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BRIGHT SMART SECURITIES

BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED

耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1428)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2014**

The board of directors (the “Board”) of Bright Smart Securities & Commodities Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014 together with the comparative figures for the year ended 31 March 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
Turnover	3	410,380	273,281
Other revenue	4	74,408	57,724
Other net gain	5	2,290	345
		487,078	331,350
Staff costs	6(b)	(94,366)	(85,079)
Depreciation		(15,499)	(12,857)
Other operating expenses	6(c)	(135,286)	(109,456)
Profit from operations		241,927	123,958
Finance costs	6(a)	(45,327)	(16,807)
Profit before taxation	6	196,600	107,151
Income tax	7	(29,853)	(14,925)
Profit and total comprehensive income attributable to equity shareholders for the year		166,747	92,226
Earnings per share			
Basic (HK cents)	8	15.97	10.18
Diluted (HK cents)	8	15.96	10.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Fixed assets		30,393	25,708
Deferred tax assets		1,436	315
Other receivables, deposits and prepayments		14,602	13,378
Other non-current assets		46,718	47,425
Total non-current assets		93,149	86,826
Current assets			
Accounts receivable	10	4,147,315	2,705,904
Other receivables, deposits and prepayments		2,805	12,391
Cash and cash equivalents		370,374	381,478
Total current assets		4,520,494	3,099,773
Current liabilities			
Accounts payable	11	782,388	614,390
Accrued expenses and other payables		35,511	21,574
Bank loans		2,776,000	1,690,000
Current taxation		15,297	3,133
Amount due to a related company		–	100,000
Total current liabilities		3,609,196	2,429,097
Net current assets		911,298	670,676
Total assets less current liabilities		1,004,447	757,502
Non-current liability			
Deferred tax liabilities		73	26
NET ASSETS		1,004,374	757,476
EQUITY			
Share capital		336,278	309,341
Share premium		332,398	250,319
Merger reserve		(20,000)	(20,000)
Share option reserve		843	1,687
Retained profits		354,855	216,129
TOTAL EQUITY		1,004,374	757,476

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 10, *Consolidated financial statements*
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7, *Disclosures – Offsetting financial assets and financial liabilities*

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

The impacts of the developments are discussed below:

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation – Special purpose* entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of the amendments does not have an impact on these financial statements.

Amendments to HKFRS 7, Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities.

(b) Basis of preparation of the financial statements

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

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

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

2. SEGMENT REPORTING

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

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

(a) **Segment results, assets and liabilities**

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

Segment assets include all tangible assets and current assets with the exception of unallocated corporate assets. Segment liabilities include liabilities 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.

Comparative figures have been restated to conform the current year's presentation.

(b) **Segment information**

	2014			Total HK\$'000
	Securities broking HK\$'000	Commodities and futures broking HK\$'000	Bullion trading HK\$'000	
Revenue from customers:				
– Brokerage commission	184,319	108,675	–	292,994
– Dealing income	–	–	420	420
– Interest income from margin financing	107,180	114	–	107,294
– Interest income from IPO financing	9,672	–	–	9,672
Consolidated turnover	301,171	108,789	420	410,380
Handling and settlement fees	35,323	59	2	35,384
Reportable segment revenue	<u>336,494</u>	<u>108,848</u>	<u>422</u>	<u>445,764</u>
Reportable segment profit/(loss)(EBIT)	<u>212,018</u>	<u>31,223</u>	<u>(1,280)</u>	<u>241,961</u>
Depreciation for the year	(15,296)	(86)	(117)	(15,499)
Other interest income	34,007	3,487	14	37,508
Finance costs	(45,327)	–	–	(45,327)
Additions to non-current segment assets during the year	<u>20,091</u>	<u>383</u>	<u>–</u>	<u>20,474</u>
Reportable segment assets	<u>4,198,726</u>	<u>458,294</u>	<u>39,529</u>	<u>4,696,549</u>
Reportable segment liabilities	<u>(3,470,782)</u>	<u>(256,790)</u>	<u>(41,396)</u>	<u>(3,768,968)</u>

2013

	Securities broking <i>HK\$'000</i>	Commodities and futures broking <i>HK\$'000</i>	Bullion trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from customers:				
– Brokerage commission	130,966	85,226	–	216,192
– Dealing income	–	–	–	–
– Interest income from margin financing	55,875	8	–	55,883
– Interest income from IPO financing	1,206	–	–	1,206
	<hr/>	<hr/>	<hr/>	<hr/>
Consolidated turnover	188,047	85,234	–	273,281
Handling and settlement fees	28,517	40	–	28,557
	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment revenue	<u>216,564</u>	<u>85,274</u>	<u>–</u>	<u>301,838</u>
Reportable segment profit (EBIT)	<u>100,810</u>	<u>24,047</u>	<u>–</u>	<u>124,857</u>
Depreciation for the year	(12,762)	(17)	–	(12,779)
Other interest income	24,370	3,792	–	28,162
Finance costs	(16,801)	(6)	–	(16,807)
Additions to non-current segment assets during the year	<u>12,194</u>	<u>145</u>	<u>–</u>	<u>12,339</u>
Reportable segment assets	<u>2,834,292</u>	<u>331,879</u>	<u>–</u>	<u>3,166,171</u>
Reportable segment liabilities	<u>(2,307,121)</u>	<u>(220,754)</u>	<u>–</u>	<u>(2,527,875)</u>

