 2016 were approximately HK\$131.2 million (2015: HK\$71.2 million). The capital commitments as at 31 March 2016 were approximately HK\$1.3 million (2015: HK\$0.5 million).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2016, the Group had a work force of 272 employees (2015: 265 employees). Staff costs, excluding Directors' emoluments, amounted to approximately HK\$101.6 million for the Year (2015: HK\$95.8 million). 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 and competitive and in line with market trends. The Group has put in place a share option scheme and a bonus scheme for its executives and employees as a measure to provide a competitive remuneration package for the Group's long term growth and development. The Group also provides appropriate training and development programs to its employees to enhance the staff's work ability and personal effectiveness.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

LITIGATION

As at 31 March 2016 and up to the date of this announcement, the Group has not been involved in any litigation of significance.

RISK MANAGEMENT

Credit risk

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

In respect of amounts due from clients, individual 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 amounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and enjoy sound reputation in the industry.

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

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

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Interest rate risk

The Group charges interest on its margin clients and cash clients with outstanding loan amounts on the basis of its cost of funding plus a mark-up. Financial assets (such as margin loans and deposits with banks) and financial liabilities (such as bank loans) are primarily at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

Foreign exchange risk

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

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2016.

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. All the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

REVIEW OF ANNUAL RESULTS

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

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2016 had been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) of the Company will be held on Monday, 8 August 2016. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.bsgroup.com.hk). The Annual Report 2015/16 and the notice of AGM will be despatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Bright Smart Securities & Commodities Group Limited
Hui Yik Bun
Executive Director and Chief Executive Officer

Hong Kong, 20 June 2016

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

* *Independent Non-executive Directors*