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耀才證券
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)

(the "Company", Stock Code: 1428)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013 together with the comparative figures for the six months ended 30 September 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013 — unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2013	2012
	Note	**$**	$
Turnover	*2*	**186,880,889**	110,372,797
Other revenue	*4*	**34,187,160**	27,723,041
Other net gain	*5*	**593,879**	104,505
Staff costs		**(42,940,318)**	(39,736,250)
Depreciation		**(7,181,133)**	(6,167,952)
Other operating expenses		**(67,674,455)**	(49,828,469)
Profit from operations		**103,866,022**	42,467,672
Finance costs	*6(a)*	**(17,367,861)**	(6,824,388)
Profit before taxation	*6*	**86,498,161**	35,643,284
Income tax	*7*	**(14,110,197)**	(4,293,994)
Net profit and total comprehensive income attributable to equity shareholders for the period		**72,387,964**	31,349,290
Earnings per share	*8*		
Basic (cents)		**7.00**	3.98
Diluted (cents)		**7.00**	3.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2013 — unaudited (Expressed in Hong Kong dollars)

	Note	**At 30 September 2013 $**	At 31 March 2013 $
Non-current assets			
Fixed assets		**31,280,595**	25,708,281
Deferred tax assets		**–**	315,065
Other receivables, deposits and prepayments		**13,278,693**	13,378,109
Other non-current assets		**61,849,257**	47,425,157
Total non-current assets		**106,408,545**	86,826,612
Current assets			
Accounts receivable	*10*	**5,659,631,849**	2,705,904,441
Other receivables, deposits and prepayments		**7,494,501**	12,390,859
Cash and cash equivalents		**455,884,176**	381,477,585
Total current assets		**6,123,010,526**	3,099,772,885
Current liabilities			
Accounts payable	*11*	**922,744,618**	614,390,402
Accrued expenses and other payables		**22,555,806**	21,574,316
Bank loans		**4,353,000,000**	1,690,000,000
Amount due to a related company		**102,000,000**	100,000,000
Current taxation		**16,539,830**	3,132,700
Total current liabilities		**5,416,840,254**	2,429,097,418
Net current assets		**706,170,272**	670,675,467
Total assets less current liabilities		**812,578,817**	757,502,079
Non-current liabilities			
Deferred tax liabilities		**414,379**	26,377
NET ASSETS		**812,164,438**	757,475,702
EQUITY			
Share capital		**312,602,242**	309,340,812
Share premium		**257,468,938**	250,318,615
Merger reserve		**(19,999,991)**	(19,999,991)
Share option reserve		**1,602,609**	1,687,341
Retained profits		**260,490,640**	216,128,925
TOTAL EQUITY		**812,164,438**	757,475,702

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 2013 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 2012/13 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 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 June 2013.

(b) Basis of preparation of the financial statements

The interim financial statements are presented in Hong Kong Dollars ("HKD"). It is prepared on 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 to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

— HKFRS 10, *Consolidated financial statements*

— Revised HKAS 19, *Employee benefits*

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 broking.

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

	Six months ended 30 September	
	2013	2012
	$	*$*
Brokerage income	**138,297,797**	88,793,632
Interest income from margin financing	**47,677,776**	21,539,498
Interest income from IPO financing	**905,316**	39,667
	186,880,889	110,372,797

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 broking — provision of broking service 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 deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments.

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

(b) Segment information

	Six months ended 30 September 2013			
	Securities broking $	Commodities and futures broking $	Bullion broking $	Total $
Revenue from customers:				
— Brokerage income	78,569,013	59,589,025	139,759	138,297,797
— Interest income from margin financing	47,677,776	–	–	47,677,776
— Interest income from IPO financing	905,316	–	–	905,316
Consolidated turnover	127,152,105	59,589,025	139,759	186,880,889
Handling and settlement fees	18,254,679	5,040	900	18,260,619
Reportable segment revenue	145,406,784	59,594,065	140,659	205,141,508
Reportable segment profit/(loss) (EBIT)	85,062,658	19,687,603	(876,180)	103,874,081
Depreciation for the period	(7,092,638)	(30,145)	(58,350)	(7,181,133)
Other interest income	13,885,491	1,479,701	4,984	15,370,176
Finance costs	(17,629,022)	–	–	(17,629,022)
Additions to non-current segment assets during the period	12,567,999	365,154	–	12,933,153