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit		
Reportable segment profit (EBIT)	241,961	124,857
Finance costs	(45,327)	(16,807)
Unallocated corporate expenses	(34)	(899)
	<hr/>	<hr/>
Consolidated profit before taxation	196,600	107,151
	<hr/> <hr/>	<hr/> <hr/>
Assets		
Reportable segment assets	4,696,549	3,166,171
Elimination of inter-segment receivables	(111,336)	(9,715)
Unallocated corporate assets	28,430	30,143
	<hr/>	<hr/>
Consolidated total assets	4,613,643	3,186,599
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Reportable segment liabilities	(3,768,968)	(2,527,875)
Elimination of inter-segment payables	160,098	98,798
Unallocated corporate liabilities	(399)	(46)
	<hr/>	<hr/>
Consolidated total liabilities	(3,609,269)	(2,429,123)
	<hr/> <hr/>	<hr/> <hr/>

3. 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, commodities and futures broking, dealing income from bullion trading and interest income from margin and initial public offering (“IPO”) financings as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Brokerage commission	292,994	216,192
Dealing income from bullion trading	420	–
Interest income from margin financing	107,294	55,883
Interest income from IPO financing	9,672	1,206
	<hr/> 410,380 <hr/>	<hr/> 273,281 <hr/>

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

4. OTHER REVENUE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income from		
– Authorised institutions	20,075	18,812
– Others	17,568	9,395
	<hr/> 37,643 <hr/>	<hr/> 28,207 <hr/>
Handling and settlement fees	35,384	28,557
Sundry income	1,381	960
	<hr/> 74,408 <hr/>	<hr/> 57,724 <hr/>

5. OTHER NET GAIN

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange gain	1,858	1,285
Loss on disposal of fixed assets	(290)	(554)
Error trades arising from dealings	1,244	(134)
Others	(522)	(252)
	<hr/>	<hr/>
	2,290	345
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs		
Interest expense on		
– Bank loans for IPO financing	6,178	741
– Other bank loans and overdrafts	37,157	12,796
– Loans from related companies	1,992	3,270
	<hr/>	<hr/>
	45,327	16,807
	<hr/> <hr/>	<hr/> <hr/>
(b) Staff costs		
Salaries, allowances and benefits in kind	76,139	72,953
Discretionary bonuses	12,930	9,453
Contributions to Mandatory Provident Fund	3,068	2,673
Equity-settled share-based payments	2,229	–
	<hr/>	<hr/>
	94,366	85,079
	<hr/> <hr/>	<hr/> <hr/>

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(c) Other operating expenses		
Advertising and promotion expenses	8,895	7,892
Auditors' remuneration	1,408	1,319
Commission expense to overseas brokers	10,820	6,565
Handling and settlement expenses	28,464	22,243
Information and communication expenses	23,046	21,037
Legal and professional fees	1,716	3,007
Operating lease payments – property rentals	41,715	32,946
Rates and building management fees	3,432	3,628
Miscellaneous expenses	15,790	10,819
	<u>135,286</u>	<u>109,456</u>
7. INCOME TAX		
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	30,743	15,243
Under-provision in respect of prior years	184	163
	<u>30,927</u>	<u>15,406</u>
Deferred tax		
Origination and reversal of temporary differences	(1,074)	(481)
Total tax charge for the year	<u>29,853</u>	<u>14,925</u>

The provision for Hong Kong Profits Tax for the year ended 31 March 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company for the year ended 31 March 2014 of HK\$166,747,000 (2013: HK\$92,226,000), and the weighted average number of shares in issue during the year ended 31 March 2014 of 1,043,942,452 (2013: 906,394,671).

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company for the year ended 31 March 2014 of HK\$166,747,000 (2013: HK\$92,226,000) and the weighted average number of shares in issue and the effect of deemed issue of shares under the Company's share option scheme during the year ended 31 March 2014 of 1,044,703,763 (2013: 906,688,474).

