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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 2016

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 2016 together with the comparative figures for the six months ended 30 September 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

		Six months ended 30 September	
	Note	2016 \$'000	2015 \$'000
Revenue	3	263,860	417,740
Other income	5	50,809	70,919
Other net gain/(loss)	6	19,015	(7,425)
		333,684	481,234
Staff costs		(50,062)	(62,030)
Depreciation		(5,267)	(6,537)
Other operating expenses	7(b)	(97,971)	(100,084)
Profit from operations		180,384	312,583
Finance costs	7(a)	(22,762)	(54,856)
Profit before taxation	7	157,622	257,727
Income tax	8	(22,065)	(42,796)
Profit for the period		135,557	214,931
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities		(5,279)	–
– Exchange reserve		96	181
Total comprehensive income attributable to equity shareholders for the period		130,374	215,112
Earnings per share			
Basic (cents)	9	7.99	12.68
Diluted (cents)	9	7.99	12.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

		At 30 September 2016 \$'000	At 31 March 2016 \$'000
	Note		
Non-current assets			
Property, plant and equipment		22,259	23,612
Available-for-sale securities		92,111	193,264
Deferred tax assets		2,736	4,062
Other receivables, deposits and prepayments		16,849	15,319
Other non-current assets		48,227	24,891
Total non-current assets		182,182	261,148
Current assets			
Accounts receivable	11	5,453,675	4,919,461
Other receivables, deposits and prepayments		10,971	9,020
Cash and cash equivalents		621,805	503,442
Total current assets		6,086,451	5,431,923
Current liabilities			
Accounts payable	12	1,077,181	1,020,631
Accrued expenses and other payables		47,397	56,277
Bank loans and overdrafts	13	3,028,347	2,554,000
Current taxation		44,077	24,682
Total current liabilities		4,197,002	3,655,590
Net current assets		1,889,449	1,776,333
Total assets less current liabilities		2,071,631	2,037,481
Non-current liability			
Deferred tax liabilities		108	137
NET ASSETS		2,071,523	2,037,344
EQUITY			
Share capital		509,099	508,966
Share premium		737,677	737,216
Exchange reserve		284	188
Investment revaluation reserve		9,653	14,932
Merger reserve		(20,000)	(20,000)
Share option reserve		9,521	11,104
Retained profits		825,289	784,938
TOTAL EQUITY		2,071,523	2,037,344

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 2016 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. A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of this interim financial report is set out below.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015/16 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/17 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 2015/16 annual financial statements. 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 2016 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 2016 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 June 2016.

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. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

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:

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Brokerage commission	178,356	280,282
Dealing income from bullion trading	2,758	4,502
Interest income from margin financing	80,932	122,548
Interest income from IPO financing	1,814	10,408
	<u>263,860</u>	<u>417,740</u>

4 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 – bullion dealing and provision of bullion trading service to customers.

(a) Segment results, assets and liabilities

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

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

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

(b) Segment information

	Six months ended 30 September 2016			
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	Total \$'000
Revenue from customers:				
– Brokerage commission	104,831	73,525	–	178,356
– 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
Consolidated revenue	187,472	73,630	2,758	263,860
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
Reportable segment revenue	<u>232,974</u>	<u>75,074</u>	<u>2,793</u>	<u>310,841</u>
Reportable segment profit (EBIT)	<u>149,174</u>	<u>25,961</u>	<u>690</u>	<u>175,825</u>
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	<u>3,964</u>	<u>–</u>	<u>–</u>	<u>3,964</u>

	At 30 September 2016			
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	Total \$'000
Reportable segment assets	5,818,896	718,405	41,868	6,579,169
Reportable segment liabilities	<u>(4,109,936)</u>	<u>(461,861)</u>	<u>(36,009)</u>	<u>(4,607,806)</u>

Six months ended 30 September 2015

	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Revenue from customers:				
– Brokerage commission	208,714	71,568	–	280,282
– Dealing income	–	–	4,502	4,502
– Interest income				
from margin financing	122,477	71	–	122,548
– Interest income from IPO				
financing	10,408	–	–	10,408
Consolidated revenue	341,599	71,639	4,502	417,740
Interest income from cash clients	16,813	–	–	16,813
Other interest income	10,383	1,374	13	11,770
Handling and settlement fees	40,710	30	3	40,743
Reportable segment revenue	<u>409,505</u>	<u>73,043</u>	<u>4,518</u>	<u>487,066</u>
Reportable segment profit (EBIT)	<u>287,091</u>	<u>21,830</u>	<u>3,324</u>	<u>312,245</u>
Depreciation for the period	6,235	53	58	6,346
Finance costs	55,666	26	–	55,692
Additions to non-current segment				
assets during the period	<u>5,862</u>	<u>–</u>	<u>–</u>	<u>5,862</u>

