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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 2014**

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2014 together with the comparative figures for the six months ended 30 September 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014 — unaudited (Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
		2014	2013
	<i>Note</i>	\$'000	\$'000
Turnover	2	215,984	186,881
Other revenue	4	47,113	34,187
Other net gain	5	451	594
Staff costs		(48,035)	(42,940)
Depreciation		(7,046)	(7,181)
Other operating expenses		(70,878)	(67,675)
Profit from operations		137,589	103,866
Finance costs	6(a)	(27,888)	(17,368)
Profit before taxation	6	109,701	86,498
Income tax	7	(15,709)	(14,110)
Net profit and total comprehensive income attributable to equity shareholders for the period		93,992	72,388
Earnings per share	8		
Basic (cents)		8.38	7.00
Diluted (cents)		8.38	7.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014 — unaudited (Expressed in Hong Kong dollars)

		At 30 September 2014 \$'000	At 31 March 2014 \$'000
Non-current assets			
Fixed assets		25,116	30,393
Deferred tax assets		2,916	1,436
Other receivables, deposits and prepayments		14,867	14,602
Other non-current assets		68,472	46,718
Total non-current assets		<u>111,371</u>	<u>93,149</u>
Current assets			
Accounts receivable	10	4,759,493	4,147,315
Other receivables, deposits and prepayments		5,774	2,805
Cash and cash equivalents		817,641	370,374
Total current assets		<u>5,582,908</u>	<u>4,520,494</u>
Current liabilities			
Accounts payable	11	1,471,871	782,388
Accrued expenses and other payables		40,012	35,511
Bank loans	12	2,900,622	2,776,000
Amount due to a related company		200,000	—
Current taxation		32,493	15,297
Total current liabilities		<u>4,644,998</u>	<u>3,609,196</u>
Net current assets		<u>937,910</u>	<u>911,298</u>
Total assets less current liabilities		<u>1,049,281</u>	<u>1,004,447</u>
Non-current liability			
Deferred tax liabilities		66	73
NET ASSETS		<u>1,049,215</u>	<u>1,004,374</u>
EQUITY			
Share capital		336,692	336,278
Share premium		333,637	332,398
Merger reserve		(20,000)	(20,000)
Share option reserve		543	843
Retained profits		398,343	354,855
TOTAL EQUITY		<u>1,049,215</u>	<u>1,004,374</u>

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 2014 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 2013/14 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 2014 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 2014 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 June 2014.

(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.

The HKICPA has issued a few 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:

- Amendments HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, 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. These developments do not have a material impact on the Group’s financial statements.

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	
	2014	2013
	\$'000	\$'000
Brokerage commission	141,453	138,158
Dealing income from bullion trading	1,924	140
Interest income from margin financing	69,098	47,678
Interest income from IPO financing	3,509	905
	<u>215,984</u>	<u>186,881</u>

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.

	Six months ended 30 September 2013			
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	Total \$'000
Revenue from customers:				
— Brokerage commission	78,569	59,589	–	138,158
— Dealing income	–	–	140	140
— Interest income from margin financing	47,678	–	–	47,678
— Interest income from IPO financing	905	–	–	905
Consolidated turnover	127,152	59,589	140	186,881
Handling and settlement fees	18,254	5	1	18,260
Reportable segment revenue	<u>145,406</u>	<u>59,594</u>	<u>141</u>	<u>205,141</u>
Reportable segment profit/(loss) (EBIT)	<u>85,063</u>	<u>19,687</u>	<u>(876)</u>	<u>103,874</u>
Depreciation for the period	(7,093)	(30)	(58)	(7,181)
Other interest income	13,885	1,480	5	15,370
Finance costs	(17,629)	–	–	(17,629)
Additions to non-current segment assets during the period	<u>12,568</u>	<u>365</u>	<u>–</u>	<u>12,933</u>