9. DIVIDENDS

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK4.5 cents per ordinary share (2013: HK2.7 cents per ordinary share) (2014: 1,120,928,012 shares, 2013: 1,031,136,040 shares)	<u>50,442</u>	<u>27,841</u>

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Final dividend in respect of previous financial year, approved and paid during the year, of HK2.7 cents per ordinary share (2013: HK1.8 cents per ordinary share) (2014: 1,038,493,352 shares, 2013: 1,024,233,000 shares)	<u>28,039</u>	<u>18,436</u>

10. ACCOUNTS RECEIVABLE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accounts receivable from		
– Cash clients	214,861	178,006
– Margin clients	3,361,155	2,128,167
– Clearing houses	470,901	352,887
– Brokers and dealers	101,298	47,783
Less: allowance for doubtful debts	(900)	(939)
	<u>4,147,315</u>	<u>2,705,904</u>

(a) **Ageing analysis**

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current	32,113	41,878
Less than 1 month past due	129,467	104,580
1 to 3 months past due	25,824	27,402
More than 3 months past due	27,457	4,146
Amounts past due	182,748	136,128
	214,861	178,006

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 31 March 2014, the total market value of their portfolios of securities was HK\$1,242,397,000 (2013: HK\$973,015,000). 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 loans due from margin clients are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 March 2014, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were HK\$6,829,244,000 and HK\$8,738,534,000 (2013: HK\$4,475,210,000 and HK\$5,760,039,000) respectively.

Accounts receivable from clearing houses, brokers and dealers are current. These represent (1) pending trades arising from the business of dealing in securities, which are normally due within a few days after the trade date and (2) margin deposits arising from the business of dealing in futures and options contracts.

(b) **Impairment of margin clients and brokers and dealers receivable**

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1 April	939	965
Amounts recovered	(39)	(26)
	<hr/>	<hr/>
At 31 March	900	939
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2014, the Group's margin clients and brokers and dealers receivables of HK\$900,000 (2013: HK\$939,000) was determined to be impaired. The impaired receivables related to margin clients and brokers and dealers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

11. ACCOUNTS PAYABLE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accounts payable		
– Cash clients	222,713	136,237
– Margin clients	524,005	359,275
– Clearing houses	–	90,172
– Brokers	35,670	28,706
	<hr/>	<hr/>
	782,388	614,390
	<hr/> <hr/>	<hr/> <hr/>

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

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HK4.50 cents per share for the year ended 31 March 2014, subject to the approval of the final dividend by the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on Thursday, 7 August 2014. If approved, the final dividend will be paid to the Company's shareholders on Thursday, 21 August 2014. Shareholders whose names appear on the register of members of the Company on Monday, 18 August 2014 will be entitled to the proposed final dividend.

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

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from Tuesday, 5 August 2014 to Thursday, 7 August 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Monday, 4 August 2014.

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

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Thursday, 14 August 2014 to Monday, 18 August 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 13 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Reviewing the financial year ended 31 March 2014 (the “Year”), we saw obvious change of sentiments in the investment market. Despite the beginning of the scale back of Quantitative Easing and hints of accelerated tapering by the US Federal Reserve, the US economy expanded moderately, the employment market further improved and the real estate market continued with its recovery, fueling the sharp rise of the US stocks. In the Euro zone, market confidence was gradually restored and the European stock markets responded positively. However, when faced with the risk of deflation and inconsistent paces of recovery in different countries, the stance of the ECB easing monetary policy will probably remain for some time. In contrast, China’s economic growth reached 7.7% in 2013. But with the government’s commitment to the policies of “maintaining steady growth, imposing structural adjustment and promoting reforms”, the market in general held a wait-and-see attitude. Meanwhile, there were increasing downside risks with the property market, the fear of local debt issues and the resumption of IPOs. A number of uncertainties resulted in the weakness of China’s stock market, which also affected the Hong Kong stock market. Overall, the Hang Seng Index opened at 22,368 points on 2 April 2013 and was adjusted to 22,151 points on 31 March 2014, representing a cumulative decline of 1.0% during the period.

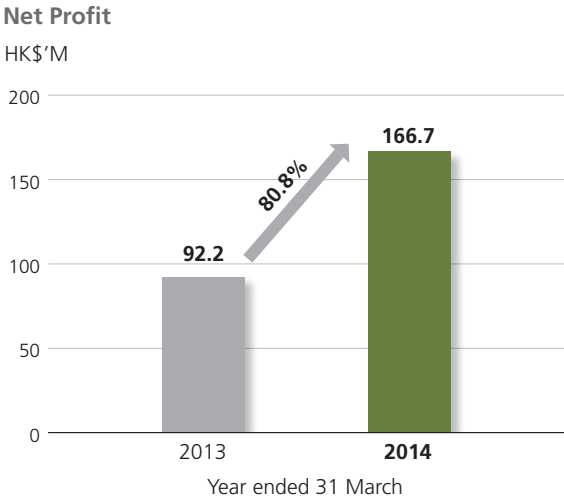
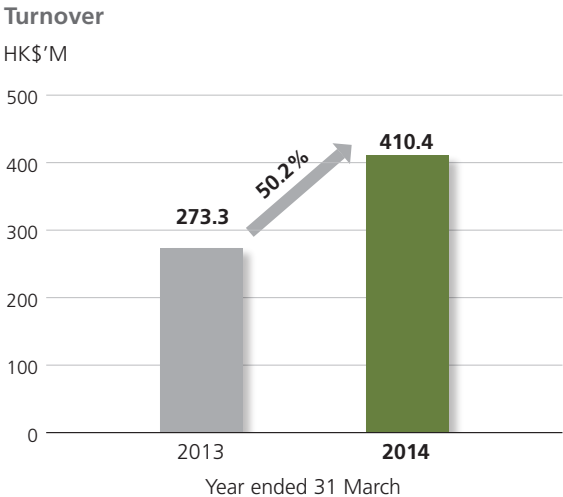
During the Year, the performance of the Hong Kong equities was mixed with a little improvement in investor sentiment. The average daily turnover was HK\$61.16 billion, up 8.3% when compared with the financial year ended 31 March 2013 (the “Prior Year”). The average number of derivative contracts traded daily on The Hong Kong Futures Exchange Limited and the average number of stock options contracts traded daily on the Stock Exchange were 284,869 and 248,696 (2013: 264,266 and 237,920) respectively. In the initial public offering (“IPO”) market, there was a slight decrease in the number of large and ultra-large IPO capital raising activities during the Year as compared to the Prior Year. The number of newly listed companies (on the Main Board and GEM Board but excluding those transferred from GEM Board to the Main Board) during the Year was 114 (2013: 55), and funds raised by way of IPO were approximately HK\$206.8 billion, representing a decrease of 17.5% as compared to HK\$250.7 billion in the Prior Year. Looking to the future, as the adverse factors affecting the market weaken, the number of new IPOs and fund-raising amounts are expected to recover. For example, Magnum Entertainment Group Holdings Limited (2080), the first nightclub listed in Hong Kong in January, recorded a record-breaking over-subscription, indicating a good sign for the kick-off of the Main board IPO activities this year. The Group believes that Hong Kong, as an international financial centre, remains attractive and of great importance, and is likely to continue to stand among the world’s top three IPO fund raising centres this year.