At 31 March 2016

	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Reportable segment assets	5,291,056	550,140	34,749	5,875,945
Reportable segment liabilities	<u>(3,697,587)</u>	<u>(305,639)</u>	<u>(28,418)</u>	<u>(4,031,644)</u>

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

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Profit		
Reportable segment profit (EBIT)	175,825	312,245
Finance costs	(27,144)	(54,856)
Elimination of inter-segment finance costs	4,382	–
Unallocated corporate income	9,123	6,963
Unallocated corporate expenses	(4,564)	(6,625)
	<hr/>	<hr/>
Consolidated profit before taxation	157,622	257,727
	<hr/>	<hr/>
	At	At
	30 September	31 March
	2016	2016
	\$'000	\$'000
Assets		
Reportable segment assets	6,579,169	5,875,945
Elimination of inter-segment receivables	(459,554)	(426,285)
Unallocated corporate assets	149,018	243,411
	<hr/>	<hr/>
Consolidated total assets	6,268,633	5,693,071
	<hr/>	<hr/>
	At	At
	30 September	31 March
	2016	2016
	\$'000	\$'000
Liabilities		
Reportable segment liabilities	(4,607,806)	(4,031,644)
Elimination of inter-segment payables	414,774	380,072
Unallocated corporate liabilities	(4,078)	(4,155)
	<hr/>	<hr/>
Consolidated total liabilities	(4,197,110)	(3,655,727)
	<hr/>	<hr/>

5 OTHER INCOME

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Interest income from		
– Authorised institutions	10,009	12,141
– Cash clients	9,503	16,813
– Others	102	73
	<u>19,614</u>	<u>29,027</u>
Handling and settlement fees	27,380	40,743
Sundry income	<u>3,815</u>	<u>1,149</u>
	<u><u>50,809</u></u>	<u><u>70,919</u></u>

6 OTHER NET GAIN/(LOSS)

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Realised gain from		
– Available-for-sale securities	24,339	–
– Trading investment	<u>399</u>	<u>–</u>
	24,738	–
Net foreign exchange loss	(5,400)	(6,537)
Loss on disposals of property, plant and equipment	(37)	(38)
Error trades arising from dealings	(65)	(296)
Others	<u>(221)</u>	<u>(554)</u>
	<u><u>19,015</u></u>	<u><u>(7,425)</u></u>

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
(a) Finance costs		
Interest expense on		
– Bank loans for IPO financing	(1,246)	(7,417)
– Other bank loans and overdrafts	(21,512)	(47,402)
– Loans from related companies	(4)	(37)
	<u>(22,762)</u>	<u>(54,856)</u>
(b) Other operating expenses		
Advertising and promotion expenses	(3,740)	(4,212)
Auditors' remuneration	(776)	(748)
Commission expense to overseas brokers	(9,023)	(9,317)
Handling and settlement expenses	(18,868)	(30,471)
Information and communication expenses	(15,483)	(15,065)
Legal and professional fees	(4,269)	(1,988)
Operating lease payments		
– property rentals	(28,439)	(24,098)
Rates and building management fees	(2,147)	(1,773)
Reversal of allowance for doubtful debts	269	–
Miscellaneous expenses	(15,495)	(12,412)
	<u>(97,971)</u>	<u>(100,084)</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	(20,806)	(42,668)
Under-provision in respect of prior years	39	–
Deferred tax		
Origination and reversal of temporary differences	(1,298)	(128)
Total tax charge for the period	<u>(22,065)</u>	<u>(42,796)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the current period.

9 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 September	
	2016	2015
Earnings		
Profit for the period attributable to owners of the Company (\$'000)	<u>135,557</u>	<u>214,931</u>
Number of shares		
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>1,696,768</u>	<u>1,695,095</u>
Basic earnings per share (<i>cents</i>)	<u>7.99</u>	<u>12.68</u>

(b) Diluted earnings per share

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

	Six months ended 30 September	
	2016	2015
Earnings		
Profit for the period attributable to owners of the Company (\$'000)	<u>135,557</u>	<u>214,931</u>
Number of shares		
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	1,696,768	1,695,095
Effect of dilutive potential ordinary shares:		
– Share options (<i>in thousands</i>) (<i>note</i>)	<u>146</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>in thousands</i>)	<u>1,696,914</u>	<u>1,695,095</u>
Diluted earnings per share (<i>cents</i>)	<u>7.99</u>	<u>12.68</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 2016 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 2016 (six months ended 30 September 2015: nil).