	At 30 September 2013			
	Securities broking $	Commodities and futures broking $	Bullion broking $	Total $
Reportable segment assets	5,631,308,506	631,763,863	37,402,002	6,300,474,371
Reportable segment liabilities	(4,969,046,916)	(441,922,612)	(38,865,502)	(5,449,835,030)

	Six months ended 30 September 2012			
	Securities broking	Commodities and futures broking	Bullion broking	Total
	$	$	$	$
Revenue from customers:				
— Brokerage income	50,715,568	38,078,064	–	88,793,632
— Interest income from margin financing	21,539,498	–	–	21,539,498
— Interest income from IPO financing	39,667	–	–	39,667
Consolidated turnover	72,294,733	38,078,064	–	110,372,797
Handling and settlement fees	13,586,230	5,850	–	13,592,080
Reportable segment revenue	85,880,963	38,083,914	–	123,964,877
Reportable segment profit (EBIT)	30,919,641	11,883,690	–	42,803,331
Depreciation for the period	(6,144,984)	(3,518)	–	(6,148,502)
Other interest income	11,754,328	2,033,314	–	13,787,642
Finance costs	(6,818,405)	(5,983)	–	(6,824,388)
Additions to non-current segment assets during the period	9,852,035	–	–	9,852,035

	At 31 March 2013			
	Securities broking	Commodities and futures broking	Bullion broking	Total
	$	$	$	$
Reportable segment assets	2,833,976,604	331,879,514	–	3,165,856,118
Reportable segment liabilities	(2,219,260,483)	(225,455,866)	–	(2,444,716,349)

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

	Six months ended 30 September	
	2013	2012
	$	$
Profit		
Reportable segment profit (EBIT)	**103,874,081**	42,803,331
Finance costs	**(17,629,022)**	(6,824,388)
Unallocated corporate income	**292,672**	–
Unallocated corporate expenses	**(39,570)**	(335,659)
Consolidated profit before taxation	**86,498,161**	35,643,284

	At 30 September 2013 $	At 31 March 2013 $
Assets		
Reportable segment assets	**6,300,474,371**	3,165,856,118
Elimination of inter-segment receivables	**(111,125,972)**	(9,714,821)
Deferred tax assets	**–**	315,065
Unallocated corporate assets	**40,070,672**	30,143,135
Consolidated total assets	**6,229,419,071**	3,186,599,497

	At 30 September 2013 $	At 31 March 2013 $
Liabilities		
Reportable segment liabilities	**(5,449,835,030)**	(2,444,716,349)
Elimination of inter-segment payables	**49,753,997**	98,798,392
Current taxation	**(16,539,830)**	(3,132,700)
Deferred tax liabilities	**(414,379)**	(26,377)
Unallocated corporate liabilities	**(219,391)**	(80,046,761)
Consolidated total liabilities	**(5,417,254,633)**	(2,429,123,795)

4 OTHER REVENUE

	Six months ended 30 September 2013 $	2012 $
Interest income from		
— Authorised institutions	**8,325,796**	9,991,590
— Others	**7,075,888**	3,815,453
	15,401,684	13,807,043
Handling and settlement fees	**18,260,619**	13,592,080
Sundry income	**524,857**	323,918
	34,187,160	27,723,041

5 OTHER NET GAIN

	Six months ended 30 September	
	2013	2012
	$	*$*
Net foreign exchange gain	**1,140,096**	355,654
Loss on disposal of fixed assets	**(179,706)**	–
Error trades arising from securities, commodities, futures and bullion dealings	**(39,881)**	(251,149)
Others	**(326,630)**	–
	593,879	104,505

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2013	2012
	$	*$*
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	**(616,570)**	–
— Other bank loans and overdrafts	**(15,940,467)**	(4,072,230)
— Loans from related companies	**(810,824)**	(2,752,158)
	(17,367,861)	(6,824,388)
(b) Other operating expenses		
Auditors' remuneration	**(649,998)**	(649,998)
Advertising and promoting expenses	**(4,908,304)**	(3,478,286)
Handling and settlement expenses	**(13,601,959)**	(10,072,359)
Commission expense to overseas brokers	**(6,093,599)**	(2,553,363)
Information and communication expenses	**(11,877,432)**	(10,271,153)
Legal and professional fees	**(1,049,201)**	(1,674,099)
Operating lease charges in respect of properties	**(20,884,127)**	(14,363,526)
Rates and building management fees	**(1,808,351)**	(1,738,651)