Looking into the financial year 2014/2015, the focus of the market is on the interconnection mechanism for trading of stocks in the Shanghai and Hong Kong stock markets (“Shanghai-Hong Kong Stock Connect”) planned to be launched officially in the second half of 2014. There is no doubt that this will bring mutual benefits to the

stock markets in Hong Kong as well as in mainland China. The inter-operability of the stock markets can provide a new channel for the mainland investors to invest in the Hong Kong market and attract a new batch of mainland investors to invest in Hong Kong. It is expected that more capital will be attracted to the Hong Kong market which will stimulate the transaction volume, and bring new momentum to the Hong Kong financial market. The Group is still cautiously optimistic on the outlook of the Hong Kong stock market, and believes the Hong Kong investment market has good growth potential and the Hong Kong stocks will remain to be of good prospects.

OPERATING RESULTS

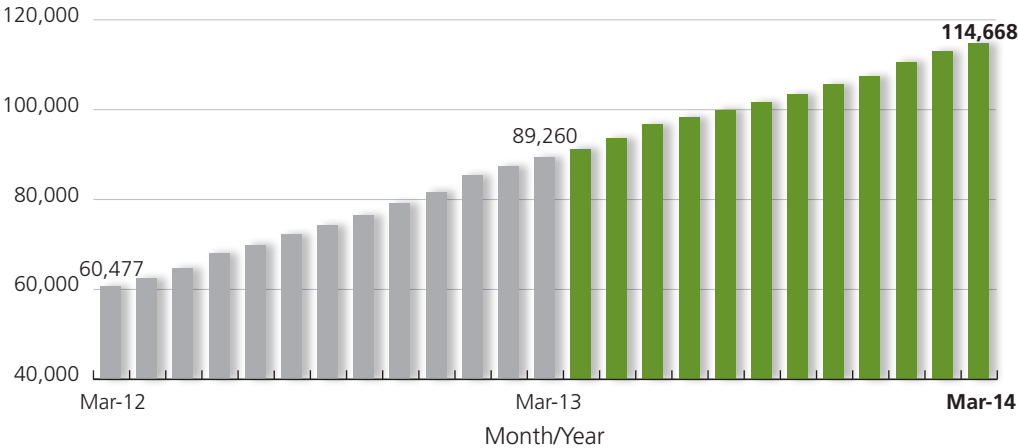
For the Year ended 31 March 2014, the Group’s turnover hit a record high of HK\$410.4 million (2013: HK\$273.3 million), representing a significant increase of 50.2%. Profit attributable to equity shareholders was HK\$166.7 million (2013: HK\$92.2 million), representing an upward surge of 80.8% as compared with the Prior Year. The impressive results for the Year were mainly attributable to the aggressive business development strategy taken by the management. With an extensive branch network expansion plan and the strong support of marketing promotion programs, success in customer acquisition was significant and rapid expansion of customer base was realized, which in turn contributed to a significant increase of brokerage and commission income and fueled the growth of profit. The encouraging results underscored the Group’s competitive advantage among its peers in the industry. The basic earnings per share was HK15.97 cents (2013: HK10.18 cents) and the diluted earnings per share was HK15.96 cents (2013: HK10.17 cents). The Board proposed a final dividend of HK4.50 cents (2013: HK2.70 cents) per share for the year.