11 ACCOUNTS RECEIVABLE

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Accounts receivable		
– Cash clients	214,367	200,342
– Margin clients	4,316,722	3,551,585
– Clearing houses	708,371	508,631
– Subscriptions of new shares in IPO	173,467	535,658
– Brokers and dealers	41,090	123,856
Less: allowance for doubtful debts	(342)	(611)
	<u>5,453,675</u>	<u>4,919,461</u>

The aging 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 2016 \$'000	At 31 March 2016 \$'000
Current	42,489	18,893
Less than 1 month	121,627	86,924
1 to 3 months	17,600	26,971
More than 3 months	32,651	67,554
	<u>171,878</u>	<u>181,449</u>
	<u>214,367</u>	<u>200,342</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 2016, the total market value of their portfolios of securities was \$1,311,583,000 (31 March 2016: \$1,193,608,000). 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 2016, margin loans due from margin clients were current and repayable on demand except for \$712,000 (31 March 2016: \$762,000) where the margin loans were past due for less than 1 month amounted to \$6,000, past due for 1 to 3 months amounted to \$13,000, past due for 3 months to 1 year amounted to \$4,000 and past due for over 1 year amounted to \$689,000 following the trading suspension of the pledged securities. At 30 September 2016, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were approximately \$10,388,451,000 and \$14,950,081,000 (31 March 2016: \$9,127,551,000 and \$13,087,010,000). 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, 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 2016 \$'000	At 31 March 2016 \$'000
Accounts payable		
– Cash clients	127,847	370,989
– Margin clients	664,025	627,838
– Clearing houses	252,157	–
– Brokers	33,152	21,804
	<u>1,077,181</u>	<u>1,020,631</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 2016 \$'000	At 31 March 2016 \$'000
Secured loans		
– Bank loans	2,551,000	2,020,000
– Bank overdraft	443,347	–
– Bank loans for IPO	34,000	534,000
	<u>3,028,347</u>	<u>2,554,000</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 2016 and 31 March 2016 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 \$3,028,347,000 (31 March 2016: \$2,554,000,000). The fair value of the collateral repledged to banks as at 30 September 2016 amounted to \$5,613,127,000 (31 March 2016: \$4,593,124,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the six-month period ended 30 September 2016 (the “Period”) under review, the Hong Kong stock market witnessed a retreat before a surge. At the beginning of the period, the global economic growth was sluggish, and the world financial and monetary markets fluctuated significantly. China’s GDP for the first quarter recorded a year-on-year growth of 6.7%, which was a record 7-year low, according to the statistics released by National Bureau of Statistics of China. MSCI Inc. also announced that the inclusion of China A shares into MSCI Emerging Markets Index would be delayed, deepening the worries of investors about the economic prospect of China, emerging markets and even the globe. As such, investors took a strong wait-and-see approach towards the market where they were reluctant to participate.