7 INCOME TAX

	Six months ended 30 September 2013 $	2012 $
Current tax — Hong Kong Profits Tax		
Provision for the period	**(13,407,130)**	(4,293,994)
Deferred tax		
Origination and reversal of temporary differences	**(703,067)**	–
	(14,110,197)	(4,293,994)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 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 $72,387,964 (six months ended 30 September 2012: $31,349,290) and the weighted average number of shares in issue during the period ended 30 September 2013 of 1,034,436,795 (six months ended 30 September 2012: 787,297,497).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $72,387,964 (six months ended 30 September 2012: $31,349,290) and the weighted average number of ordinary shares of 1,034,805,517 (six months ended 30 September 2012: 787,297,497) shares calculated as follows:

	Six months ended 30 September 2013	2012
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares	**1,034,436,795**	787,297,497
Effect of exercise of share options	**368,722**	–
Weighted average number of ordinary shares (diluted)	**1,034,805,517**	787,297,497

9 DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

10 ACCOUNTS RECEIVABLE

	At 30 September 2013	At 31 March 2013
	$	*$*
Accounts receivable from		
— Cash clients	**185,736,310**	178,006,165
— Margin clients	**2,329,021,540**	2,128,166,918
— IPO clients	**2,414,886,041**	–
— Clearing houses	**609,579,111**	352,886,741
— Brokers and dealers	**121,347,296**	47,783,066
Less: Impairment loss	**(938,449)**	(938,449)
	5,659,631,849	2,705,904,441

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

	At 30 September 2013	At 31 March 2013
	$	*$*
Current	**30,665,267**	41,878,559
Less than 1 month past due	**118,397,400**	104,579,633
1 to 3 months past due	**14,194,808**	27,401,692
More than 3 months past due	**22,478,835**	4,146,281
Amount past due	**155,071,043**	136,127,606
	185,736,310	178,006,165

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 2013 and 31 March 2013, the total market value of their portfolios of securities was $941,886,495 and $973,014,735 respectively. 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 30 September 2013 and 31 March 2013, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $6,690,176,121 and $5,809,289,258 respectively.

Accounts receivable from IPO clients related to the IPO subscriptions of Forgame Holdings Ltd. of $2,413,441,444 and Nexteer Automotive Group Ltd. of $1,444,597. The amounts have been settled when the IPO subscriptions have completed after the reporting period.

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 contracts.

11 ACCOUNTS PAYABLE

	At 30 September 2013	At 31 March 2013
	$	*$*
Accounts payable		
— Cash clients	**152,110,693**	136,237,319
— Margin clients	**655,249,384**	359,275,331
— Clearing houses	**93,888,482**	90,171,405
— Brokers	**21,496,059**	28,706,347
	922,744,618	614,390,402

