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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 2015**

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 September 2015 together with the comparative figures for the six months ended 30 September 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
	<i>Note</i>	2015	2014
		\$'000	\$'000
Turnover	2	417,740	215,984
Other revenue	4	70,520	47,113
Other net (loss)/gain	5	(7,026)	451
Staff costs		(62,030)	(48,035)
Depreciation		(6,537)	(7,046)
Other operating expenses	6(b)	(100,084)	(70,878)
Profit from operations		312,583	137,589
Finance costs	6(a)	(54,856)	(27,888)
Profit before taxation	6	257,727	109,701
Income tax	7	(42,796)	(15,709)
Net profit and total comprehensive income attributable to equity shareholders for the period		214,931	93,992
			(restated)
Earnings per share	8, 13		
Basic (cents)		12.68	7.57
Diluted (cents)		12.68	7.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015 – unaudited (Expressed in Hong Kong dollars)

		At 30 September 2015 <i>Note</i> \$'000	At 31 March 2015 \$'000
Non-current assets			
Property, plant and equipment		22,860	23,514
Deferred tax assets		2,918	3,062
Other receivables, deposits and prepayments		7,054	16,225
Other non-current assets		44,775	84,472
		<hr/>	<hr/>
Total non-current assets		77,607	127,273
		<hr/>	<hr/>
Current assets			
Accounts receivable	10	4,533,285	17,245,624
Other receivables, deposits and prepayments		14,752	4,354
Tax recoverable		119	1,574
Cash and cash equivalents		518,894	521,782
		<hr/>	<hr/>
Total current assets		5,067,050	17,773,334
		<hr/>	<hr/>
Current liabilities			
Accounts payable	11	1,054,020	2,089,489
Accrued expenses and other payables		54,207	49,487
Bank loans and overdrafts	12	2,073,003	14,010,261
Current taxation		51,705	10,492
		<hr/>	<hr/>
Total current liabilities		3,232,935	16,159,729
		<hr/>	<hr/>
Net current assets		1,834,115	1,613,605
		<hr/>	<hr/>
Total assets less current liabilities		1,911,722	1,740,878
		<hr/>	<hr/>
Non-current liability			
Deferred tax liabilities		208	224
		<hr/>	<hr/>
NET ASSETS		1,911,514	1,740,654
		<hr/>	<hr/>
EQUITY			
Share capital		508,966	506,876
Share premium		737,216	729,795
Merger reserve		(20,000)	(20,000)
Exchange reserve		181	–
Share option reserve		11,961	1,255
Retained profits		673,190	522,728
		<hr/>	<hr/>
TOTAL EQUITY		1,911,514	1,740,654
		<hr/>	<hr/>

Notes:

(Expressed in Hong Kong dollars unless otherwise indicated)

1 (a) Statement of compliance

This interim financial report for the six months period ended 30 September 2015 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 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 2014/15 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 2015 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 2015 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 June 2015.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the interim financial statements is the historical cost basis.

The preparation of an interim financial report in conformity with HKAS 34, Interim Financial Reporting, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 TURNOVER

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

Turnover represents the brokerage commission from securities broking, commodities and futures broking, dealing income from bullion trading and interest income from margin and initial public offering (“IPO”) financings as follows:

	Six months ended	
	30 September	
	2015	2014
	\$'000	\$'000
Brokerage commission	280,282	141,453
Dealing income from bullion trading	4,502	1,924
Interest income from margin financing	122,548	69,098
Interest income from IPO financing	10,408	3,509
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	417,740	215,984
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3 SEGMENT REPORTING

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

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

(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 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 2015			
	Commodities			Total \$'000
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'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 turnover	341,599	71,639	4,502	417,740
Handling and settlement fees	40,710	30	3	40,743
Reportable segment revenue	382,309	71,669	4,505	458,483
Reportable segment profit (EBIT)	287,091	21,830	3,324	312,245
Depreciation for the period	6,235	53	58	6,346
Other interest income	27,196	1,374	13	28,583
Finance costs	55,666	26	–	55,692
Additions to non-current segment assets during the period	5,862	–	–	5,862
At 30 September 2015				
	Commodities			Total \$'000
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	
Reportable segment assets	4,843,552	623,688	32,602	5,499,842
Reportable segment liabilities	(3,157,564)	(398,243)	(27,058)	(3,582,865)

Six months ended 30 September 2014

	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	Total \$'000
Revenue from customers:				
– Brokerage commission	96,873	44,580	–	141,453
– Dealing income	–	–	1,924	1,924
– Interest income from margin financing	68,972	126	–	69,098
– Interest income from IPO financing	3,509	–	–	3,509
Consolidated turnover	169,354	44,706	1,924	215,984
Handling and settlement fees	22,377	202	5	22,584
Reportable segment revenue	191,731	44,908	1,929	238,568
Reportable segment profit (EBIT)	129,709	6,552	1,111	137,372
Depreciation for the period	6,883	55	58	6,996
Other interest income	20,737	2,156	9	22,902
Finance costs	27,888	–	–	27,888
Additions to non-current segment assets during the period	960	–	–	960

