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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board") of 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 2012 together with the comparative figures for the year ended 31 March 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*For the year ended 31 March 2012*

| | *Note* | **2012** *HK$* | 2011 *HK$* |
|---|---|---|---|
| **Turnover** | *3* | **228,707,159** | 188,201,889 |
| Other revenue | *4* | **36,971,598** | 21,630,482 |
| Other net loss | *5* | **(759,801)** | (826,266) |
| | | **264,918,956** | 209,006,105 |
| Staff costs | *6(b)* | **(74,719,545)** | (67,802,349) |
| Depreciation | | **(10,588,179)** | (6,908,917) |
| Other operating expenses | *6(c)* | **(93,719,607)** | (77,652,097) |
| **Profit from operations** | | **85,891,625** | 56,642,742 |
| Finance costs | *6(a)* | **(12,541,095)** | (8,008,036) |
| **Profit before taxation** | *6* | **73,350,530** | 48,634,706 |
| Income tax | *7* | **(12,714,664)** | (8,016,638) |
| **Profit and total comprehensive income attributable to equity shareholders for the year** | | **60,635,866** | 40,618,068 |
| **Earnings per share** | | | |
| Basic (HK cents) | *8* | **8.92** | 6.69 |
| Diluted (HK cents) | *8* | **8.89** | 6.69 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2012*

| | Note | 2012 HK$ | 2011 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **26,197,007** | 23,897,559 |
| Other non-current assets | | **8,490,032** | 21,868,923 |
| **Total non-current assets** | | **34,687,039** | 45,766,482 |
| **Current assets** | | | |
| Accounts receivable | *10* | **1,145,959,330** | 1,344,636,595 |
| Other receivables, deposits and prepayments | | **12,479,669** | 12,885,488 |
| Taxation recoverable | | **—** | 1,818,947 |
| Cash and cash equivalents | | **397,052,989** | 349,858,257 |
| **Total current assets** | | **1,555,491,988** | 1,709,199,287 |
| **Current liabilities** | | | |
| Accounts payable | *11* | **469,737,171** | 475,966,075 |
| Accrued expenses and other payables | | **17,687,699** | 19,751,202 |
| Bank loans | | **425,000,000** | 815,000,000 |
| Current taxation | | **3,763,141** | 2,154,300 |
| Amount due to a related company | | **180,000,000** | — |
| **Total current liabilities** | | **1,096,188,011** | 1,312,871,577 |
| **Net current assets** | | **459,303,977** | 396,327,710 |
| **Total assets less current liabilities** | | **493,991,016** | 442,094,192 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **192,551** | 515,059 |
| **NET ASSETS** | | **493,798,465** | 441,579,133 |
| **EQUITY** | | | |
| Share capital | | **204,846,600** | 203,904,600 |
| Share premium | | **181,907,382** | 192,255,508 |
| Merger reserve | | **(19,999,991)** | (19,999,991) |
| Share option reserve | | **3,427,420** | 2,749,525 |
| Retained profits | | **123,617,054** | 62,669,491 |
| **TOTAL EQUITY** | | **493,798,465** | 441,579,133 |

*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 and the requirements of the Hong Kong Companies 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 financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2012, but is derived from those financial statements.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements for the current and prior accounting periods:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The impacts of the above developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments has been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

### (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 two 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 selected 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 taxation recoverable 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

| | | 2012 | |
|---|---|---|---|
| | **Securities broking** *HK$* | **Commodities and futures broking** *HK$* | **Total** *HK$* |
| Revenue from external customers: | | | |
| — Brokerage commission | **119,464,277** | **64,470,913** | **183,935,190** |
| — Interest income from margin financing | **43,967,010** | **—** | **43,967,010** |
| — Interest income from IPO financing | **804,959** | **—** | **804,959** |
| Consolidated turnover | **164,236,246** | **64,470,913** | **228,707,159** |
| Handling and settlement fees | **22,482,493** | **20,170** | **22,502,663** |
| Reportable segment revenue | **186,718,739** | **64,491,083** | **251,209,822** |
| Reportable segment profit (EBIT) | **39,627,130** | **49,182,647** | **88,809,777** |
| Depreciation for the year | **(10,373,721)** | **(12,089)** | **(10,385,810)** |
| Other interest income | **13,100,832** | **1,036,782** | **14,137,614** |
| Finance costs | **(12,541,095)** | **—** | **(12,541,095)** |
| Additions to non-current segment assets during the year | **13,987,141** | **—** | **13,987,141** |
| Reportable segment assets | **1,376,915,135** | **210,302,736** | **1,587,217,871** |
| Reportable segment liabilities | **(990,107,029)** | **(104,131,143)** | **(1,094,238,172)** |