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

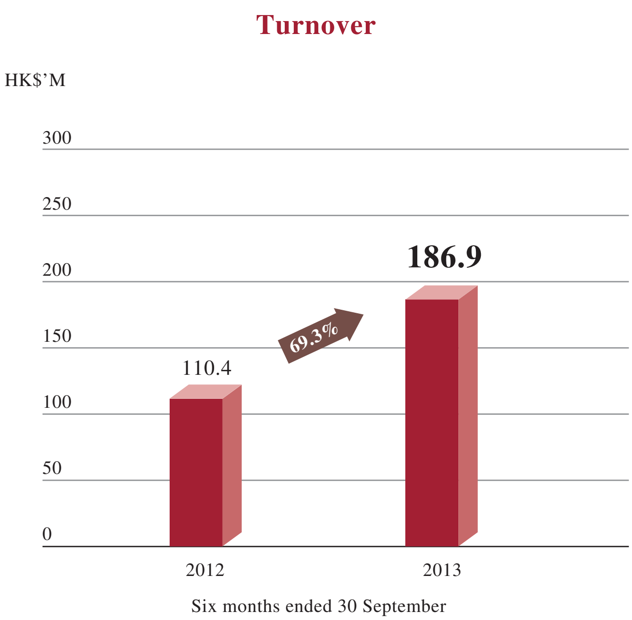
During the six months period ended 30 September 2013 (the "Period") under review, the Hong Kong stock market showed a low-high pattern. The onset of new leadership of the Central Government has started the emphasis on economic structural reforms, massive anti-corruption campaign, and prohibition of shadow banks' unrestricted expansion. As a result, the domestic economic growth rate significantly slowed down, descending to 7.5% in the second quarter of 2013. Accordingly, the SSE Composite Index was significantly adjusted to 1,849 points between May and June. During the Period, the trend of the Hong Kong stock market was led by the mainland China stock market. The Hang Seng Index plunged by nearly 4,000 points to 19,426 points, the lowest close of the year. Since July, Prime Minister Li Keqiang has reiterated positive views on the bottom line of economic growth on many occasions. In addition, the People's Bank of China has restarted the reverse repurchase operations, and the State Council has launched several supporting policies in various industries, including energy conservation, alternative energies and information consumption sectors, aiming to strengthen market expectations that the mainland economy would recover in the second half year. This successfully enabled the Hong Kong stock market to recover in the third quarter. Overall, the Hang Seng Index opened at 22,204 points on 2 April 2013 and closed at 22,860 points on 30 September 2013, representing an increase of 2.95%.

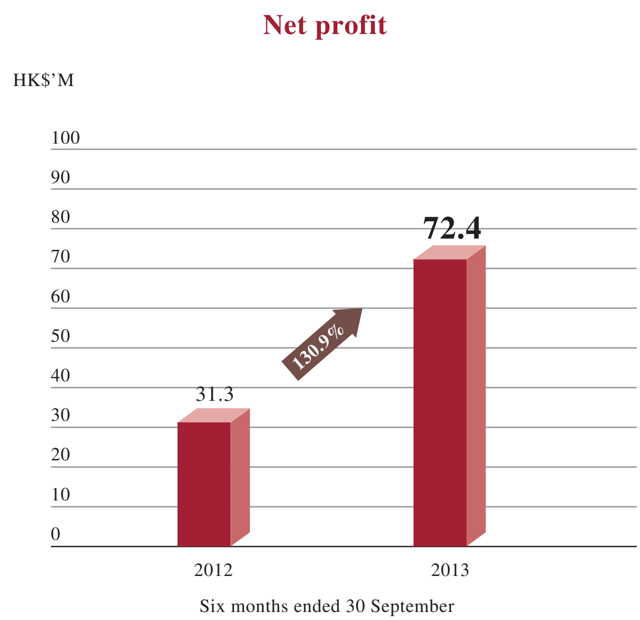
Looking into the second half of the financial year, key variants in the external market conditions will be whether the U.S. Federal Reserve System would start to reduce the scale of quantitative easing, and how Janet Yellen, the Chairman-in-waiting, would implement the monetary policy for the next year. As for the mainland China market, owing to a variety of reform initiatives proposed at the third Plenary Session of 18th Central Committee of the Communist Party of China in early November, including policies designed for finance, land, and household registration, the Group anticipates that such reforms will bring about positive impacts on the long-term economic growth in China, and it is expected that the Hong Kong market will attract the influx of capital investment. As the current valuation of the stock market in Hong Kong and mainland China still lags behind, the Hong Kong stock market remains optimistic in the medium term, provided that listed companies could maintain a steady performance.

Operating results

During the Period, Bright Smart Securities & Commodities Group Limited (the "Company") and its subsidiaries (the "Group") recorded turnover of HK$186.9 million (2012: HK$110.4 million), representing an increase of 69.3% compared to the corresponding period of last year; whereas, the net profit amounted to HK$72.4 million (2012: HK$31.3 million), representing a significant increase of 130.9% compared to the corresponding period of last year. Basic earnings per share were HK7.00 cents (2012: HK3.98 cents) and the diluted earnings per share were HK7.00 cents (2012: HK3.98 cents). The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend for the Period (2012: nil).