At 31 March 2015

	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	Total \$'000
Reportable segment assets	17,073,601	841,746	41,287	17,956,634
Reportable segment liabilities	(15,535,020)	(628,816)	(36,502)	(16,200,338)

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

	Six months ended	
	30 September	
	2015	2014
	\$'000	\$'000
Profit		
Reportable segment profit (EBIT)	312,245	137,372
Finance costs	(54,856)	(27,888)
Unallocated net corporate income	338	217
	<hr/>	<hr/>
Consolidated profit before taxation	257,727	109,701
	<hr/>	<hr/>
	At	At
	30 September	31 March
	2015	2015
	\$'000	\$'000
Assets		
Reportable segment assets	5,499,842	17,956,634
Elimination of inter-segment receivables	(399,780)	(107,854)
Unallocated corporate assets	44,595	51,827
	<hr/>	<hr/>
Consolidated total assets	5,144,657	17,900,607
	<hr/>	<hr/>
	At	At
	30 September	31 March
	2015	2015
	\$'000	\$'000
Liabilities		
Reportable segment liabilities	(3,582,865)	(16,200,338)
Elimination of inter-segment payables	382,704	41,925
Unallocated corporate liabilities	(32,982)	(1,540)
	<hr/>	<hr/>
Consolidated total liabilities	(3,233,143)	(16,159,953)
	<hr/>	<hr/>

4 OTHER REVENUE

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Interest income from		
– Authorised institutions	12,141	14,732
– Others	16,487	8,259
	<hr/>	<hr/>
	28,628	22,991
Handling and settlement fees	40,743	22,584
Sundry income	1,149	1,538
	<hr/>	<hr/>
	70,520	47,113
	<hr/>	<hr/>

5 OTHER NET (LOSS)/GAIN

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Net foreign exchange (loss)/gain	(6,537)	582
Loss on disposal of property, plant and equipment	(38)	(3)
Error trades arising from dealings	(296)	(7)
Others	(155)	(121)
	<hr/>	<hr/>
	(7,026)	451
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6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2015	2014
	\$'000	\$'000
(a) Finance costs		
Interest expense on		
– Bank loans for IPO financing	(7,417)	(3,058)
– Other bank loans and overdrafts	(47,402)	(23,945)
– Loans from related companies	(37)	(885)
	<u>(54,856)</u>	<u>(27,888)</u>
(b) Other operating expenses		
Auditors' remuneration	(748)	(720)
Advertising and promoting expenses	(4,212)	(3,992)
Handling and settlement expenses	(30,471)	(15,948)
Commission expense to overseas brokers	(9,317)	(4,088)
Information and communication expenses	(15,065)	(11,156)
Legal and professional fees	(1,988)	(1,164)
Operating lease charges in respect of properties	(24,098)	(22,386)
Rates and building management fees	(1,773)	(1,251)
Miscellaneous expenses	(12,412)	(10,173)
	<u>(100,084)</u>	<u>(70,878)</u>

7 INCOME TAX

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	(42,668)	(17,196)
Deferred tax		
Origination and reversal of temporary differences	(128)	1,487
	(42,796)	(15,709)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the current period.

8 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	
	2015	2014
		(restated)
Earnings		
Profit for the period attributable to owners of the Company (\$'000)	214,931	93,992
Number of shares		
Weighted average number of ordinary shares in issue (in thousands) (<i>note (i)</i>)	1,695,095	1,241,406
Basic earnings per share (cents)	12.68	7.57

(b) Diluted earnings per share

For the six months ended 30 September 2015, as the average market share price of the ordinary shares during the period was lower than the exercise price of the outstanding share options, the diluted earnings per share was equal to the basic 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	
	2015	2014
		(restated)
Earnings		
Profit for the period attributable to owners of the Company (\$'000)	<u>214,931</u>	<u>93,992</u>
Number of shares		
Weighted average number of ordinary shares		
in issue (in thousands) (<i>note (i)</i>)	1,695,095	1,241,406
Effect of dilutive potential ordinary share:		
– Share options (in thousands) (<i>note (ii)</i>)	<u>–</u>	<u>557</u>
Weighted average number of ordinary shares for the purpose of		
diluted earnings per share (in thousands)	<u>1,695,095</u>	<u>1,241,963</u>
Diluted earnings per share (cents)	<u>12.68</u>	<u>7.57</u>

Notes:

- (i) On 21 October 2014, the Group raised approximately \$561.2 million by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of \$1, which represents a discount to the prevailing fair value at the date of rights issue of the existing shares.