| | 2011 | | |
|---|---|---|---|
| | Securities broking *HK$* | Commodities and futures broking *HK$* | Total *HK$* |
| Revenue from external customers: | | | |
| — Brokerage commission | 111,210,450 | 37,736,733 | 148,947,183 |
| — Interest income from margin financing | 33,019,410 | — | 33,019,410 |
| — Interest income from IPO financing | 6,235,296 | — | 6,235,296 |
| Consolidated turnover | 150,465,156 | 37,736,733 | 188,201,889 |
| Handling and settlement fees | 15,924,959 | — | 15,924,959 |
| Reportable segment revenue | 166,390,115 | 37,736,733 | 204,126,848 |
| Reportable segment profit (EBIT) | 29,008,005 | 28,225,804 | 57,233,809 |
| Depreciation for the year | (6,848,437) | (17,152) | (6,865,589) |
| Other interest income | 4,773,593 | 59,979 | 4,833,572 |
| Finance costs | (8,007,898) | (138) | (8,008,036) |
| Additions to non-current segment assets during the year | 22,263,564 | 6,500 | 22,270,064 |
| Reportable segment assets | 1,552,541,809 | 194,923,040 | 1,747,464,849 |
| Reportable segment liabilities | (1,186,660,201) | (123,899,390) | (1,310,559,591) |

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Profit** | | |
| Reportable segment profit (EBIT) | **88,809,777** | 57,233,809 |
| Finance costs | **(12,541,095)** | (8,008,036) |
| Unallocated corporate expenses | **(2,918,152)** | (591,067) |
| Consolidated profit before taxation | **73,350,530** | 48,634,706 |
| **Assets** | | |
| Reportable segment assets | **1,587,217,871** | 1,747,464,849 |
| Elimination of inter-segment receivable | **(6,137,151)** | (3,856,365) |
| Taxation recoverable | **—** | 1,818,947 |
| Unallocated corporate assets | **9,098,307** | 9,538,338 |
| Consolidated total assets | **1,590,179,027** | 1,754,965,769 |
| **Liabilities** | | |
| Reportable segment liabilities | **(1,094,238,172)** | (1,310,559,591) |
| Elimination of inter-segment payable | **1,881,968** | 40,000,000 |
| Current taxation | **(3,763,141)** | (2,154,300) |
| Deferred tax liabilities | **(192,551)** | (515,059) |
| Unallocated corporate liabilities | **(68,666)** | (40,157,686) |
| Consolidated total liabilities | **(1,096,380,562)** | (1,313,386,636) |

## 3. TURNOVER

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

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Brokerage commission | **183,935,190** | 148,947,183 |
| Interest income from margin financing | **43,967,010** | 33,019,410 |
| Interest income from IPO financing | **804,959** | 6,235,296 |
| | **228,707,159** | 188,201,889 |

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

## 4. OTHER REVENUE

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interest income from | | |
| — Authorised institutions | **7,660,724** | 1,121,926 |
| — Others | **6,477,894** | 3,711,646 |
| | **14,138,618** | 4,833,572 |
| Handling and settlement fees | **22,502,663** | 15,924,959 |
| Sundry income | **330,317** | 871,951 |
| | **36,971,598** | 21,630,482 |

## 5. OTHER NET LOSS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Loss on disposal of fixed assets | **(1,053,050)** | — |
| Error trades arising from securities, commodities and futures dealings | **(666,926)** | (962,970) |
| Net foreign exchange gain | **960,175** | 136,704 |
| | **(759,801)** | (826,266) |