The Group's remarkable performance during the Period was mainly attributable to the sharp increase in turnover and net profit of its core businesses, including securities brokerage, commodities and futures brokerage and margin financing. The Group's well established branch network, numerous varieties of investment products, extensive marketing promotion strategy as well as its good reputation had contributed to the solid growth of its clientele and market share.

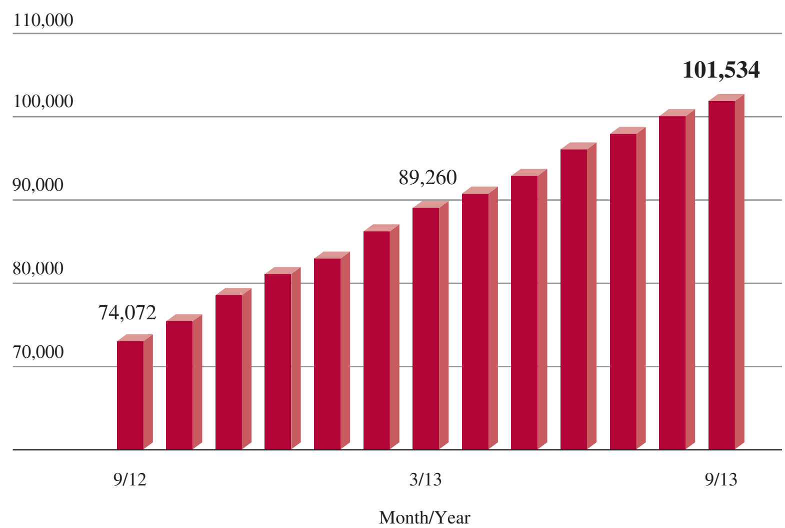




Turnover

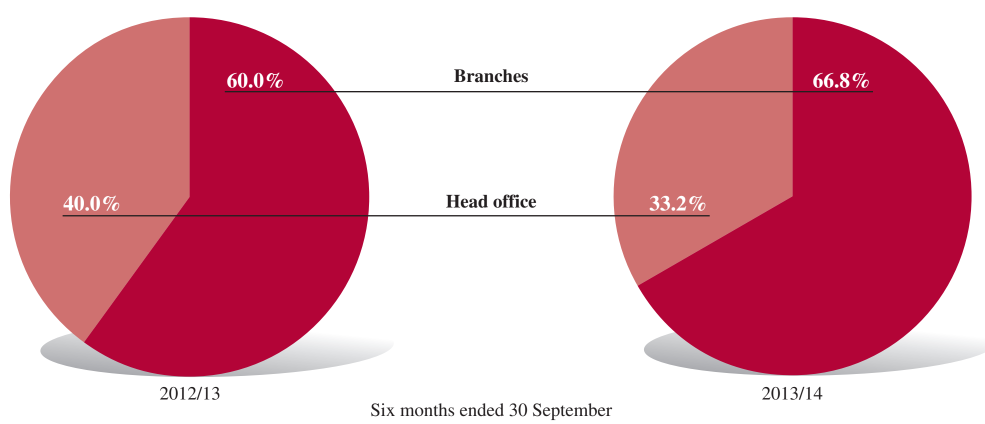
During the Period, for further improvement in the branch network, the Group aggressively continued exploring potential areas to open new branches. After the opening of branches in Wan Chai, Mei Foo, Hung Hom, and Kowloon City, by the end of September 2013, the total number of branches was 16 (excluding the head office in Central), of which 13 selected branches are opened for business seven days a week. Such arrangement aims to improve the customer services quality. The management's aggressive expansion successfully led to the rapid growth of its customer base. During the Period, the number of new client accounts opened (after deducting the number of client accounts closed) reached 12,274. As a result, the total number of client accounts increased to 101,534, representing a significant increase of 37.1% as compared to 74,072 as of 30 September 2012. The total number of client accounts advanced to the breakthrough level of 100,000.

Total number of client accounts



During the Period, the turnover attributable to the branches was HK$124.8 million (2012: HK$66.3 million), representing an increase of 88.2% as compared to the corresponding period last year. The percentage of total turnover attributable to the branches was 66.8% (2012: 60.0%), representing an increase of 11.3% as compared to the corresponding period last year.