The effect of the bonus element resulting from the rights issue has been included in the calculation of basic and diluted earnings per share and the basic and diluted earnings per share for the six months ended 30 September 2014 are adjusted (in accordance with HKAS 33, Earnings per Share) to provide a comparable basis for the rights issue in the prior year (note 13).

- (ii) 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 month ended 30 September 2014 with the adjustment for the share options lapsed or exercised during the period.

9 DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2015 (six months ended 30 September 2014: nil).

10 ACCOUNTS RECEIVABLE

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Accounts receivable from		
– Cash clients	297,875	331,979
– Margin clients	3,501,987	5,064,754
– Clearing houses	576,087	1,389,042
– Subscriptions of new shares in IPO	–	10,297,124
– Brokers and dealers	157,947	163,339
Less: allowance for doubtful debts	(611)	(614)
	<u>4,533,285</u>	<u>17,245,624</u>

The aging analysis of accounts receivable from cash clients as at the end of the reporting period is as follows:

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Current	53,597	150,566
Less than 1 month past due	80,484	133,205
1 to 3 months past due	65,043	22,956
More than 3 months past due	98,751	25,252
Amount past due	244,278	181,413
	<u>297,875</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 fully secured by their portfolios of securities. At 30 September 2015, the total market value of their portfolios of securities was \$1,629,453,000 (31 March 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 30 September 2015, margin loans due from margin clients were current and repayable on demand except for \$11,258,000 (31 March 2015: \$3,885,000) where the margin loans were past due for less than 3 months amounted to \$10,809,000 and past due for over 3 months amounted to \$449,000 following the trading suspension of the pledged securities. 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. At 30 September 2015, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were approximately \$7,691,980,000 and \$11,362,449,000 (31 March 2015: \$10,894,423,000 and \$13,719,483,000).

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.

11 ACCOUNTS PAYABLE

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Accounts payable		
– Cash clients	127,394	761,779
– Margin clients	631,463	1,276,272
– Clearing houses	270,042	28,525
– Brokers	25,121	22,913
	<u>1,054,020</u>	<u>2,089,489</u>

All of the accounts payable are due within one month or on demand.

12 BANK LOANS AND OVERDRAFTS

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Secured loan		
– Bank loans	2,043,003	3,490,993
– Bank overdraft	–	269,268
– Bank loans for IPO	–	10,050,000
Unsecured loans		
– Bank loans	<u>30,000</u>	<u>200,000</u>
	<u>2,073,003</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 30 September 2015 and 31 March 2015 were interest-bearing. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure these loan facilities. Such banking facilities were utilised to the extent of \$2,043,003,000 (31 March 2015: \$13,810,261,000). The fair value of the collateral re-pledged to banks as at 30 September 2015 amounted to \$3,880,648,000 (31 March 2015: \$6,686,415,000).

13 RESTATEMENT OF PRIOR PERIODS

Earnings per share

On 3 September 2014, the Board announced that the Company proposed the issue of 561,154,006 new ordinary shares by way of rights to qualifying shareholders at \$1 per share. The latest time to terminate the Underwriting Agreement and for the rights issue to become unconditional was on 21 October 2014. As required by HKAS 33, *Earnings per share*, the Company has adjusted the 2014 basic and diluted earnings per share for the six months ended 30 September 2014 with the bonus element included within the rights issue.

	As reported at 30 September 2014 <i>cents</i>	Impact of reinstatement <i>cents</i>	Restated at 30 September 2014 <i>cents</i>
Basic earnings per ordinary share	8.38	(0.81)	7.57
Diluted earnings per ordinary share	8.38	(0.81)	7.57

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

During the six-month period ended 30 September 2015 (the “Period”) under review, the Hong Kong stock market witnessed a surge before a retreat. The China Securities Regulatory Commission and the China Insurance Regulatory Commission promulgated the decision to approve Mainland public funds without the Qualified Domestic Institutional Investor (QDII) qualification to invest in the Hong Kong stock market through the “Shanghai-Hong Kong Stock Connect”, as well as to approve Mainland insurance funds to invest in stocks listed on the GEM Board in Hong Kong in late-March respectively. The above encouraging news gave the market a generally bullish outlook and an inflow of hundreds of billions of capital going south into Hong Kong stock market was expected. As a result, Hong Kong stock market was marked by notable improvement and prolonged favourable investment atmosphere upon the resumption of trading after Easter holiday, with recorded turnover of over HK\$200 billion for several days consecutively. The transaction volume also exceeded the “Shanghai-Hong Kong Stock Connect” daily quota of RMB10.5 billion for many times. Under this backdrop, the Hang Seng Index rocketed from 25,000 level to 28,000 level. The growth in both value and volume signified the beginning of the “Big Era” of the Hong Kong stock market.