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **(a) Finance costs** | | |
| Interest expense on | | |
| — Bank loans for IPO financing | **357,021** | 3,161,545 |
| — Other bank loans and overdrafts | **7,818,316** | 4,846,491 |
| — Loans from related companies | **4,365,758** | — |
| | **12,541,095** | 8,008,036 |
| **(b) Staff costs** | | |
| Salaries, allowances and benefits in kind | **62,552,331** | 50,278,989 |
| Discretionary bonuses | **8,309,853** | 12,930,697 |
| Contributions to Mandatory Provident Fund | **2,206,219** | 1,843,138 |
| Equity-settled share-based payments | **1,651,142** | 2,749,525 |
| | **74,719,545** | 67,802,349 |

**(c) Other operating expenses**

| | | |
|---|---|---|
| Advertising and promotion expenses | **6,954,804** | 8,456,980 |
| Auditors' remuneration | **1,546,335** | 1,617,500 |
| Commission expense to overseas brokers | **4,523,084** | 2,294,939 |
| Handling and settlement expenses | **18,409,221** | 12,270,382 |
| Information and communication expenses | **20,507,433** | 14,325,122 |
| Legal and professional fees | **2,961,321** | 6,602,258 |
| Operating lease payments | | |
| — property rentals | **25,988,199** | 18,941,503 |
| Rates and building management fees | **3,056,999** | 2,073,096 |
| Miscellaneous expenses | **9,772,211** | 11,070,317 |
| | **93,719,607** | 77,652,097 |

## 7. INCOME TAX

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Current tax — Hong Kong Profits Tax** | | |
| Provision for the year | **11,922,321** | 7,044,329 |
| Under/(over)-provision in respect of prior years | **1,114,851** | (7,735) |
| | **13,037,172** | 7,036,594 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(322,508)** | 980,044 |
| | **12,714,664** | 8,016,638 |

The provision for Hong Kong Profits Tax for the year ended 31 March 2012 is calculated at 16.5% (2011: 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 profit attributable to equity shareholders of the Company for the year ended 31 March 2012 of HK$60,635,866 (2011: HK$40,618,068), and the weighted average number of shares in issue during the year ended 31 March 2012 of 679,946,372 (2011: 606,997,458).

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 March 2012 of HK$60,635,866 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 2012 of 681,823,449. For the year ended 31 March 2011, as the average market share price of the ordinary shares during the year was lower than the exercise price of the outstanding share options, the diluted earnings per share was equal to the basic earnings per share.

## 9. DIVIDENDS

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Final dividend proposed after the end of the reporting period of HK1.8 cents per ordinary share (2011: HK1.8 cents per ordinary share) | **12,290,796** | 12,234,276 |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 10. ACCOUNTS RECEIVABLE

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Accounts receivable from | | |
| — Cash clients | **110,688,229** | 62,895,693 |
| — Margin clients | **893,571,157** | 997,367,347 |
| — Clearing houses | **127,318,844** | 266,424,169 |
| — Brokers and dealers | **15,345,484** | 17,949,386 |
| *Less:* allowance for doubtful debts | **(964,384)** | — |
| | **1,145,959,330** | 1,344,636,595 |

### (a) Ageing analysis

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current | **38,637,877** | 35,656,590 |
| Less than 1 month past due | **59,540,934** | 17,229,566 |
| 1 to 3 months past due | **6,738,631** | 6,073,729 |
| More than 3 months past due | **5,770,787** | 3,935,808 |
| Amounts past due | **72,050,352** | 27,239,103 |
| | **110,688,229** | 62,895,693 |

Accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default. 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 2012, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$2,941,959,839 (2011: HK$3,573,187,167).

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.

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

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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| At 1 April | **—** | — |
| Impairment loss recognised | **964,384** | — |
| At 31 March | **964,384** | — |

At 31 March 2012, receivables from margin clients and brokers and dealers of HK$964,384 (2011: HK$Nil) were determined to be impaired. The impaired receivables related to margin clients and a broker that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

## 11. ACCOUNTS PAYABLE

| | **2012** | 2011 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Accounts payable | | |
| — Cash clients | **66,866,180** | 182,796,758 |
| — Margin clients | **161,168,878** | 270,682,039 |
| — Clearing houses | **241,702,113** | 22,487,278 |
| | **469,737,171** | 475,966,075 |

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 HK1.8 cents per share for the year ended 31 March 2012, subject to the approval of the final dividend by the shareholders at the forthcoming annual general meeting ("AGM") to be held on Thursday, 16 August 2012. If approved, the final dividend will be paid to the shareholders on Thursday, 6 September 2012. Shareholders whose names appear on the register of members of the Company on Tuesday, 28 August 2012 will be entitled to the proposed final dividend.