	At 31 March 2014			
	Securities broking \$'000	Commodities and futures broking \$'000	Bullion trading \$'000	Total \$'000
Reportable segment assets	4,198,726	458,294	39,529	4,696,549
Reportable segment liabilities	<u>(3,470,782)</u>	<u>(256,790)</u>	<u>(41,396)</u>	<u>(3,768,968)</u>

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

	Six months ended 30 September	
	2014 \$'000	2013 \$'000
Profit		
Reportable segment profit (EBIT)	137,372	103,874
Finance costs	(27,888)	(17,629)
Unallocated corporate income	217	293
Unallocated corporate expenses	<u>–</u>	<u>(40)</u>
Consolidated profit before taxation	<u>109,701</u>	<u>86,498</u>

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Assets		
Reportable segment assets	5,949,871	4,696,549
Elimination of inter-segment receivables	(287,408)	(111,336)
Unallocated corporate assets	<u>31,816</u>	<u>28,430</u>
Consolidated total assets	<u><u>5,694,279</u></u>	<u><u>4,613,643</u></u>

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Liabilities		
Reportable segment liabilities	(4,868,586)	(3,768,968)
Elimination of inter-segment payables	224,285	160,098
Unallocated corporate liabilities	<u>(763)</u>	<u>(399)</u>
Consolidated total liabilities	<u><u>(4,645,064)</u></u>	<u><u>(3,609,269)</u></u>

4 OTHER REVENUE

	Six months ended 30 September	
	2014 \$'000	2013 \$'000
Interest income from		
— Authorised institutions	14,732	8,326
— Others	<u>8,259</u>	<u>7,076</u>
Handling and settlement fees	22,991	15,402
Sundry income	<u>22,584</u>	<u>18,260</u>
	1,538	525
	<u><u>47,113</u></u>	<u><u>34,187</u></u>

5 OTHER NET GAIN

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
Net foreign exchange gain	582	1,140
Loss on disposal of fixed assets	(3)	(180)
Error trades arising from dealings	(7)	(40)
Others	(121)	(326)
	<u>451</u>	<u>594</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	(3,058)	(617)
— Other bank loans and overdrafts	(23,945)	(15,940)
— Loans from related companies	(885)	(811)
	<u>(27,888)</u>	<u>(17,368)</u>
(b) Other operating expenses		
Auditors' remuneration	(720)	(650)
Advertising and promoting expenses	(3,992)	(4,908)
Handling and settlement expenses	(15,948)	(13,602)
Commission expense to overseas brokers	(4,088)	(6,094)
Information and communication expenses	(11,156)	(11,877)
Legal and professional fees	(1,164)	(1,049)
Operating lease charges in respect of properties	(22,386)	(20,884)
Rates and building management fees	(1,251)	(1,808)

7 INCOME TAX

	Six months ended	
	30 September	
	2014	2013
	\$'000	\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	(17,196)	(13,407)
Deferred tax		
Origination and reversal of temporary differences	<u>1,487</u>	<u>(703)</u>
	<u>(15,709)</u>	<u>(14,110)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the current period.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$93,992,000 (six months ended 30 September 2013: \$72,388,000) and the weighted average number of shares in issue during the period ended 30 September 2014 of 1,121,414,843 (six months ended 30 September 2013: 1,034,436,795).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$93,992,000 (six months ended 30 September 2013: \$72,388,000) and the weighted average number of ordinary shares of 1,121,971,690 (six months ended 30 September 2013: 1,034,805,517) shares calculated as follows:

	Six months ended	
	30 September	
	2014	2013
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares	1,121,414,843	1,034,436,795
Effect of exercise of share options	<u>556,847</u>	<u>368,722</u>
Weighted average number of ordinary shares (diluted)	<u>1,121,971,690</u>	<u>1,034,805,517</u>

9 DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2014 (six months ended 30 September 2013: nil).

10 ACCOUNTS RECEIVABLE

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Accounts receivable from		
— Cash clients	239,986	214,861
— Margin clients	3,533,433	3,361,155
— Clearing houses	878,138	470,901
— Brokers and dealers	108,836	101,298
Less: impairment provision	(900)	(900)
	<u>4,759,493</u>	<u>4,147,315</u>