The Hong Kong stock market remained a high level after the upswing. However, with the Chinese regulatory bodies took initiatives to wipe out illegal off-market financing at large scale, the stock market was impacted by the deleveraging process to a certain extent. Concerns over the slowing down of global economy was intensified by the weak global economic statistics and the depreciation of various countries currencies, resulting in high volatility in global stock market. Accordingly, the Hong Kong stock market declined alongside the fallback in overseas markets. Despite the Chinese government's timely measures to stabilize the stock market, the volatility in the global stock market dampened investors' confidence, leading them to hold a prudent and cautious attitude before overcoming the negative atmosphere. Consequently, the Hang Seng Index was down 16.3% from the opening index of 24,900 points on 1 April 2015 to the closing index of 20,846 points on 30 September 2015.

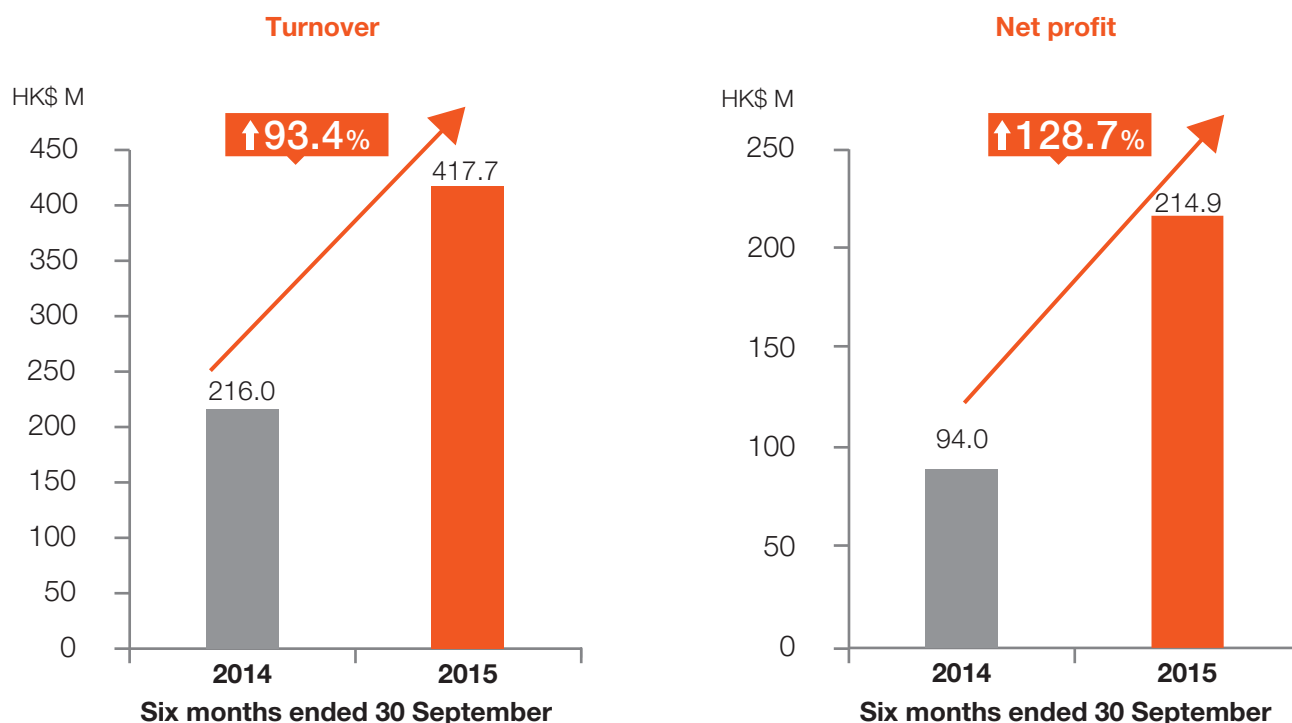
It is expected that the second half of the financial year will be enveloped by the lingering global economic instability and numerous uncertainties. With weak economic recovery in the Eurozone and the fluctuating US economic statistics, the US Federal Reserve's repeated warning on the rate hiking cycle ahead and the slowing growth in China's economy added uncertainties to the global stock market. Nevertheless, as central banks all over the world persisted to implement easing monetary policy to support economic recovery, and at the same time, the People's Bank of China lowered the reserve ratio and interest rates, there would be an ultra-low interest rate environment to stimulate investment. Moreover, as the slowing down of China's economy is interpreted as a healthy adjustment, China will continue to push forward its internal structural reform. Investors maintain optimistic yet prudent attitude towards the future of the financial market.