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

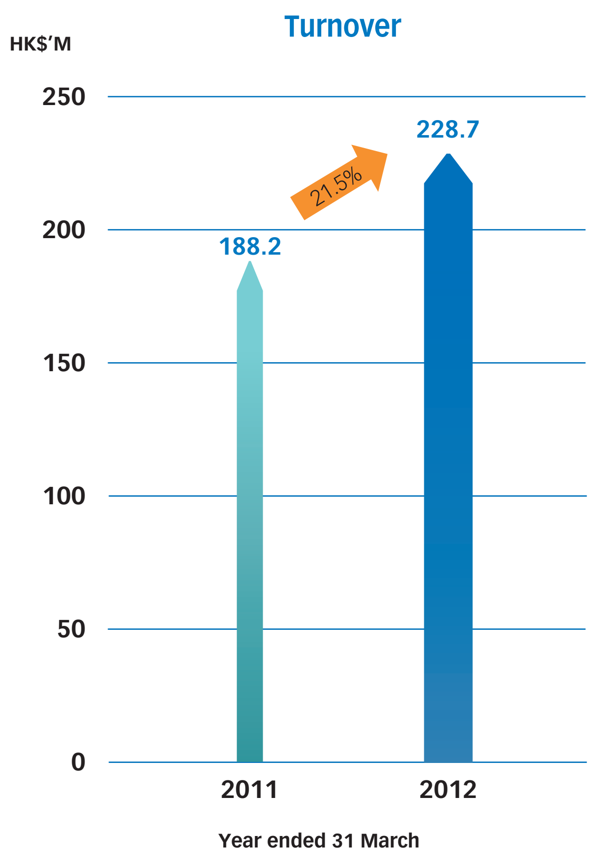
The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from Tuesday, 14 August 2012 to Thursday, 16 August 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to attend 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Monday, 13 August 2012.

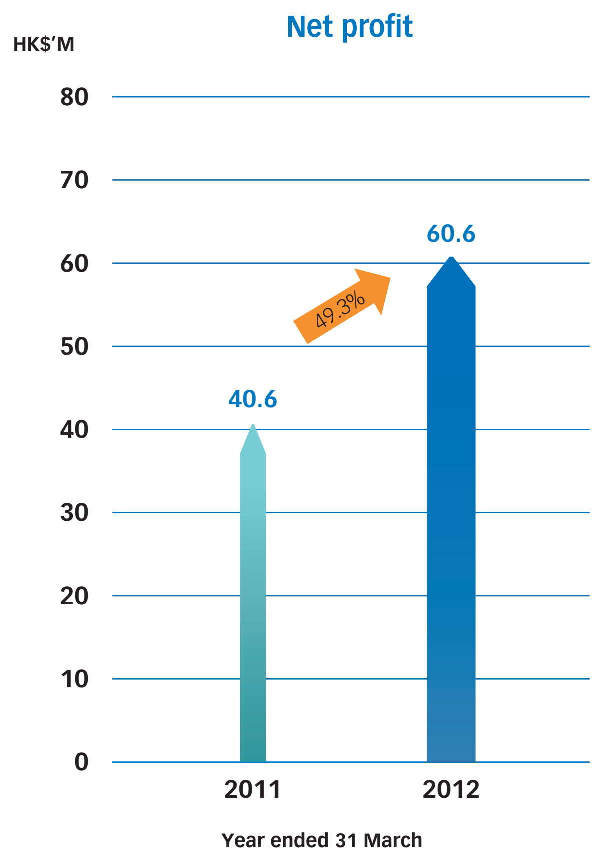
## CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Friday, 24 August 2012 to Tuesday, 28 August 2012 (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 the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Thursday, 23 August 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2012 (the "Year"), the Group's turnover significantly increased by 21.5% to HK$228.7 million (2011: HK$188.2 million), hitting its record high. Profit attributable to equity shareholders was HK$60.6 million (2011: HK$40.6 million), representing a sharp increase of 49.3% when compared with the year ended 31 March 2011 (the "Prior Year"). The Group's impressive results for the Year were mainly attributable to the expansion of the branch network and effective marketing strategies in client acquisition which gave rise to a rapid growth in customer base, contributing to a significant increase of commission income from brokerage and promoting profit growth. Basic earnings per share were HK8.92 cents (2011: HK6.69 cents) and the diluted earnings per share were HK8.89 cents (2011: HK6.69 cents). The Board proposed a final dividend of HK1.8 cents (2011: HK1.8 cents) per share for the Year.