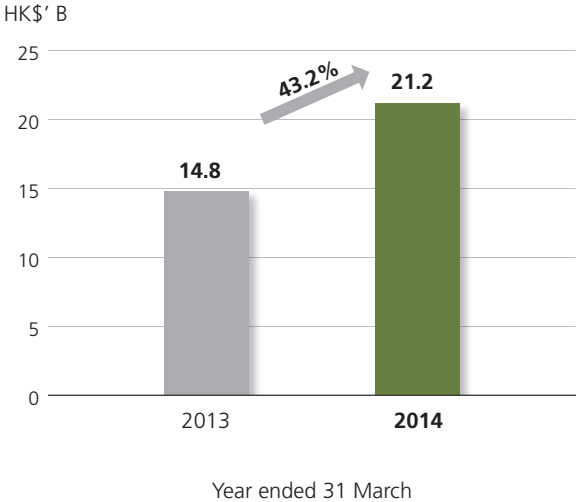
Total Number of Client Accounts and Client Assets

The increase in turnover was mainly attributable to the branch network and marketing strategies, an expanding customer base, and the growth of commission income. To ensure the continuous improvement of customer service quality and achieve the objective of “customers first”, a total of 13 selected branches were opened for seven days a week. During the Year, 25,408 (after deducting the closed accounts) new accounts were opened such that the total number of client accounts reached 114,668, representing a repeated new record high and an increase of 28.5% as compared to the number of 89,260 recorded as of 31 March 2013. Client assets (included cash and stocks) also recorded a substantial increase of 43.2%, reaching approximately HK\$21.2 billion (2013: approximately HK\$14.8 billion).

Total Number of Client Accounts



Client Assets of the Group

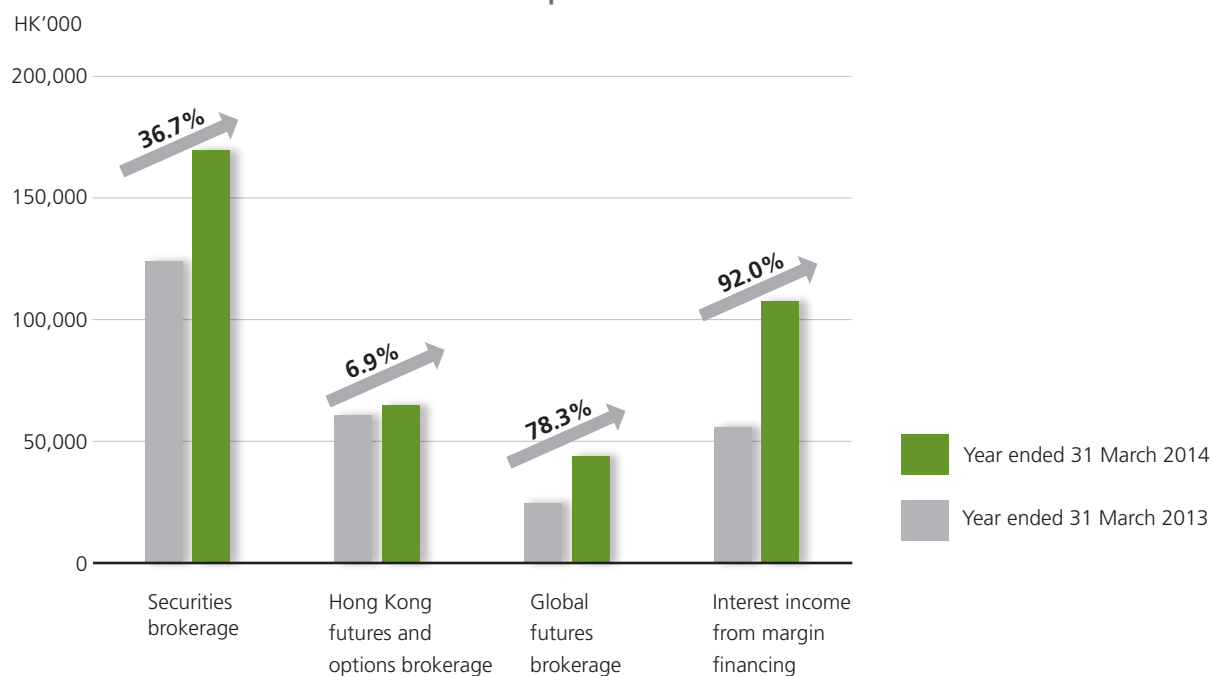


TURNOVER

During the Year under review, the Hong Kong stock market experienced significant fluctuation. With the Group's competitive advantage in reputation and quality service, the Group launched a number of aggressive promotional programs during the Year, which resulted in significant growth in various business segments including securities brokerage, futures brokerage and margin financing. During the Year, the Group had a total turnover of HK\$410.4 million (2013: HK\$273.3 million), representing an increase of 50.2% over the Prior Year. A summary of the turnover from all business segments of the Group is set out below:

	Year ended 31 March		Proportion of total turnover	Proportion of total turnover	Increment
	2014 HK\$'000	Proportion of total turnover %			
Income from:					
– Securities brokerage	169,355	41.3%	123,923	45.4%	36.7%
– Hong Kong futures and option brokerage	64,764	15.8%	60,593	22.2%	6.9%
– Global futures brokerage	43,911	10.7%	24,633	9.0%	78.3%
– Stock options brokerage	4,493	1.0%	3,426	1.3%	31.1%
– IPO brokerage	10,471	2.6%	3,617	1.3%	189.5%
– Bullion trading	420	0.1%	–	–	–
Interest income from margin financing	107,294	26.1%	55,883	20.4%	92.0%
Interest income IPO financing	9,672	2.4%	1,206	0.4%	702.0%
Total turnover	410,380	100.0%	273,281	100.0%	50.2%

Turnover from main businesses of the Group

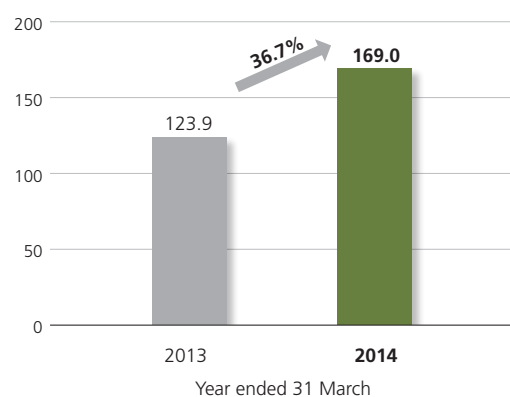


I. Securities brokerage

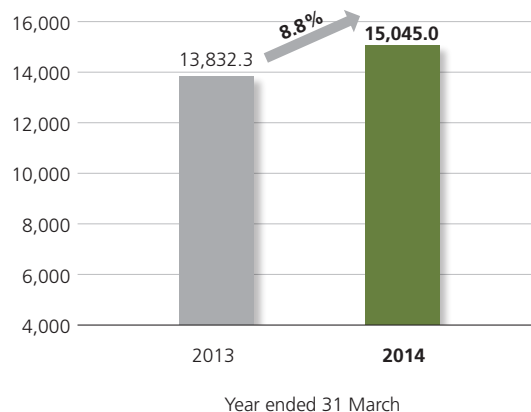
The Group's commission income from securities brokerage for the Year was HK\$169.4 million (2013: HK\$123.9 million), increased 36.7% over the Prior Year and accounted for 41.3% (2013: 45.4%) of the total turnover. During the Year, the Stock Exchange recorded a transaction value of HK\$15,045.0 billion (2013: HK\$13,832.3 billion), representing a year-on-year increase of approximately 8.8%. In comparison, the Group not only significantly outperformed the market in terms of securities brokerage, but also recorded growth in market share during the Year.

After the launch of the unprecedented "Installment Margin Scheme" and "BS Pre-IPO Trading Centre" last year, the Group also introduced preferential scheme for subscription of iBond, a government bond, and RMB government bonds, which, being well-received in the market, spurred the rapid growth of new accounts and generated recurring revenue for the Group. To lay a solid foundation for the penetration into the international market, the Group will continue, as always, to vigorously explore business opportunities arising from RMB-based financial products.

Commission income from securities brokerage of the Group
HK\$'M



Transaction amount of the Hong Kong stock market
HK\$'B



II. Hong Kong futures and options brokerage

The Group's commission income from Hong Kong futures and options brokerage for the Year was HK\$64.8 million (2013: HK\$60.6 million), representing an increase of 6.9% over the Prior Year, and accounted for 15.8% (2013: 22.2%) of the total turnover.

III. Global futures brokerage

The global markets remained volatile. As investors traded global futures for the purpose of hedging their exposures to risks, trading activities became more active and resulted in positive impact on the Group's global futures trading as well as steady growth in the number of customers. The commission income from global futures brokerage for the Year increased a remarkable 78.3% over the Prior Year to HK\$43.9 million (2013: HK\$24.6 million), representing 10.7% (2013: 9.0%) of the total turnover.

IV. Stock options brokerage

During the Year, the Group recorded a commission income of HK\$4.5 million for the Year (2013: HK\$3.4 million) from stock option brokerage, accounting for 1.0% (2013: 1.3%) of the total turnover. As stock options are highly leveraged investment products, the Group ensures proper risk management by closely monitoring the margin levels of the stock option accounts and making adjustments according to market situations.

V. Bullion trading

The Group commenced bullion trading services officially in July 2013. Income from bullion trading of HK\$420,000, representing 0.1% of total turnover, was recorded during the Year.

VI. Margin financing

During the Year, the Group's interest income from margin financing was HK\$107.3 million (2013: HK\$55.9 million), representing a significant increase of 92.0% over the Prior Year, and accounted for 26.1% (2013: 20.4%) of the total turnover. The Group's average monthly margin financing amount increased substantially by 95.6% from approximately HK\$1,350 million for the Prior Year to approximately HK\$2,641 million for the Year. The Group has always been committed to providing customers with competitive margin ratios, such that the customers can enjoy greater flexibility of liquidity and more customers will be attracted to trade securities on margin.