Operating Results

During the Period, Bright Smart Securities & Commodities Group Limited (the "Company") and its subsidiaries (the "Group") recorded a turnover of HK\$417.7 million (2014: HK\$216.0 million), representing a remarkable increase of 93.4% as compared to the corresponding period last year; whereas, the net profit amounted to HK\$214.9 million (2014: HK\$94.0 million), representing a significant growth of 128.7% as compared to the corresponding period last year, and almost the same as the audited consolidated net profit of HK\$218.4 million in last year (i.e. for the 12-month ended 31 March 2015).

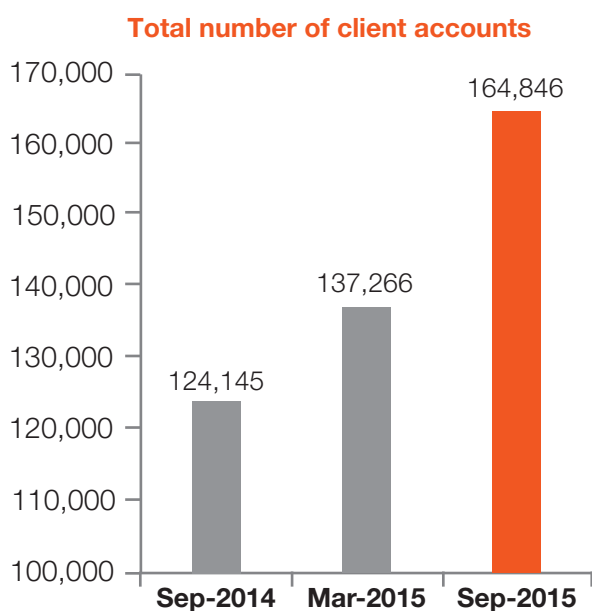
Basic earnings per share were HK12.68 cents (2014 restated: HK7.57 cents) and the diluted earnings per share were HK12.68 cents (2014 restated: HK7.57 cents). The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend for the Period (2014: nil).

The Group's outstanding performance in the past six months is mainly attributable to the significant increase in commission income from brokerage and interest income from margin financing. The Group's refined management, established branch network coverage in Hong Kong, wide varieties of investment products, extensive marketing promotion strategy as well as its high reputation had also contributed to the stable growth of its clientele and market share.



Turnover

The business of the Group developed rapidly with increasing operation scale. During the Period, the Group set up new branches in Tuen Mun, Hung Hom and Kwun Tong to further optimize the network coverage. The Group's head office in Central, together with its 19 branches, are dedicated to provide premium services to clients, and 17 branches are open seven days a week. The Group's rapid expansion and proactive marketing strategy led to the continuous growth of its customer base successfully. During the Period, the number of new client accounts (after deducting the number of client accounts closed) had reached 27,580. As a result, the total number of client accounts increased to 164,846, representing an increase of 32.8% as compared to 124,145 as at 30 September 2014. The total number of client accounts maintained a steady growth. Client assets (including cash, stocks and margin deposits) of approximately HK\$30.2 billion were recorded as at 30 September 2015.