## Market Overview

During the Year under review, the Hong Kong stock market dropped early in the year and wound up with rallies. During the period from April to October 2011, the aggravation of the debt crisis in Europe and implementation of a tight monetary policy by the Chinese government to curb inflation resulted in the Hang Seng Index oscillating down from the highs and hitting an all-year low of 16,170 points on 4 October. However, Hong Kong stocks have resumed their upward trend since November 2011. With fiscal deficit reduction initiatives being implemented throughout the European Union and the launching of long-term refinancing operations (LTRO) by the European Central Bank to increase liquidity of the local banking sector, the likelihood of a massive outbreak of a debt crisis has been gradually mitigated. Economic data of the United States showing signs of recovery has increased the risk appetite of the external markets. Inflation in the Mainland peaked out in the fourth quarter, paving the way for monetary easing and prompting capital to return to the Asia-Pacific markets and, in turn, Hong Kong stocks to regain some lost ground. In general, the Hang Seng Index opened at 23,664 points on 1 April 2011 and closed at 20,556 points on 30 March 2012, representing a cumulative decline of 13.1% during the period.

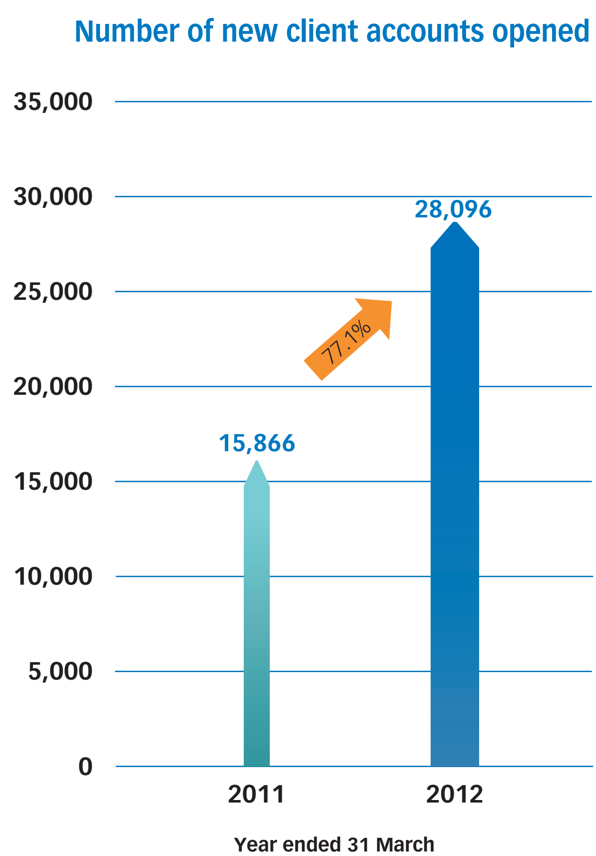
Hong Kong stocks showed volatility during the Year. Negative sentiment dragged down the average daily turnover to HK$66.56 billion, down 7.4% over the Prior Year. The average daily number of derivatives contracts traded on the Hong Kong Futures Exchange Limited and stock options contracts traded on the Stock Exchange were 271,669 and 287,561 (2011: 230,120 and 269,630) respectively. The initial public offering ("IPO") market has also been affected by the market conditions, several listing applicants failed to activate their IPOs as scheduled or scaled down the size of their fundraising exercises. The number of companies having obtained listing on the Main Board and GEM (excluding those companies which transferred their listings from GEM to the Main Board) during the Year was 94 (2011: 101), and funds raised by way of IPO were approximately HK$251.2 billion, representing a substantial decrease of 42.1% as compared to HK$433.6 billion in the Prior Year. However, according to HKEx's annual report, Hong Kong securities market remained as the world's biggest IPO centre for the third consecutive year in 2011. It is worth noting that 18 overseas companies made their debut on the Stock Exchange during the Year. IPOs by overseas companies, including some famous brand names from Europe and the United States of America, such as Prada (1913) and Samsonite (1910), accounted for 52% of total IPO funds raised in 2011, compared to 45% in 2010, reflecting Hong Kong's role as an important international fundraising centre.