Turnover distribution from head office and branches



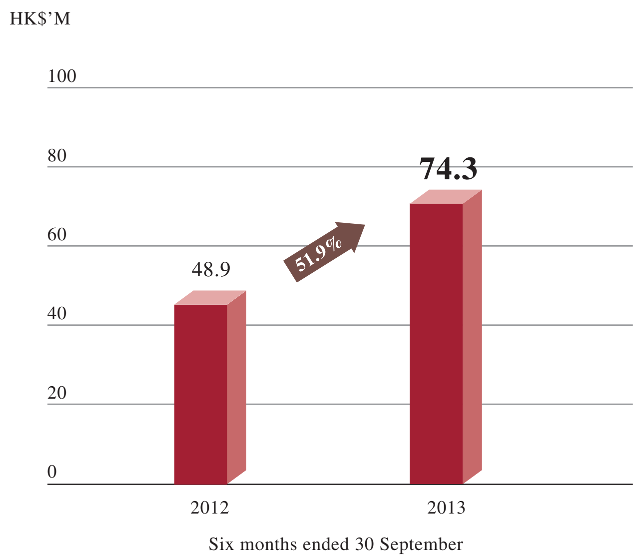
A summary of the revenue from different business segments of the Group is set out below:

	Six months ended 30 September				
	2013	**Proportion of total turnover**	2012	Proportion of total turnover	Increase
	HK$'000	***%***	*HK$'000*	*%*	*%*
Brokerage income from:					
— Securities brokerage	**74,297**	**39.7%**	48,900	44.3%	51.9%
— Hong Kong futures and options brokerage	**38,135**	**20.4%**	28,279	25.6%	34.9%
— Global futures brokerage	**21,454**	**11.5%**	9,799	8.9%	118.9%
— IPO brokerage	**2,179**	**1.2%**	349	0.3%	524.4%
— Stock options brokerage	**2,093**	**1.1%**	1,467	1.3%	42.7%
— Bullion brokerage	**140**	**0.1%**	–	–	–
Interest income from margin financing	**47,678**	**25.5%**	21,539	19.5%	121.4%
Interest income from IPO financing	**905**	**0.5%**	40	0.1%	2,162.5%
	186,881	**100%**	110,373	100%	69.3%

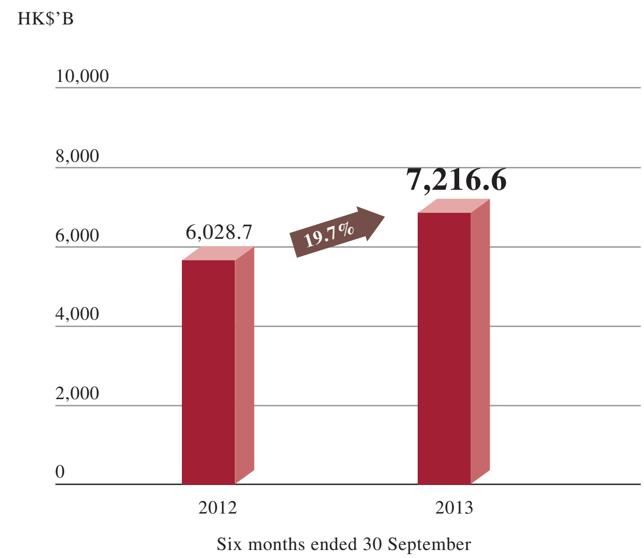
I. Securities brokerage

During the Period, the HKEx recorded a total transaction value of HK$7,216.6 billion (2012: HK$6,028.7 billion), representing a period-to-period increase of 19.7%. The Group's securities brokerage segment significantly outperformed the market, with commission income from securities brokerage amounted to HK$74.3 million (2012: HK$48.9 million), representing an increase of 51.9% as compared to the corresponding period last year, and comprising 39.7% (2012: 44.3%) 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 Group's Hong Kong futures and options brokerage segment delivered commission income of HK$38.1 million (2012: HK$28.3 million), representing an increase of 34.9% as compared to the corresponding period last year, and comprising 20.4% (2012: 25.6%) of the total turnover.

III. Global futures brokerage

During the Period, the commission income from global futures brokerage was HK$21.5 million (2012: HK$9.8 million), up 118.9% from the corresponding period last year, accounting for 11.5% (2012: 8.9%) of the total turnover.