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

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Current	68,997	32,113
Less than 1 month past due	123,705	129,467
1 to 3 months past due	29,261	25,824
More than 3 months past due	18,023	27,457
Amount past due	170,989	182,748
	<u>239,986</u>	<u>214,861</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 2014, the total market value of their portfolios of securities was \$1,433,254,000 (31 March 2014: \$1,242,397,000). 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 2014, margin loans from margin clients were current and repayable on demand except for \$4,189,000 (31 March 2014: \$660,000) where the margin loans were past due for 1 to 3 months following a trading suspension of the pledged securities. The related securities resumed trading after the balance sheet date and the marginable value of these securities was sufficient to cover the margin loans. At 30 September 2014, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were approximately \$7,136,884,000 and \$9,892,753,000 (31 March 2014: \$6,829,244,000 and \$8,738,534,000).

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 2014 \$'000	At 31 March 2014 \$'000
Accounts payable		
— Cash clients	365,924	222,713
— Margin clients	1,092,838	524,005
— Brokers	12,870	35,670
— Receipt in advance	239	—
	<u>1,471,871</u>	<u>782,388</u>

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

12 BANK LOANS

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
Secured bank loans	2,728,722	2,546,000
Unsecured bank loans	171,900	230,000
	<u>2,900,622</u>	<u>2,776,000</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 secured bank loans at 30 September 2014 are secured by securities collateral of margin clients re-pledged to banks. The fair value of the collateral re-pledged as at 30 September 2014 amounted to \$5,014,160,000 (31 March 2014: \$4,765,002,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

During the six-month period ended 30 September 2014 (the “Period”) under review, the Hong Kong stock market showed a low-high pattern. Under the impact of rising tension in Ukraine, the Hong Kong stock market flattened along with its neighbouring markets. The Securities and Futures Commission (“SFC”) of Hong Kong and the China Securities Regulatory Commission (“CSRC”), however, issued a joint announcement in April 2014 in relation to the in-principle approval of the establishment of a pilot programme that links the stock markets in mainland China and Hong Kong for stock trading and settlement (“Shanghai-Hong Kong Stock Connect”). Under the programme, local and overseas investors in both Hong Kong and mainland China will be allowed to trade designated shares listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively. The news gave the market a generally bullish outlook and stimulated the rebound of stock markets in mainland China and Hong Kong.