Looking at 2012/13, whether the European countries can weather the impact arising from the debt maturities on the horizon or the United States will launch a new round of quantitative easing measures, and how the monetary policy in the Mainland strikes a balance between steady economic growth and inflation control are critical factors that dominate the performance of Hong Kong stocks. Since Hong Kong stocks significantly underperformed other stock markets in the region during the previous year, the valuations of major blue chips have dropped below their long term averages. As long as market liquidity remains ample, the Group remains cautiously optimistic towards the prospects of Hong Kong stocks.

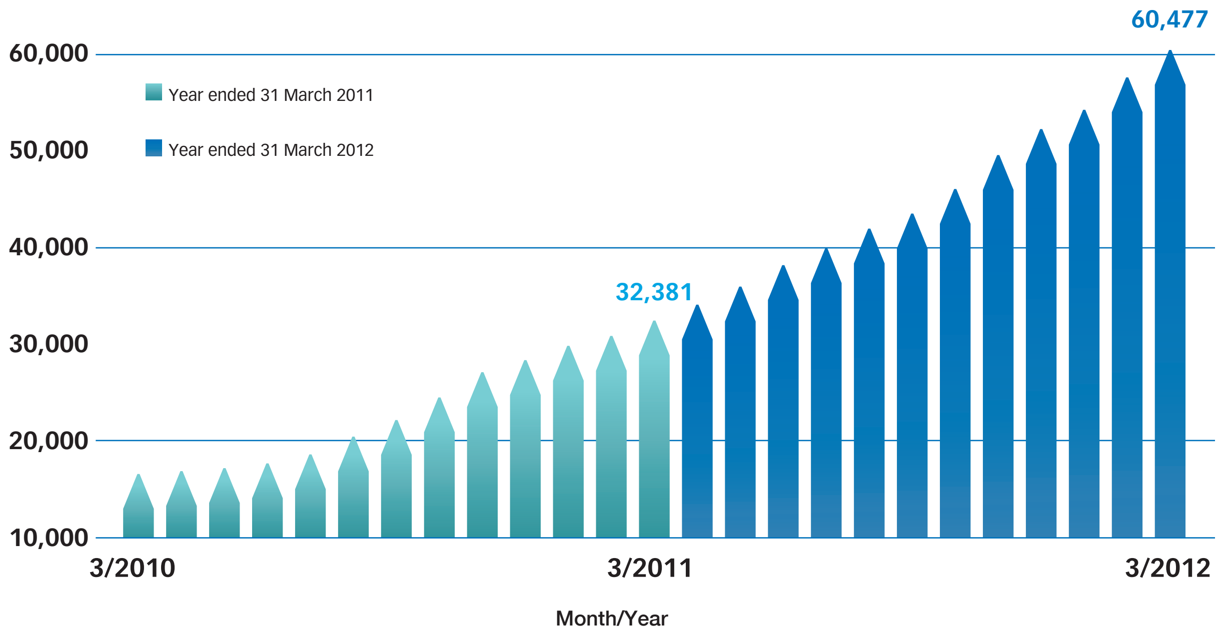
**Turnover**

As stated above, the increase of turnover was contributed by the strong growth of commission income from securities and futures brokerage segments, which was mainly due to the expansion of customer base as a result of the expanded branch network and effective marketing strategies. During the Year, the Group's Mongkok 2nd Branch and Quarry Bay Branch commenced operation in May 2011 and March 2012 respectively, further expanding its branch coverage. As at the end of March 2012, the total number of branches reached 13 (excluding the head office in Central). To enhance the quality of its customer service and communication with its customers, the Group has implemented 7-day a week operation since July 2011 at eight selected branches (the number of selected branches has increased to ten upon the commencement of operation of Quarry