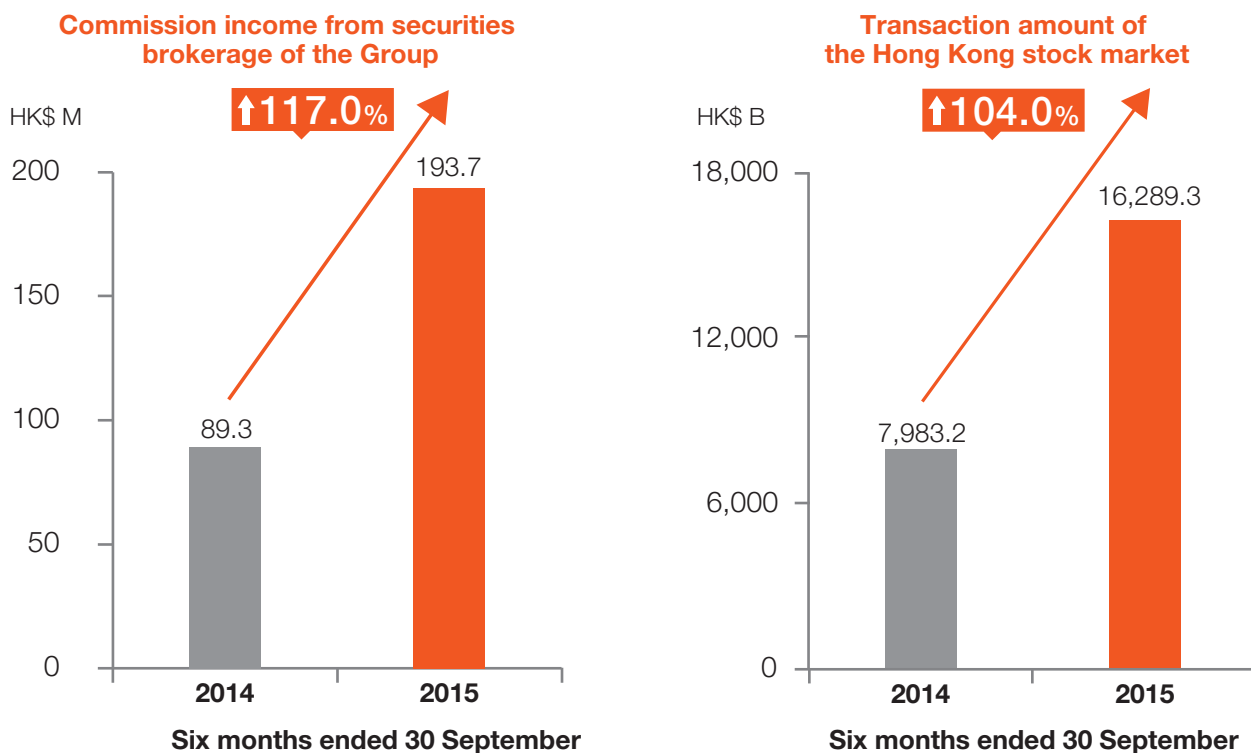


A summary of the revenue from different business segments of the Group is set out below:

	2015 HK\$'000	Proportion of total turnover %	2014 HK\$'000	Proportion of total turnover %	Increase %
Brokerage income from:					
– Securities brokerage	193,716	46.4%	89,280	41.3%	117.0%
– Hong Kong futures and options brokerage	39,043	9.3%	29,266	13.6%	33.4%
– Global futures brokerage	32,525	7.8%	15,314	7.1%	112.4%
– IPO brokerage	10,727	2.6%	4,972	2.3%	115.7%
– Stock option brokerage	4,271	1.0%	2,621	1.2%	63.0%
Dealing income from bullion trading	4,502	1.1%	1,924	0.9%	134.0%
Interest income from margin financing	122,548	29.3%	69,098	32.0%	77.4%
Interest income from IPO financing	10,408	2.5%	3,509	1.6%	196.6%
	<u>417,740</u>	<u>100.0%</u>	<u>215,984</u>	<u>100.0%</u>	

I. Securities brokerage

During the Period, HKEx recorded a total transaction amount of HK\$16,289.3 billion (2014: HK\$7,983.2 billion), representing a period-to-period increase of 104.0%. The Group leveraged on the substantial growth in transaction amount directly and achieved an even more astonishing performance in its securities brokerage segment. The commission income from securities brokerage amounted to HK\$193.7 million (2014: HK\$89.3 million), representing a dramatic increase of 117.0% as compared to the corresponding period last year, accounting for 46.4% (2014: 41.3%) of the total turnover.



II. Hong Kong futures and options brokerage

During the Period, the Group's Hong Kong futures and options brokerage segment recorded commission income of HK\$39.0 million (2014: HK\$29.3 million), representing an increase of 33.4% as compared to the corresponding period last year, accounting for 9.3% (2014: 13.6%) of the total turnover.

III. Global futures brokerage

As the world's economy becomes globalize, the number of investors who tend to explore the global financial market is increasing. During the Period, the commission income from global futures brokerage was HK\$32.5 million (2014: HK\$15.3 million), representing a substantial increase of 112.4% as compared to the corresponding period last year, accounting for 7.8% (2014: 7.1%) of the total turnover.

IV. Stock options brokerage

During the Period, the Group's trading service for stock options recorded an income of HK\$4.3 million (2014: HK\$2.6 million), representing an increase of 63.0% as compared to the corresponding period last year, accounting for 1.0% (2014: 1.2%) of the total turnover. Stock option is a relatively high leveraged investment product. The Group monitored the margin levels maintained in the stock option accounts closely and adjusted according to market conditions to ensure risk control properly.

V. Bullion trading

The highly volatile global financial market drove the demand for more diversified investment needs. Thus, gold became the most hyped investment for its appreciation potential features. During the Period, the Group's bullion trading income was HK\$4.5 million (2014: HK\$1.9 million), representing a vast increase of 134.0% as compared to the corresponding period last year, accounting for 1.1% (2014: 0.9%) of the total turnover.