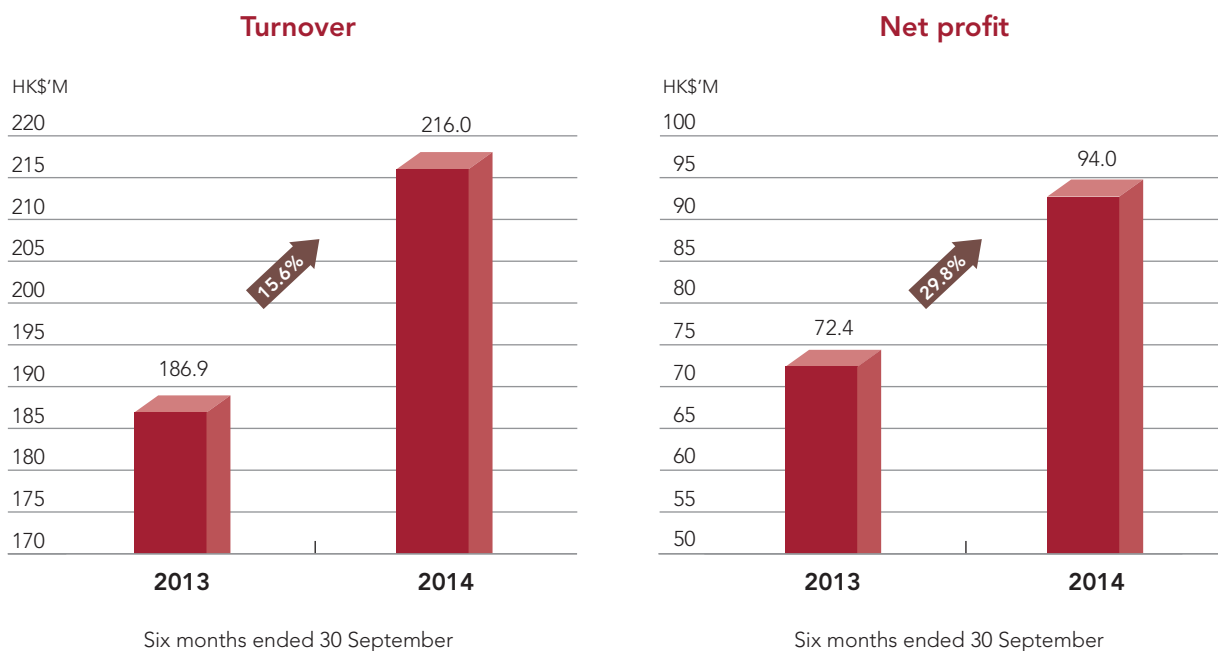
Given the slowdown of the domestic economic growth at 7.4% in the first quarter, which was lower than the average annual growth target set by the Central Government, the Hang Seng Index fell to a low of 21,746 points amid investor concerns over further slowdown of economic growth in the mainland. In this regard, intensive launch of micro-stimulating measures in China refueled the domestic economic growth in the second quarter, beating the market expectations with a year-on-year growth of 7.5%. In addition, the Quantitative Easing Policy reiterated by the US Federal Reserve together with the negative interest rate environment and several liquidity injection plans introduced by the European Central Bank acted as a driving force for a consistently strong exchange rate for Hong Kong dollar, in turn improving market sentiments as well as contributing to the rising trend of Hang Seng Index which stabilized at the level above 24,000 points in late July. The Hang Seng Index subsequently fell back in light of the market concerns over interest rate hike by the US and the weak economic performance of mainland China. Overall, the Hang Seng Index opened at 22,292 points on 1 April 2014 and closed at 22,933 points on 30 September 2014, representing an increase of 2.9%.

Looking into the second half of the financial year, clouded by various uncertainties including those uncertainties arising from the monetary policy normalization of the US, slow recovery of economies in the Eurozone and escalating geopolitical tensions worldwide, the peripheral economic environment will remain unstable, in turn leading to a fluctuating global stock market. However, due to the lifting of property purchase restrictions in numerous cities and the relaxation of first-home loan policy by the People’s Bank of China which will support the property market, and the lowering of lending rate recently announced by the People’s Bank of China, it is also expected that further measures would be introduced by the government to fuel steady economic development, promising a prudent yet optimistic outlook for domestic economy. In the meantime, along with the successful launch of the Shanghai-Hong Kong Stock Connect programme, the Group believes that there will be an increasing number of investment products eligible for inter-connection in the future. It is anticipated that policies introduced in succession will attract capital influx into the Hong Kong market, boosting both the stock market and economic development in Hong Kong.

Operating results

During the Period, Bright Smart Securities & Commodities Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded a turnover of HK\$216.0 million (2013: HK\$186.9 million), representing an increase of 15.6% as compared to the corresponding period last year; whereas, the net profit amounted to HK\$94.0 million (2013: HK\$72.4 million), representing an increase of 29.8% as compared to the corresponding period last year. Basic earnings per share were HK8.38 cents (2013: HK7.00 cents) and the diluted earnings per share were HK8.38 cents (2013: HK7.00 cents). The board of directors of the Company (the “Board”) does not recommend the payment of an interim dividend for the Period (2013: nil).

Facing the fierce competition in the securities sector, the Group still recorded remarkable performance during the Period, mainly attributable to the sharp increase in interest income from margin financing. Besides, the Group’s well-established branch network, diversified products, extensive marketing promotion strategy as well as its good reputation had contributed to the solid growth of its clientele and market share.