IV. Stock options brokerage

During the Period, the Group's trading service for stock options recorded an income of HK$2.1 million (2012: HK$1.5 million), accounting for 1.1% (2012: 1.3%) 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 brokerage

The Group's bullion brokerage service was launched in July 2013. During the Period, the Group's bullion brokerage income was HK$140 thousand and comprising 0.1% of the total turnover.

VI. Margin financing

During the Period, the Group's interest income generated from margin financing was HK$47.7 million (2012: HK$21.5 million), representing an increase of 121.4% from the corresponding period last year, accounting for 25.5% (2012: 19.5%) of the total turnover. The Group implemented an effective credit control process. There was no record of bad debts over the past years.

VII. IPO brokerage and IPO financing

Hong Kong's IPO market saw improvement in the first half of 2013. According to the HKEx's figures, the amount of funds raised by way of IPO increased by 29.0% compared to the corresponding period last year. During the Period, the Group's commission income from IPO brokerage was HK$2.2 million (2012: HK$0.3 million), representing a period-to-period increase of 524.4%, while the interest income from IPO financing increased by 2,162.5% to HK$0.9 million (2012: HK$40 thousand).

Operating expenses

During the Period, the Group's operating expenses was HK$135.2 million (2012: HK$102.6 million), representing an increase of 31.8% as compared to the corresponding period last year. The Group is committed to implementing effective cost control measures to enhance profitability, bringing its net profit margin up to 38.7% (2012: 28.4%). A summary of the operating expenses is set out below:

	Six months ended 30 September		
	2013	2012	Increase/ (decrease)
	HK$'000	*HK$'000*	%
Staff costs	**42,940**	39,736	8.1%
Depreciation	**7,181**	6,168	16.4%
Finance costs	**17,368**	6,824	154.5%
Advertising and promotion expenses	**4,908**	3,478	41.1%
Handling and settlement expenses	**13,602**	10,072	35.0%
Commission expenses to overseas brokers	**6,094**	2,553	138.7%
Information and communication expenses	**11,877**	10,271	15.6%
Rentals, rates and building management fee	**22,692**	16,102	40.9%
Legal and professional fees	**1,049**	1,674	(37.3%)
Miscellaneous expenses	**7,453**	5,679	31.2%
	135,164	102,557	31.8%

Future plans

At the end of August this year, Hong Kong and the Central Government formally signed Supplement X for the Closer Economic Partnership Arrangement (CEPA) between mainland China and Hong Kong. With effect from next year, eligible Hong Kong-owned financial institutions will be permitted to establish a fully licensed joint venture securities company in Shanghai, Guangdong, and Shenzhen, respectively, where Hong Kong-owned consolidated shareholdings may reach up to 51%. Hong Kong-owned financial institutions may also establish a joint venture fund management company, where Hong Kong-owned shareholding may be over 50%. The Group believes that this will help local securities companies to tap into the mainland market. The Group is currently considering establishing a joint venture securities company in the mainland. With an aim to increase the number of mainland customers as well as the local market share, the Group will invest more resources, including more online advertising and regular seminars, to boost business expansion into the mainland China.

It is crucial to develop diversified financial products in order to strengthen the Group's competitiveness. Leveraging its multiple price quotation system of bullion trading firstly introduced to the Hong Kong market, the Group will strive to optimize the order-placing platform, which provides its customers with fair, just, and open bullion trading services with high transparency.

The Group will also continue to work closely with Hong Kong Exchanges and Clearing Limited (HKEx), introducing different types of products and services in response to the development of the local financial market. With HKEx's introduction of After-Hour Futures Trading in April this year (the first phase of trading products includes HSI Futures and H-shares Index Futures), the market responses have been generally positive. HKEx is currently considering to expand the scope of the After-Hour Futures Trading to Mini-HSI Futures, Mini H-shares Index Futures, CES 120 Futures, and RMB Currency Futures, etc. as well as considering the extension of trading hours to cope with changes arising from the overseas market. The Group believes this could help stimulate the trading volume of After-Hour Futures Trading, and lead to more considerable revenue to the Group.

In addition, the Group prides itself on standing out among numerous securities dealers by claiming its title as one of the largest RMB Currency Futures Traders by volume, an award granted by HKEx. This demonstrates the Group's solid strengths and leading position in the industry. The Group expects HKEx to introduce more RMB futures products, enabling the Group to further expand its scope of services with an aim to broaden its revenue sources.