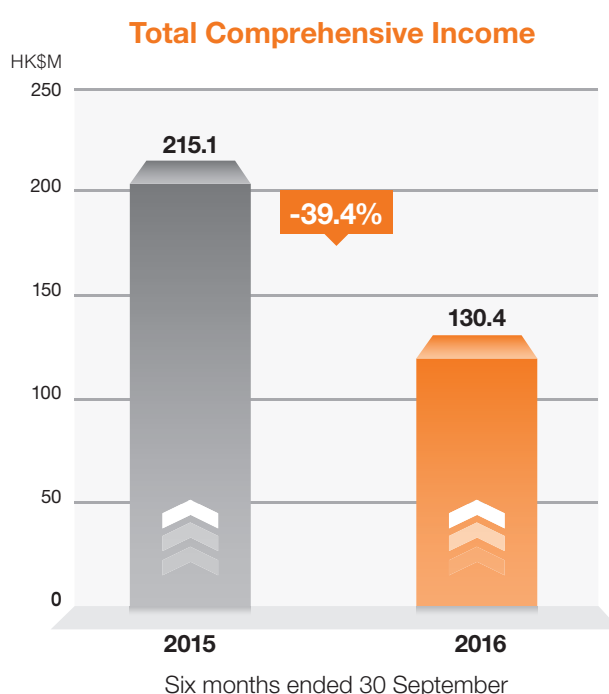
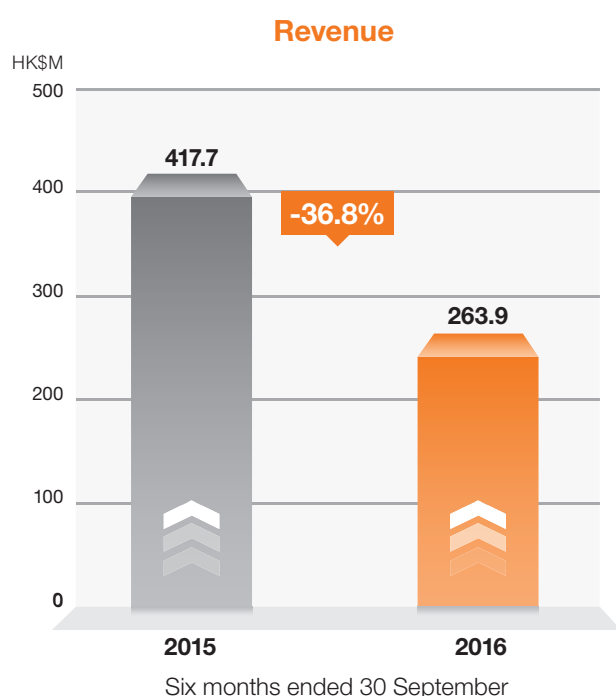
In June 2016, the UK decided to exit from the European Union through a public vote, which shocked the world. Investors concerned that this act would affect the global economic growth and the financial market stability. The global stock market got hammered, and the Hong Kong stock market was dragged down significantly as evidenced by the fact that Hang Seng Index sharply dropped by over 1,200 points on that day. However, along with various emerging uncertainties, the market gradually overcame the negative atmosphere, the global stock market would rebound as well. In addition, China’s overall economic data tended to be promising, and China’s GDP for the third quarter recorded a year-on-year growth of 6.7%, which was in line with market expectations. Market further restored confidence in the economic growth of China. Compounded with the view that “Shenzhen-Hong Kong Stock Connect” will be launched soon, investors expected that large number of capital would be invested in Hong Kong stocks again, and the investment climates have recovered accordingly. Consequently, the Hang Seng Index stably increased by 12.1% from the opening index of 20,777 points on 1 April 2016 to the closing index of 23,297 points on 30 September 2016.

Looking forward to the second half of the financial year, the market performance will continue to be impacted by certain factors, including the political situation in the US, the economic growth in the US accelerating the beginning of the rate hiking cycle conducted by the US Federal Reserve, the commencement of Brexit procedure, and the possibility of other EU member states to follow the UK to exit from the EU. All of these will bring about uncertainties in the global economy. In respect of the China and Hong Kong markets, the “Shenzhen-Hong Kong Stock Connect” scheme to be launched in the early December will attract more attention in the markets. It is expected that the aggregate quota of transactions through the “Shenzhen-Hong Kong Stock Connect” and “Shanghai-Hong Kong Stock Connect” will be cancelled, which will be helpful to attract large-scale funds to invest in the Hong Kong market. Meanwhile, the investing of the insurance funds from mainland China into Hong Kong market has been approved, which will be a new driving force of the Hong Kong stock market. In addition, the weakening RMB will increase the likelihood of fund outflow, the performance of Hong Kong stock market is therefore expected to remain stable and its long-term tendency appears prospective.