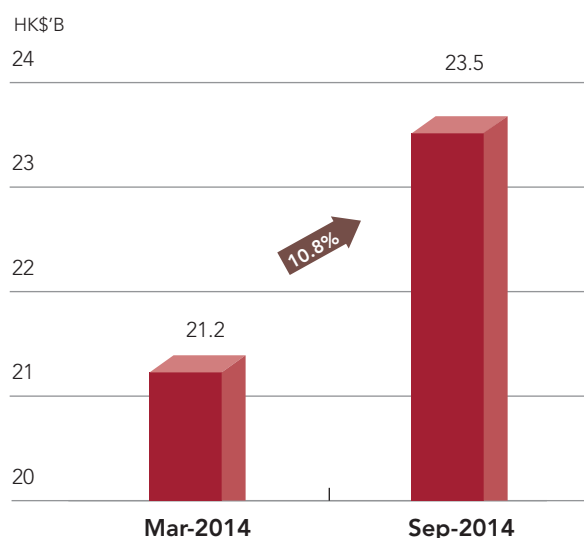


Turnover

With a view to building up the confidence of the clients in Hong Kong and mainland China in the Group's business and consolidating our market position, the Group set up a head office in Kowloon, located at Nathan Road, Kowloon, so as to provide its clients in Hong Kong and mainland China with quality and professional services. By the end of September 2014, the total number of branches was 16 (excluding the head office in Central), of which 14 selected branches are open for business seven days a week. The management's aggressive marketing strategy successfully led to the continuous growth of its customer base. During the Period, the number of new client accounts opened (after deducting the number of client accounts closed) reached 9,477. As a result, the total number of client accounts increased to 124,145, representing an increase of 22.3% as compared to 101,534 as of 30 September 2013. The total number of client accounts maintained a steady growth. Client assets (included cash, stocks and margin deposits) also recorded an increase of 10.8%, reaching approximately HK\$23.5 billion (31 March 2014: approximately HK\$21.2 billion).



Client Assets



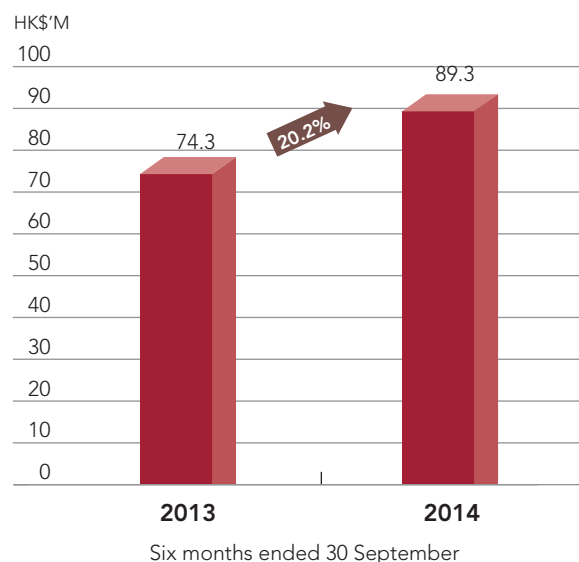
A summary of the revenue from different business segments of the Group is set out below:

	2014 HK\$'000	Proportion of total turnover %	2013 HK\$'000	Proportion of total turnover %	Increase/ (decrease) %
Brokerage income from:					
— Securities brokerage	89,280	41.3%	74,297	39.7%	20.2%
— Hong Kong futures and options brokerage	29,266	13.6%	38,135	20.4%	(23.3%)
— Global futures brokerage	15,314	7.1%	21,454	11.5%	(28.6%)
— IPO brokerage	4,972	2.3%	2,179	1.2%	128.2%
— Stock Options brokerage	2,621	1.2%	2,093	1.1%	25.2%
Dealing income from bullion trading	1,924	0.9%	140	0.1%	1,274.3%
Interest income from margin financing	69,098	32.0%	47,678	25.5%	44.9%
Interest income from IPO financing	3,509	1.6%	905	0.5%	287.7%
	215,984	100.0%	186,881	100.0%	15.6%