The Group has implemented effective credit control procedures. Despite the substantial growth in the amount of margin financing, the Group did not record any bad debt in the past few years.

VII. IPO brokerage and IPO financing

Under the volatile market conditions during the Year, the performance of the IPO market was far from outstanding. Nevertheless, the investor sentiments on subscription remained high. The Group's interest income from IPO financing increased by 702.0% over the Prior Year to HK\$9.7 million (2013: HK\$1.2 million), while commission income from IPO brokerage was HK\$10.5 million (2013: HK\$3.6 million), representing a year-on-year increase of 189.5%.

OPERATING EXPENSES AND NET PROFIT MARGIN

While the Group's turnover for the Year recorded a significant increase of more than 50% over the Prior Year under the Group's aggressive business expansion, relevant operating costs such as finance costs, handling and settlement expenses increased moderately by only 29.6% to HK\$290.5 million for the Year (2013: HK\$224.2 million). The Group has put in place effective costs control measures, achieving a net profit margin of 40.6% (2013: 33.7%).

	2014	2013	Increment/ (decrement)
	HK\$'000	HK\$'000	%
Staff cost	94,366	85,079	10.9%
Depreciation	15,499	12,857	20.5%
Finance cost	45,327	16,807	169.7%
Advertising and promotion expenses	8,895	7,892	12.7%
Handling and settlement expenses	28,464	22,243	28.0%
Information and communication expenses	23,046	21,037	9.5%
Rentals, rates and building management fee	45,147	36,574	23.4%
Legal and professional fees	1,716	3,007	(42.9%)
Miscellaneous expenses	28,018	18,703	49.8%
	<u>290,478</u>	<u>224,199</u>	<u>29.6%</u>

FUTURE PLANS

Over the past year, the Group took initiatives to tap into the mainland China market and conducted studies on the establishment of consultation centre in the mainland to promote its business. The China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong jointly announced the introduction of "Shanghai-Hong Kong Stock Connect" which will be launched formally in the second half of 2014. This will not only help promote the integration of the stock markets in Shanghai and Hong Kong, enhance the attractiveness of the two markets to international investors, consolidate Hong Kong's position as an offshore Renminbi Centre, and improve the overall efficiency of the Hong Kong securities market, but will also solidify and strengthen Hong Kong's leading position in the industry as an international financial centre. As one of the leading local securities financial groups in Hong Kong, the Group is reputable in the active development of diversified products and its service quality. Looking into the future, the Group will devote more resources to accelerate the development of business in mainland China, expand its scale of operation for more customers, actively promote the bullion trading platform and after-hour futures trading, recruit professionals for the development of the mainland market, and launch new services to meet market demands from time to time. Meanwhile, the Group will also launch vigorous promotion programs through online platform to capture both local and mainland customers. The Group will strive to take advantage of the unlimited development opportunities for business expansion.

On the basis of prudent expansion, the Group will actively diversify and optimize expansion plans, with an aim to further increase its market share and provide better value-added services to the customers.

Increase market share

The Group is optimistic about Hong Kong's economic prospect, and believes that there are still a lot of development potential in the current market. With this in mind, the Group has aggressively increased the number of branches in the recent years. Potential districts were identified for the set up of new branches and the branch network was optimized. The Group will consider a further increase of the number of branches at suitable locations. The objective is to extend the branch network to cover all districts in Hong Kong and further consolidate the Group's position in the Hong Kong securities market.

The Group currently operates an extensive branch network of 16 branches in Hong Kong (excluding the head office in Central), 13 of which are selected branches operating seven days a week. The Group has recorded a sharp surge in the number of customers within just a few years.

The Group is actively expanding its business and building its presence, and gradually exploring the international business area through the introduction of diversified and up-to-date investment products to the global market and the uplifting of professionalism to cater for the ever-changing capital market. As China has become an important player in the international economy, the Group is committed to developing the mainland China market and allocating more resources to capture the mainland customers, with an aim to generate significant income for the Group.

In respect of the development of the mainland market, the Group will leverage on the "Bright Smart Finance Channel" (耀才財經台) as a flagship promotional tool and strengthen its marketing efforts. The Group's celebrity stock commentator, Mr. Kwok Sze Chi (Executive Director and Marketing Director of the Group) will conduct seminars regularly in mainland China, in which exchanges between the Group and mainland investors are promoted and the latest information and news of the Hong Kong stock market are shared. Also, the Group offers one-stop financial services to the mainland investors through its powerful and robust online trading platform. Coupled with its favorable commission policy, it is expected that more customers from mainland China will be captured.

In addition, the Group was very proud to be able to stand out from a number of participating securities dealers and was honored as one of the "Largest RMB Currency Futures Traders By Volume" by Hong Kong Exchanges and Clearing Limited (HKEx), which again demonstrated the Group's capability and leadership in the industry. The Group would like to see the introduction of more RMB futures products by HKEx so that the Group can expand its scope of service and broaden its revenue sources.