OPERATING RESULTS

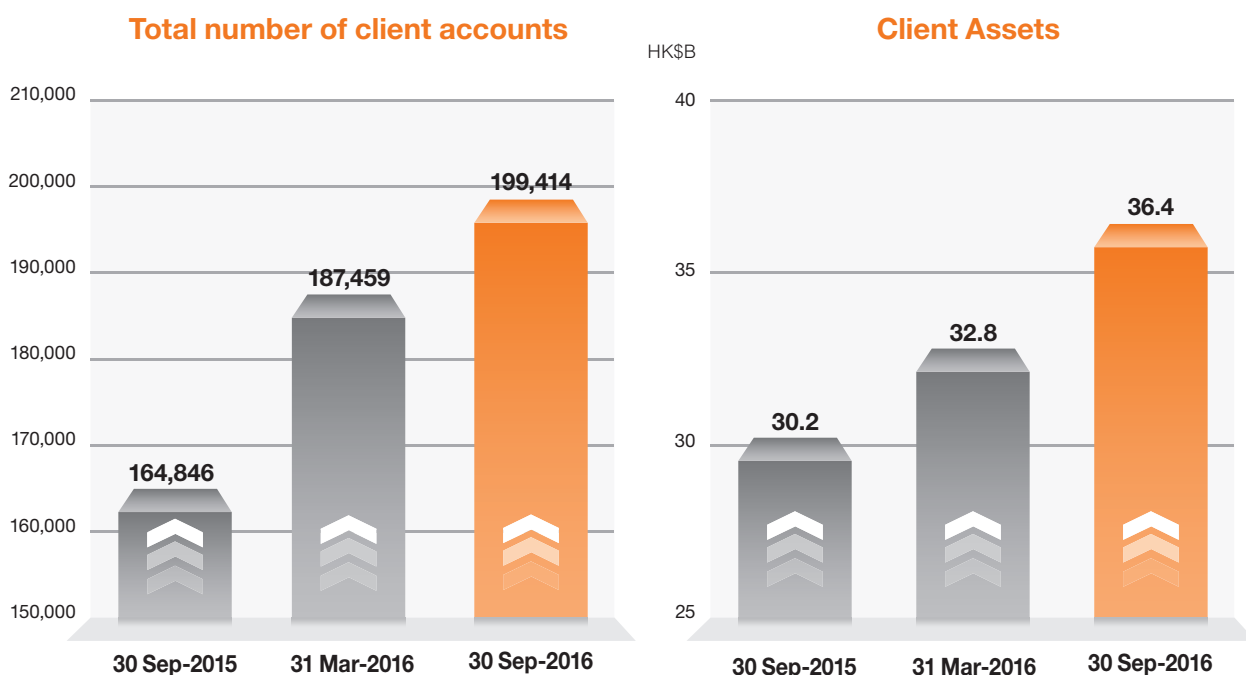
During the Period, the Group recorded a revenue of HK\$263.9 million (2015: HK\$417.7 million), representing a decrease of 36.8% as compared to the corresponding period last year. Total comprehensive income attributable to equity shareholders was HK\$130.4 million (2015: HK\$215.1 million), representing a decrease of 39.4% as compared to the corresponding period last year. Basic earnings per share were 7.99 HK cents (2015: 12.68 HK cents) and the diluted earnings per share were 7.99 HK cents (2015: 12.68 HK cents). The Board does not recommend the payment of an interim dividend for the Period (2015: nil).

The Group's revenue for the period was dragged down by the reduction in the total turnover of the Hong Kong stock market. According to the statistics provided by Hong Kong Exchanges and Clearing Limited, the average daily turnover of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the Period was approximately HK\$65.5 billion, representing a significant decrease of approximately 50.5% as compared with approximately HK\$132.4 billion for the corresponding period of 2015. In addition, in order to support the Group's long-term development strategy, the Group undertook expansion exercises amid market adversities during the Period by opening three new branches and recruiting talents. Furthermore, the Group also upgraded the network security infrastructure to strengthen the protection on our clients which was believed to be essential for the preparation of the coming robust growth in turnover.



TOTAL NUMBER OF CLIENT ACCOUNTS AND CLIENT ASSETS

The global economy has stepped into an adjustment phase, restraining the desire to make consumption and investment amongst the general public, and the market continued to be sluggish as a result. The Group bravely and actively undertook expansion exercises amid market adversities. In particular, the Group successively set up branches in the prime locations such as Tsim Sha Tsui, Kwun Tong and Kowloon Bay. By the end of September 2016, the Group had 21 offices comprising of the head office in Central and branches, of which 19 selected branches open seven days a week. 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) had reached 11,955. As a result, the total number of client accounts increased to 199,414, representing an increase of 21.0% as compared to 164,846 as at 30 September 2015. As at 30 September 2016, client assets (including cash, stocks and margin deposits) increased to approximately HK\$36.4 billion (30 September 2015: approximately HK\$30.2 billion), representing an increase of 20.5%.