VI. Margin financing

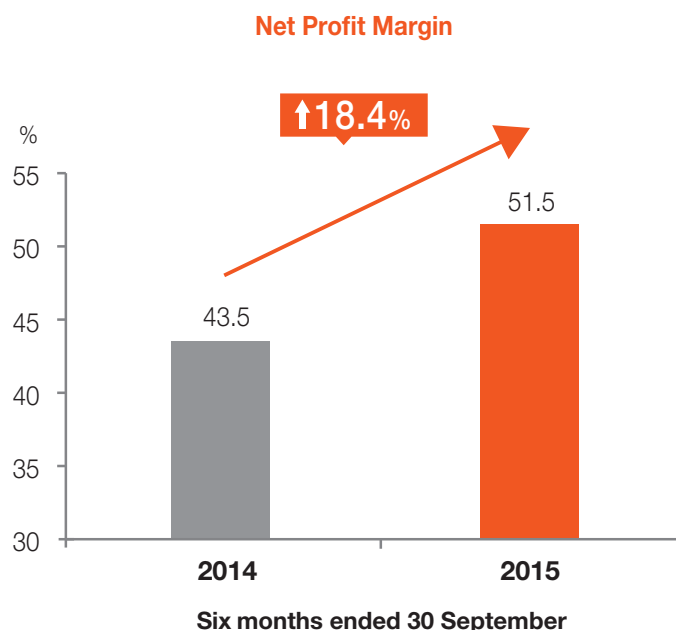
Driven by the exuberant investment atmosphere, market demand for margin financing was strong. Meanwhile, in the second half of 2014, the Group raised net proceeds of HK\$557.9 million by way of rights issue, which provided sufficient funds to the development of the margin financing business. During the Period, the Group's interest income from margin financing was HK\$122.5 million (2014: HK\$69.1 million), representing an increase of 77.4% from the corresponding period last year, accounting for 29.3% (2014: 32.0%) of the total turnover. The Group implemented an effective credit control process, hence there were no record of bad debts over the past few years.

VII. IPO brokerage and IPO financing

The IPO market witnessed buoyant activity during the first half of the year, with a number of heavyweight stocks commenced trading in the second quarter of 2015. According to HKEx's figures, the amount of funds raised by way of IPO increased by 57.7% as compared to the corresponding period last year. During the Period, the Group's commission income from IPO brokerage was HK\$10.7 million (2014: HK\$5.0 million), representing a period-to-period increase of 115.7%, while the interest income from IPO financing increased by 196.6% to HK\$10.4 million (2014: HK\$3.5 million).

Operating expenses and net profit margin

During the Period, the Group's operating expenses was HK\$223.5 million (2014: HK\$153.8 million), representing an increase of 45.3% as compared to the corresponding period last year. The Group is committed to adopt effective cost control measures to boost the overall profitability, bringing its net profit margin up to 51.5% (2014: 43.5%).



A breakdown of operating expenses is set out below:

	2015 HK\$'000	2014 HK\$'000	Increase/ (decrease) %
Staff costs	62,030	48,035	29.1%
Depreciation	6,537	7,046	(7.2%)
Finance costs	54,856	27,888	96.7%
Advertising and promotion expenses	4,212	3,992	5.5%
Handling and settlement expenses	30,471	15,948	91.1%
Commission expenses to overseas brokers	9,317	4,088	127.9%
Information and communication expenses	15,065	11,156	35.0%
Rental, rates and building management fees	25,871	23,637	9.5%
Legal and professional fees	1,988	1,164	70.8%
Miscellaneous expenses	13,160	10,893	20.8%
	<u>223,507</u>	<u>153,847</u>	<u>45.3%</u>

Future plans

Financial industry is the core of Hong Kong's economy. It has been supported by the Chinese government staunchly and has gained much market attention over the years. Despite the various upcoming new challenges and obstacles faced by the financial industry, the development of the global economy, the continuous easing monetary policy by national central banks, and efforts paid by the Chinese government to promote development of the financial industry and to step up reform shall bring enormous opportunities. Riding on its solid foundation, Hong Kong's financial industry will capitalize its own strengths and play along with the growth of the Chinese financial market actively in order to explore and expand new business. With the aid of favourable policy measures, it will certainly achieve steady and orderly development through seizing opportunities proactively.

The Group's business grew substantially during the Period. The Group's head office in Central together with its 19 branches are located all over Hong Kong. The Group also set up a consultation centre in the financial district in Futian, Shenzhen. Its aim is to provide a platform for mainland customers to understand Hong Kong stocks market better through organizing various seminars. To attract young customers, the Group changed the logo colour we had been using for years from red to orange. Our Tuen Mun, Hung Hom and Kwun Tong new branches which were put into operation during the Period also adopted a simplistic, hip style appeal to the young generation with our vigour and vitality. While adding new elements to our longstanding quality brand, the Group will also continue to seek for appropriate locations to extend our professional and excellent services to customers from different communities. At the same time, with the aim of upgrading our customer service and getting ready for the anticipated new opportunities, the Group will keep on recruiting talents who are pursuing a career in the securities industry.