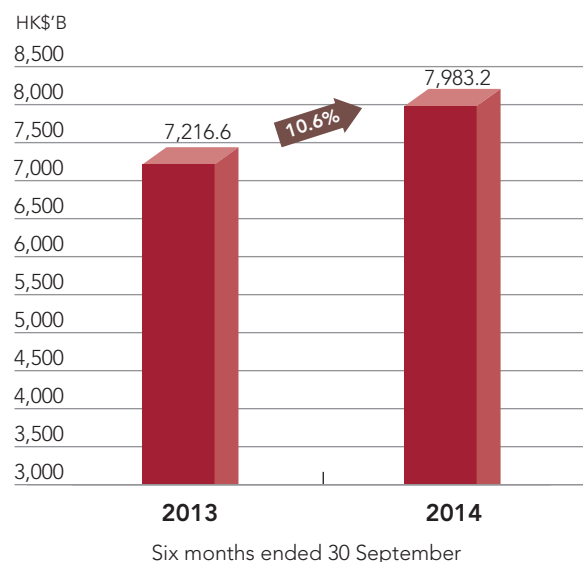
I. Securities brokerage

During the Period, the HKEx recorded a total transaction value of HK\$7,983.2 billion (2013: HK\$7,216.6 billion), representing a period-to-period increase of 10.6%. The Group's securities brokerage segment significantly outperformed the market, with commission income from securities brokerage amounted to HK\$89.3 million (2013: HK\$74.3 million), representing an increase of 20.2% as compared to the corresponding period last year, accounting for 41.3% (2013: 39.7%) of the total turnover.

Commission income from securities brokerage of the Group



Transaction amount of the Hong Kong stock market



II. Hong Kong futures and options brokerage

During the Period, the transaction volume of Hong Kong futures and options market has been shrinking. As it was difficult for the investors to make a profit from trading in Hong Kong futures and options under such market downturns, the investors have become more prudent. The Group's Hong Kong futures and options brokerage segment delivered commission income of HK\$29.3 million (2013: HK\$38.1 million), representing a decrease of 23.3% as compared to the corresponding period last year, accounting for 13.6% (2013: 20.4%) of the total turnover. It is expected that, with the implementation of the Shanghai-Hong Kong Stock Connect and extension of After-Hour Futures Trading session, investors may have sufficient time to adjust their investment strategies in response to the market conditions in Europe and the US, drawing investors to increase trading of Hong Kong futures.

III. Global futures brokerage

During the Period, the commission income from global futures brokerage was HK\$15.3 million (2013: HK\$21.5 million), representing a decrease of 28.6% as compared to the corresponding period last year, accounting for 7.1% (2013: 11.5%) of the total turnover. In view of the volatile global markets, investors held a relatively prudent attitude towards trading of global futures. It is expected that, with the US stocks hitting record highs in the second half of the year, the income from global futures will be improved.

IV. Stock options brokerage

During the Period, the Group's trading service for stock options recorded an income of HK\$2.6 million (2013: HK\$2.1 million), representing an increase of 25.2% as compared to the corresponding period last year, accounting for 1.2% (2013: 1.1%) of the total turnover. Stock option is a highly leveraged investment product. The Group closely monitored the margin levels maintained in the stock option accounts and adjusted according to market conditions to ensure proper risk control.

V. Bullion trading

The Group's bullion trading service was launched in July 2013. During the Period, the Group's bullion trading income was HK\$1.9 million (2013: HK\$140 thousand), accounting for 0.9% (2013: 0.1%) of the total turnover.

VI. Margin financing

During the Period, the Group's interest income from margin financing was HK\$69.1 million (2013: HK\$47.7 million), representing an increase of 44.9% from the corresponding period last year, accounting for 32.0% (2013: 25.5%) of the total turnover. The Group implemented an effective credit control process. There was no record of bad debts over the past years for securities margin financing.