REVENUE

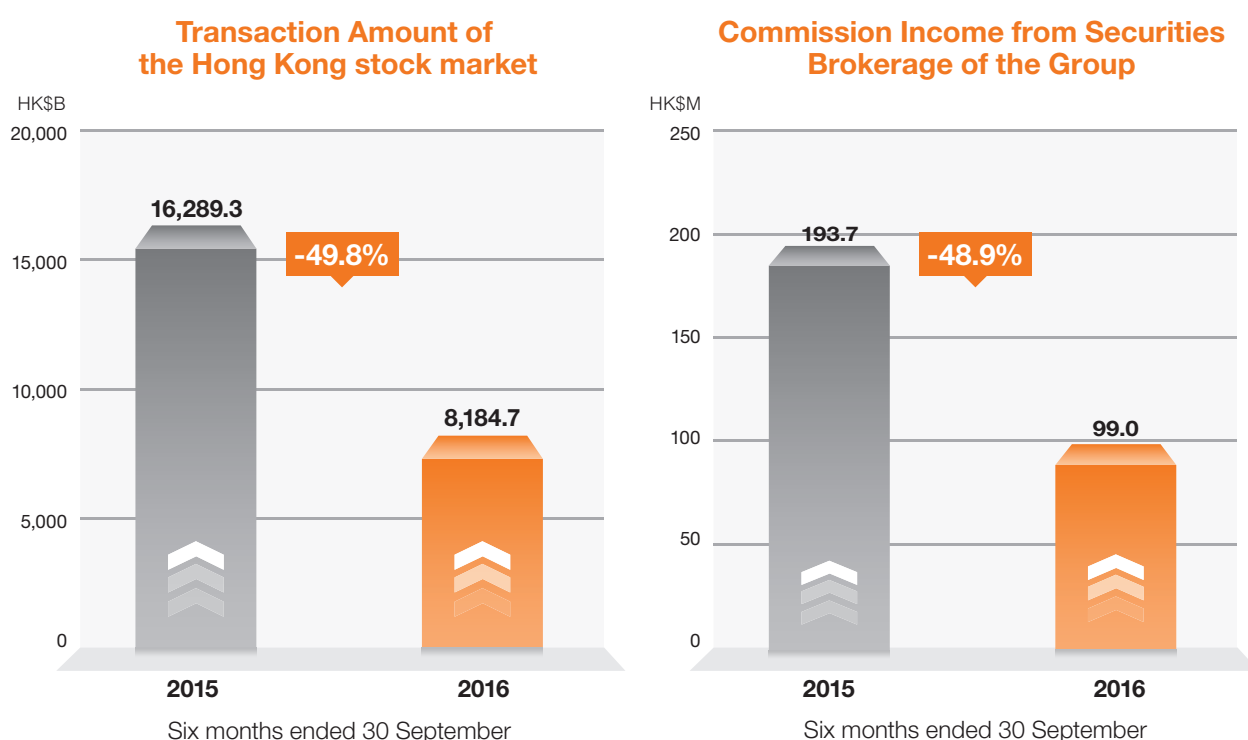
During the Period, the Group recorded a revenue of HK\$263.9 million (2015: HK\$417.7 million), representing a decrease of 36.8% as compared to the corresponding period last year.

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

	Period ended 30 September				
	2016		2015		
		Proportion of total revenue		Proportion of total revenue	Increment/ (decrement)
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>
Income from:					
– Securities brokerage	98,982	37.5%	193,716	46.4%	(48.9%)
– Hong Kong futures and options brokerage	40,300	15.3%	39,043	9.3%	3.2%
– Global futures brokerage	33,225	12.6%	32,525	7.8%	2.2%
– Bullion trading	2,758	1.0%	4,502	1.1%	(38.7%)
– Stock options brokerage	3,322	1.3%	4,271	1.0%	(22.2%)
– IPO brokerage	2,527	1.0%	10,727	2.6%	(76.4%)
Interest income from margin financing	80,932	30.7%	122,548	29.3%	(34.0%)
Interest income from IPO financing	1,814	0.6%	10,408	2.5%	(82.6%)
	263,860	100.0%	417,740	100.0%	(36.8%)

I. Securities brokerage

During the Period, the Stock Exchange recorded a total transaction amount of HK\$8,184.7 billion (2015: HK\$16,289.3 billion), representing a period-to-period decrease of 49.8%. The substantial decline in transaction amount directly impacted the Group's revenue. The Group's commission income from securities brokerage amounted to HK\$99.0 million (2015: HK\$193.7 million), accounting for 37.5% (2015: 46.4%) of the total revenue, representing a decrease of 48.9% as compared to the corresponding period last year, which approximated the decrease of market trading volume.



II. Hong Kong futures and options brokerage

Affected by the sluggish trading volume and weak performance of the stock market, many investors chose to invest in futures market. As a result, the Group's Hong Kong futures and options brokerage segment recorded commission income of HK\$40.3 million (2015: HK\$39.0 million) during the Period, representing an increase of 3.2% as compared to the corresponding period last year, accounting for 15.3% (2015: 9.3%) of the total revenue.

III. Global futures brokerage

The volatility in the global stock market dampened investors' interest in the market. During the Period, the commission income from global futures brokerage was HK\$33.2 million (2015: HK\$32.5 million), representing an increase of 2.2% as compared to the corresponding period last year, accounting for 12.6% (2015: 7.8%) of the total revenue.

IV. Bullion trading

The commodity market was also inevitably affected by the highly volatile global financial market. During the Period, the Group's bullion trading income was HK\$2.8 million (2015: HK\$4.5 million), representing a decrease of 38.7% as compared to the corresponding period last year, accounting for 1.0% (2015: 1.1%) of the total revenue.