The online trading platform of the Group has connected to the world 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, copper futures products. The Group has become a trading member of the Frankfurt Stock Exchange in Germany and Singapore Exchange officially, allowing it to further develop more global financial products. The Group will continue to seek for cooperation with overseas partners and devote more efforts to expanding its global network in order to identify global financial products which are worth investing, so as to provide more diversified choices to clients. During the Period, the Group was admitted by an international investment bank as one of the constituent stocks in the "MSCI Index", which demonstrated its industry leading position and capability.

The Group is always dedicated to maintain high security of online trading to protect our clients' interests to the maximum extent. To enhance privacy protection of customers' personal information and upgrade our customer service, the Group will strengthen the security system step by step. Apart from introducing password protection to daily/monthly statements, customers will receive SMS alert after conducting transactions via our trading platform as an extra precaution. The Group will continue to enhance the security system in order to protect the safety of customers online transactions.

Responding to the launch of "Shanghai-Hong Kong Stock Connect", the Group's Bright Smart Finance Channel has produced a number of Putonghua programs, which have been broadcasted on over 20 major Mainland websites to provide more up-to-date financial market information to the Mainland audiences. Bright Smart Finance Channel pioneered the world's first live online broadcasting of investment seminars, in collaboration with various financial institutions to introduce the latest financial products and investment strategies to the public. The live seminars could be viewed both online and via mobile applications by Mainland investors with flexibility and convenience. Moreover, Bright Smart Finance Channel broadcasts comprehensive programmes and gains much popularity. In addition to daily update and analysis on global financial information, it also offers a wide range of innovative programmes to provide audiences with more diverse and supreme visual entertainment.

The "Shanghai-Hong Kong Stock Connect" has been running smoothly with recognised success since its launch. The Chinese government is in the process of optimising the "Shanghai-Hong Kong Stock Connect" scheme and will, subject to market conditions, implement the "Shenzhen-Hong Kong Stock Connect" in due course. Under this circumstance, the Group has taken initiatives to push forward preliminary works and is now ready for another "Big Era". In the future, the Group will distribute more resources on online marketing in order to enhance the Group's recognition in Mainland China. It also plans to launch extensive promotional offers and organise seminars regularly in Mainland China to accelerate business growth, boost interaction and communication with Mainland investors as well as to attract them to set up accounts in Hong Kong.

Looking ahead, the Group will pursue business growth by making the most effective and stable online trading platform, diversified order-placement channels and ultra-low brokerage fee. At the same time, it will maintain its unique competitive edge and further consolidate its leading position with proactive marketing strategies and continuous innovation to launch new products and services. The Group will also keep abreast of changes in the global financial market and national policies to identify business opportunities that allow it to expand in scale, thereby paving the way for substantial and rapid business development.

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\$518.9 million as at 30 September 2015 (31 March 2015: HK\$521.8 million). The Group had total bank borrowings of HK\$2,073.0 million as at 30 September 2015 (31 March 2015: HK\$14,010.3 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 2015, unutilised banking facilities amounted to HK\$8,007.0 million (31 March 2015: HK\$4,259.7 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 108.4% (31 March 2015: 804.9%). As at 30 September 2015, the net current assets of the Group amounted to HK\$1,834.1 million (31 March 2015: HK\$1,613.6 million). The Group's current ratio (current assets divided by current liabilities) as at 30 September 2015 was 1.57 times (31 March 2015: 1.10 times).

In the second half of 2014, the Group issued rights shares on the allotment basis of one rights share for every two existing shares in issue. The rights issue raised net proceeds of HK\$557.9 million, which were fully utilized in the margin financing business as intended to provide sufficient funds to the development of the margin financing business.

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 2015 and 31 March 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\$8,480.0 million (31 March 2015: HK\$6,630.0 million). As at 30 September 2015, the subsidiaries of the Company has utilised HK\$1,836.0 million of these aggregate banking facilities (31 March 2015: HK\$3,021.0 million).

RISK MANAGEMENT

Credit risk

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

In respect of accounts receivable 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 convention, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, the credit risk arising from the accounts receivable due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. For commodities and futures broking, an initial margin is required before opening a trading position. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by 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 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"), Singapore dollars and Japanese Yen. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2015, the Group had a work force of 281 employees (31 March 2015: 265 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 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 in a bid to provide a competitive remuneration package for the Group's long term growth and development. The Group also provides appropriate training and development programs to its employees to enhance the staff's skills and personal effectiveness.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to ensuring high standards of corporate governance practices. During the Period, the Company fully complied with the mandatory code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The primary duties of the Audit Committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee, together with the external auditor of the Group, KPMG, had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 30 September 2015.

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 2015/16 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

Chan Kai Fung

Executive Director and Co-Chief Executive Officer

Hong Kong, 30 November 2015

As at the date of this announcement, the Board comprises Messrs. Yip Mow Lum (Chairman), Chan Kai Fung (Co-Chief Executive Officer), Hui Yik Bun (Co-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*