VII. IPO brokerage and IPO financing

Hong Kong's IPO market saw improvement in the first half of 2014. According to the HKEx's figures, the amount of funds raised by way of IPO increased by 110.3% as compared to the corresponding period last year. During the Period, the Group's commission income from IPO brokerage was HK\$5.0 million (2013: HK\$2.2 million), representing a period-to-period increase of 128.2%, while the interest income from IPO financing increased by 287.7% to HK\$3.5 million (2013: HK\$0.9 million).

Operating expenses and net profit margin

During the Period, the Group's operating expenses was HK\$153.8 million (2013: HK\$135.2 million), representing an increase of 13.8% as compared to the corresponding period last year. The Group is committed to implementing effective cost control measures to enhance the overall profitability, bringing its net profit margin up to 43.5% (2013: 38.7%). A breakdown of operating expenses is set out below:

	2014	2013	Increase/ (decrease)
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Staff costs	48,035	42,940	11.9%
Depreciation	7,046	7,181	(1.9%)
Finance costs	27,888	17,368	60.6%
Advertising and promotion expenses	3,992	4,908	(18.7%)
Handling and settlement expenses	15,948	13,602	17.2%
Commission expenses to overseas brokers	4,088	6,094	(32.9%)
Information and communication expenses	11,156	11,877	(6.1%)
Rentals, rates and building management fee	23,637	22,692	4.2%
Legal and professional fees	1,164	1,049	11.0%
Miscellaneous expenses	10,893	7,453	46.2%
	153,847	135,164	13.8%

Future plans

The official launch of the Shanghai-Hong Kong Stock Connect on 17 November marked the beginning of a new era. On the first day, the transaction volume of A-Share reached the ceiling of the daily quota of RMB13 billion at 1:59 pm, and the amount transacted via Bright Smart has showed satisfactory results as compared to the overall total transaction amount. In addition, the Group is very confident of market prospects. It is expected that after the investors gradually adapt to the inter-operability of the stock markets in Shanghai and Hong Kong, more trading activities will occur, in turn spurring a continuous increase in transaction. It is also anticipated that the turnover and profit of the Group in the future will record a remarkable growth. The Group also believes that the Central Government will introduce the Shenzhen-Hong Kong Stock Connect in due course depending on market response, bringing a positive impact on the Group's future development.

The Group has been actively preparing itself for the Shanghai-Hong Kong Stock Connect and enhancing its trading system. Several competitive concessions of account opening were offered to the clients in Hong Kong and mainland China, including the pioneering 3-year commission-free trading services for Shanghai A-share and 6-month commission-free trading services for Hong Kong stocks. Such concessions were well-received in the market, as evidenced by the sharp increase in the number of new client accounts from mainland China clients within a short period of time. In the future, the Group will allocate more resources to speed up its business development in mainland China, strengthen online promotions, provide the latest information of Hong Kong stocks and organize regular seminars in mainland China, so as to facilitate exchange and communication between the Group and mainland investors, with an aim to attract more clients from mainland China and capture more market share.

The Group has been taking the initiative to expand its branch network to all over Hong Kong in accordance with the needs of business development. 16 branches (excluding the head office in Central) are currently operating in Hong Kong, of which 14 selected branches are open for business seven days a week. The head office in Kowloon, located at Nathan Road, Kowloon, had its grand opening in May 2014 and it is committed to providing its clients in Hong Kong and mainland China with quality and professional services. Furthermore, a consultation centre, put into operation in July this year, was set up in Shenzhen Futian financial district by the Group to answer investment inquiries from clients in mainland China. With the extensive branch network, the number of the Group's clients rocketed in a short period, thereby consolidating our leading position in the market. The Group will continue, as always, to identify appropriate locations to further increase the number of branches and extend its branch network to cover every district in Hong Kong.