Diversification of product portfolio

The Group is committed to developing diversified financial products to enhance its competitiveness. With the multiple price quotation system for bullion trading introduced to Hong Kong last year, the order-placing platform was improved and optimized. The customers are now provided with a highly transparent bullion trading service which is fair, just and open.

Although the market is flooded with external uncertainties, the Group will remain committed to exploring new business opportunities, studying and introducing more financial products and services at the right times. These include global stock trading, foreign exchange trading, asset management, underwriting and placing of new shares, and products of London Metals Exchange (LME), amongst other.

24-hour online trading

Online trading has already become a trend in investment. The Group, as an early mover, has taken the opportunity to develop its services around the core of online trading. With the second phase of trading hour extension in effect, the Group's brand new website offers 24-hour, around the clock, online trading platform and investment information. The Group particularly favours the business opportunities of online trading through smart phones. Through internet and mobile network, the customer can enjoy one-stop online interactive investment experience that is secure, safe and convenient, anytime and anywhere.

Bright Smart Finance Channel

The "Bright Smart Finance Channel", an online channel of the Group, has been well received by customers and the public since its inception in 2012. In early 2014, the Group planned to upgrade the online channel "Bright Smart Finance Channel" by adding a number of new elements, so that the customers are provided with the most comprehensive and up-to-date global investment information and real time news, and will be able to maximize the growth potential of their asset values by making informed and sensible investment decisions.

CONCLUSION

Through active and aggressive business promotion and expansion strategies during the Year, the Group was successful in achieving continuous growth in business. With Chow Tai Fook becoming the second largest shareholder of the Company by way of placing during the Year, the Group now enjoys strong competitive advantage, and is poised to becoming the leading local securities and financial group in Hong Kong.

Looking ahead, with the development of increasingly diversified businesses and the constant introduction of financial products, the Group will strive to uplift competitiveness by providing the customers with one-stop financial services. Customer base will be solidified through capturing of market share from aggressive branch network expansion, and additional sources of revenue will be introduced by further development of different types of financial products.

The Group has been improving its overall profitability and operating efficiency by consistently taking advantage of its superior and meticulously planned business strategies. Under the leadership of the chairman and the management team, the Group has been able to maintain growth in face of the rapidly changing financial market, and continue to generate satisfactory returns for the shareholders. The Company is on its way to its objective of becoming the most established and prominent securities dealer in the country.

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\$370.4 million as at 31 March 2014 (2013: HK\$381.5 million). The Group had total bank borrowings of HK\$2,776.0 million as at 31 March 2014 (2013: HK\$1,690.0 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 31 March 2014, unutilised banking facilities amounted to HK\$1,337.0 million (2013: HK\$983.0 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity), was 276.4% (2013: 223.1%). As at 31 March 2014, the net current assets of the Group increased by 35.9% to HK\$911.3 million (2013: HK\$670.6 million). The Group's current ratio (current assets divided by current liabilities) as at 31 March 2014 was 1.25 times (2013: 1.28 times). The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of the subsidiaries maintain a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries have complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules ("FRR").

Charges on Assets

No asset of the Group was subject to any charge as at 31 March 2014 and 2013.

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\$2,073,000,000 (2013: HK\$993,000,000). As at 31 March 2014, the subsidiaries of the Company has utilised HK\$1,153,000,000 of these aggregate banking facility (2013: HK\$710,000,000).

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

Operating Lease Comitments and Capital Comitments

The operating lease commitments as at 31 March 2014 were approximately HK\$72.0 million (2013: HK\$101.1 million). The capital commitments as at 31 March 2014 were approximately HK\$0.6 million (2013: HK\$8.4 million).

Employees and Remuneration Policies

As at 31 March 2014, the Group had a work force of 255 employees (2013: 245 employees). Staff costs, excluding Directors' emoluments, amounted to approximately HK\$84.8 million for the Year (2013: HK\$77.4 million). The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share option scheme and a bonus scheme for its executives and employees in a bid to provide a competitive remuneration package for the Group's long term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's work ability and personal effectiveness.

Significant Acquisition and Disposal of Subsidiaries

During the Year, the Group did not make any significant acquisition or disposal of subsidiaries.

Litigation

As at 31 March 2014 and up to the date of this announcement, the Group was not involved in any litigation of significance.

RISK MANAGEMENT

Credit risk

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

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of 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 margin financing to its 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 margin account and futures account are monitored by the management on a daily basis. Margin calls and forced liquidation are made where necessary.

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

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

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2014.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2014.

REVIEW OF ANNUAL RESULTS

The annual results for the Year had been reviewed by the Audit Committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 had been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on Thursday, 7 August 2014. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.bsgroup.com.hk. The Annual Report 2013/2014 and the notice of AGM will be despatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Bright Smart Securities & Commodities Group Limited
Chan Kai Fung
Executive Director and Chief Executive Officer

Hong Kong, 16 June 2014

As at the date of this announcement, the Board comprises Messrs. Yip Mow Lum (Chairman), Chan Kai Fung (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*