V. Stock options brokerage

During the Period, the Group's trading service for stock options recorded an income of HK\$3.3 million (2015: HK\$4.3 million), representing a decrease of 22.2% as compared to the corresponding period last year, accounting for 1.3% (2015: 1.0%) 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. Margin financing

Investors adopted a strong wait-and-see approach towards the overall market where they were reluctant to participate. The Group's average daily margin financing decreased from the corresponding period last year of approximately HK\$5.28 billion to the current period of approximately HK\$3.85 billion. During the Period, the Group's interest income from margin financing was HK\$80.9 million (2015: HK\$122.5 million), representing a decrease of 34.0% from the corresponding period last year, accounting for 30.7% (2015: 29.3%) of the total revenue. The Group has implemented effective credit control procedures, hence there were no record of bad debts over the past few years.

VII. IPO brokerage and IPO financing

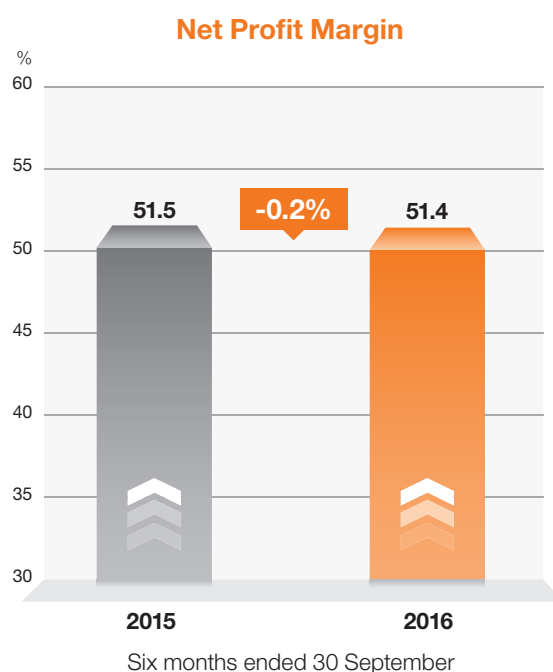
According to the Stock Exchange's figures, the number of IPO projects and the amount of funds raised by way of IPO both decreased from the corresponding period last year. As a result, the Group's commission income from IPO brokerage was HK\$2.5 million (2015: HK\$10.7 million) during the Period, representing a period-to-period decrease of 76.4%, and the interest income from IPO financing decreased by 82.6% to HK\$1.8 million (2015: HK\$10.4 million) accordingly.

GAIN FROM INVESTMENT

During the Period, the Group invested in certain Hong Kong listed securities to enhance the Group's financial performance. The carrying amount of its investment portfolio was HK\$92.1 million as at 30 September 2016 (31 March 2016: HK\$193.3 million), which was classified as available-for-sale securities in the consolidated statement of financial position. During the period, the realised gain from disposal of available-for-sale securities was HK\$24.3 million (2015: nil), and the investment revaluation reserved decreased by HK\$5.3 million as compared with 31 March 2016.

OPERATING EXPENSES AND NET PROFIT MARGIN

As the Group's reduced transaction-related operating cost due to decreased trade transaction for the Period and as a result of the Group's sound management and effective cost control measures, the Group's operating expenses for the Period was HK\$176.1 million (2015: HK\$223.5 million), representing a decrease of 21.2% as compared to the corresponding period last year. The net profit margin was 51.4% (2015: 51.5%), which approximated that of the corresponding period last year.



A breakdown of operating expenses is set out below:

	2016	2015	Increment/ (decrement)
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Staff costs	50,062	62,030	(19.3%)
Depreciation	5,267	6,537	(19.4%)
Finance cost	22,762	54,856	(58.5%)
Advertising and promotion expenses	3,740	4,212	(11.2%)
Commission expenses to overseas brokers	9,023	9,317	(3.2%)
Handling and settlement expenses	18,868	30,471	(38.1%)
Information and communication expenses	15,483	15,065	2.8%
Rental, rates and building management fee	30,586	25,871	18.2%
Legal and professional fee	4,269	1,988	114.7%
Miscellaneous expenses	16,002	13,160	21.6%
	<u>176,062</u>	<u>223,507</u>	<u>(21.2%)</u>

FUTURE PLANS

The global economy continued to grow at a slow pace, the global financial markets endured sluggish performance, and investors turned more cautious about entering the market, all of which resulted in a relatively thin trading pattern in the market. Under this circumstance, some large financial institutions reduced their securities business, shut down all retail outlets, cut down securities practitioners, and even closed their global corporate securities business. Although the securities industry was full of pessimism in response to this situation, the Group decided to undertake expansion exercises amid market adversities by opening three new branches and recruiting a group of talents in a short time, so as to expand our branch networks and improve our service quality. In the future, the Group will continue to seek to open new branches at prime locations, and will regularly hold job fairs to attract more excellent talents to meet our needs for business expansion, thereby getting ready to embrace the next “Big Era”.