In order to offer our clients with more convenient and stable trading experiences, the Group has relocated its central computer system to the data centre of HKEx located in Tseung Kwan O to provide a more stable, reliable and efficient trading platform. It is expected that the upgraded system will be capable of handling several fold increase in transaction volume. With an aim to further explore overseas markets and provide more diversified investment products for its clients, the Group has become a trading member of the Frankfurt Stock Exchange and will apply for membership of the Singapore Exchange.

The "Bright Smart Finance Channel", an online channel of the Group, has been well-received by its clients and the public since its inception in 2010. To provide its clients with the fastest, latest and most comprehensive global information and real-time news, the Group exerted every effort to bring huge reforms to the "Bright Smart Finance Channel" by adding a number of new elements in August this year. To cope with the need of its clients in mainland China, the "Bright Smart Finance Channel" has employed certain Putonghua speaking anchors to broadcast more Putonghua programmes. A sizable and professional analyst team of the "Bright Smart Finance Channel" will also analyze the stock market's trends and A-share movements for the audience and maximize the growth potential of their assets by helping the investors to make sensible decisions. The finance channel has been connected to well-known websites in the mainland China and the locals are able to watch live broadcast via mobile applications and websites.

Looking ahead, the Group will continue to adopt proactive approaches in marketing policies and expansion strategies to achieve continuous growth in business and sharpen our competitive edge. Capitalizing on multi-pronged marketing strategies, coupled with its powerful and stable online trading platform as well as consistent high quality services and commission concession schemes, the Group believes that it will effectively attract more clients in Hong Kong and mainland China. Besides, the Group will be dedicated to explore market opportunities and advance with the times by conducting research and introducing more diversified financial products and services in response to the market whenever appropriate. It is intended to provide its clients with one-stop financial services and become the leading local securities and financial group in Hong Kong, so as to bring satisfactory returns to the shareholders.

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\$817.6 million as at 30 September 2014 (31 March 2014: HK\$370.4 million). The Group had total bank borrowings of HK\$2,900.6 million as at 30 September 2014 (31 March 2014: HK\$2,776.0 million) which bore interest primarily at floating rates. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 30 September 2014, unutilised banking facilities amounted to HK\$1,669.4 million (31 March 2014: HK\$1,337.0 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity), was 276.5% (31 March 2014: 276.4%). As at 30 September 2014, the net current assets of the Group amounted to HK\$937.9 million (31 March 2014: HK\$911.3 million). The Group's current ratio (current assets divided by current liabilities) as at 30 September 2014 was 1.20 times (31 March 2014: 1.25 times).

CAPITAL MANAGEMENT

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

CHARGES ON ASSETS

None of the Group's assets were subject to any charges as at 30 September 2014 and 31 March 2014.

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\$2,430.0 million (31 March 2014: HK\$2,073.0 million). As at 30 September 2014, the subsidiaries of the Company has utilised HK\$1,301.6 million of these aggregate banking facility (31 March 2014: HK\$1,153.0 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 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"), 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.

EVENTS AFTER THE REPORTING PERIOD

(a) Rights issue

On 3 September 2014, the board of directors of the Company proposed to raise not less than HK\$561.15 million but not more than HK\$562.40 million, before expenses, by issuing not less than 561,154,006 rights shares but not more than 562,399,006 rights shares at the Rights Issue Price of HK\$1 per rights share. The rights issue was available only to qualifying shareholders on the basis of the provisional allotment of one (1) rights share for every two (2) existing Shares in issue and held on the record date.

The rights issue was completed on 21 October 2014 with 561,154,006 rights shares issued. The proceeds from the rights issue were used for funding the Group's margin financing business.

(b) Grant of share options

On 27 October 2014, the Company granted share options to directors, employees and consultants to subscribe for a total of 11,330,000 ordinary shares of par value HK\$0.3 each to be subscribed under its share option scheme adopted on 4 August 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group had a work force of 260 employees (31 March 2014: 255 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 2014.

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 2014/15 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, 27 November 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*