Despite uncertainties constantly affecting the global economy, the Group will remain committed to exploring market opportunities. Meanwhile, it will study and introduce more financial products and services when appropriate, including tapping into global stock trading, foreign exchange trading, asset management, the underwriting and placing of newly listed shares, products of London Metals Exchange (LME), etc.

By actively increasing the number of branches in recent years, the Group currently has a total of 16 branches (without taking into central head office), of which 13 selected branches are opened for business seven days a week. The extensive branch network of the Group has contributed significantly to the substantial increase in the number of customers within just a few years of time and enhance the Group's market share. If suitable locations are available, the Group will consider further increasing the number of branches. Our target is to extend the retail network to every district in Hong Kong.

As for the market of mainland China, the Group will use "Bright Smart Finance Channel" (耀才財經台) as the flagship marketing tool to enhance the promotion effects. The Group's celebrity stock commentator, Mr. Kwok Sze Chi (Executive Director and Marketing Director of the Group) will conduct seminars in the mainland China regularly to promote communication between the Group and the Mainland investors and, at the same time, share with them the latest information of the Hong Kong stock market. Furthermore, the Group's powerful and reliable online trading platform enables the Group to offer one-stop financial services to investors from mainland China. Moreover, the Group adheres to its favorable commission policy which also helps to attract more customers from mainland China.

Looking forward, through ongoing implementation of progressive marketing and development strategies, the Group will realize constant growth in the business, strengthen its competitive advantages and anticipate to become the leader of local securities financial group. Following its diversification into new businesses with a growing variety of financial products, the Group will strive to provides one-stop financial services to its clients, sharpens its competitive edges, solidifies its clientele and captures greater market share. As for cost control, the Group will implement effective measures to control costs to enhance its overall profitability and operational efficiency, and achieve optimal returns for its shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the net current assets of the Group increased by 5.3% to HK$706.2 million (31 March 2013: HK$670.7 million). The Group's current ratio, which is current assets divided by current liabilities, was 1.13 as at 30 September 2013 (31 March 2013: 1.28).

The Group's bank deposits, bank balances and cash amounted to HK$455.9 million as at 30 September 2013 (31 March 2013: HK$381.5 million), an increase of 19.5% compared to that as at 31 March 2013.

The Group had total bank borrowings of HK$4,353 million as at 30 September 2013 (31 March 2013: HK$1,690 million) which comprised of secured bank loans of HK$1,823 million, unsecured bank loans of HK$230 million and IPO bank loans of HK$2,300 million (31 March 2013: secured bank loans of HK$1,690 million). They are primarily at floating rates. The secured bank loans were primarily collateralised by its margin clients' securities pledged to the Group. As at 30 September 2013, unutilised facilities amounted to HK$1,000 million (31 March 2013: HK$983 million). The Group's gearing ratio, which is total bank borrowings divided by the total shareholders' equity, was 536.0% (31 March 2013: 223.1%).

CAPITAL MANAGEMENT

The Group actively and regularly reviews and manages its capital structure and adjusts it in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital 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 Period, all the licensed subsidiaries complied with the liquid capital 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 2013 and 31 March 2013.

CONTINGENT LIABILITIES

As at 30 September 2013, the subsidiaries of the Company engaging in securities and futures broking had secured banking facilities from authorised institutions for a total amount of HK$1,223 million (31 March 2013: HK$993 million). The Company has issued corporate guarantees for a total principal amount of HK$1,223 million (31 March 2013: HK$993 million) for these facilities. As at 30 September 2013, the subsidiary has utilised HK$923 million of these aggregate banking facilities (31 March 2013: HK$710 million).

As at 30 September 2013, the Directors did not consider it probable that a claim would be made against the Company under any of the guarantees.

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 by the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted by 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 fixed 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") and Renminbi ("RMB"). 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 RMB, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management monitors all foreign currency positions on a daily basis.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group had a work force of 258 employees (31 March 2013: 245 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 other than as an agent for clients of the Company or its subsidiaries.

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 of 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 2013.

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 2013/14 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, 26 November 2013

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*