Nowadays, investors have global perspective. More and more investors consider investing in global financial products. One step ahead, the Group has its online trading platforms and mobile applications connected to the world market to trade all sorts of products including Hong Kong shares, US shares, Shanghai A-Shares, Japan shares, Taiwan shares, Singapore 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. During the Period, the Group introduced Australia shares to cater for the needs of different customers. 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 “second password” security measure by which each client must enter two different passwords before logging in the trading system with a view to enhancing the security of online trading. The Group will place more emphasis on educating clients on the importance of adopting safe online trading in the future 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 “My Favorite • Online Securities Trading Platform” award granted by Metro Radio recently. This award was elected by industrial and business celebrities and by the public on a “one man, one vote” basis, thus was widely recognized. It was a strong evidence of high speed, stability, security and reliability of the Group’s online trading system which was very popular among our clients.

In addition, with the launch of “Shanghai-Hong Kong Stock Connect” and “Shenzhen-Hong Kong Stock Connect”, more mutual market access schemes and initiatives between the financial markets in China and Hong Kong will be adopted in the future, and the connection between two financial markets will be closer, which will facilitate the steady development of both markets. Meanwhile, the resulting opportunities will attract more attention of the investor community.

Responding to the launch of “Shenzhen-Hong Kong Stock Connect”, the Group announced to introduce certain exciting concessions to capture the China market, and actively prepared for and conducted stimulation test many times with a transaction amount exceeding HK\$200 billion. On the other hand, Bright Smart Finance Channel has employed certain Putonghua speaking anchors and professional analysts specialized in analyzing A shares. Also, it will host investment seminar jointly with the Stock Exchange and large financial institutions to deepen the understanding and perception of the investors in China and Hong Kong on the “Shenzhen-Hong Kong Stock Connect”. In addition, Bright Smart Finance Channel will broadcast more Putonghua programmes in which abundant information such as China stock market’s trends and A-share movements will be included, to meet the needs of clients in mainland China and help them to realise wealth appreciation in an effective manner.

Adhering to the servicing philosophy of “Customer Foremost” and the aggressive business development strategy, with its outstanding performance, the Group has earned high affirmations and recognitions in the market. After being admitted into the “MSCI Index”, the Group was also included into “Hang Seng Global Composite Index” and “Hang Seng Composite Index Series”, being the two large benchmark indexes, by Hang Seng Indexes Company Limited, a 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 our competitive edge and solidify our strength, so as to continue maintaining our leading position in the industry.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group’s operations were 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\$621.8 million as at 30 September 2016 (31 March 2016: HK\$503.4 million). The Group had total bank borrowings of HK\$3,028.4 million as at 30 September 2016 (31 March 2016: HK\$2,554.0 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 2016, unutilised banking facilities amounted to HK\$10,216.5 million (31 March 2016: HK\$9,245.0 million). The Group’s gearing ratio (total bank borrowings divided by the total shareholders’ equity) was 146.2% (31 March 2016: 125.4%). As at 30 September 2016, the net current assets of the Group increased by 6.4% to HK\$1,890.0 million (31 March 2016: HK\$1,776.3 million). As at 30 September 2016, the Group’s current ratio (current assets divided by current liabilities) was 1.5 times (31 March 2016: 1.5 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 2016 and 31 March 2016.

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\$10,865.0 million (31 March 2016: HK\$9,165.0 million). As at 30 September 2016, the subsidiaries of the Company has utilised HK\$2,862.4 million of these aggregate banking facilities (31 March 2016: HK\$1,806.0 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”) 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 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 2016, the Group had a work force of 291 employees (31 March 2016: 272 employees). The Group’s remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes the remuneration packages are reasonable, competitive and in line with market trends. The Group has put in place a share option scheme and a bonus scheme for its executives and employees in a bid to provide 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.

OTHER CHANGES IN DIRECTORS' INFORMATION

There have been some change in Directors' information during the Period which are reported as follows:

- (a) Mr. Hui Yik Bun was re-designated as a chief executive officer and appointed as an authorised representative of the Company with effect from 31 May 2016.
- (b) Mr. Chan Kai Fung resigned as an executive Director and a co-chief executive officer of the Company with effect from 31 May 2016.

Save as disclosed above, there had not been any other changes to directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to ensuring high standards of corporate governance practices. During the Period, the Company fully complied with the mandatory code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The 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 2016.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.bsgroup.com.hk. The Interim Report 2016/17 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, 30 November 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*