Bay Branch and Wanchai Branch in March 2012 and May 2012 respectively), making it more convenient for customers to access customer services at weekends, including opening new accounts, making inquiries, placing orders and applying for new stocks.

During the Year, the Group carried out a series of active promotion schemes, the most notable of which has been the "New Fee for CBBCs and warrants of HK$4.88 (4.88港元輪證新收費)" effective from October 2011. Capitalising on its reputation, capital strength and service quality, the Group has successfully acquired a significant number of new customers since the launch of the "New Fee for CBBCs and warrants of HK$4.88". The total number of new client accounts opened (after deducting the number of client accounts closed) during the Year was 28,096 (2011: 15,866), representing an increase of 77.1% over the Prior Year. Among the new client accounts opened, 1,933 and 26,163 were attributable to the head office and the branches respectively, accounting for 6.9% and 93.1% (2011: 11.3% and 88.7%) of the total number of new client accounts opened respectively. As of 31 March 2012, the Group's total number of client accounts achieved a remarkable growth of 86.8% to 60,477 from 32,381 as at 31 March 2011, crossing the 60,000 threshold.

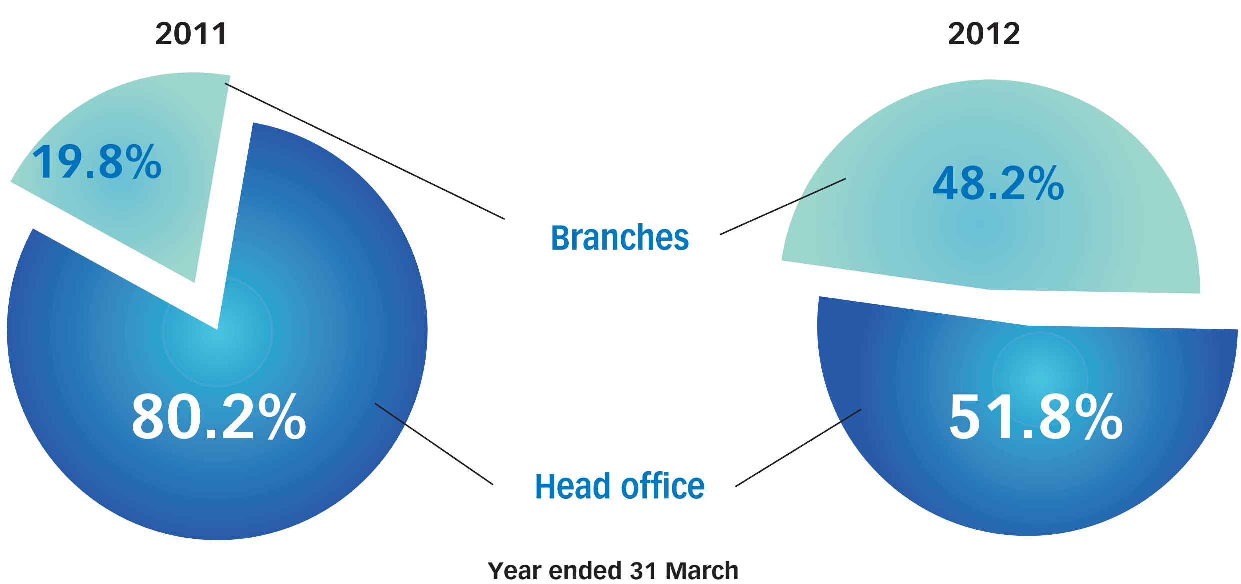


## Total number of client accounts




During the Year, the turnover attributable to the branches was HK$110.3 million (2011: HK$37.4 million), representing a sharp increase of 194.9% over the Prior Year. The percentage of total turnover attributable to the branches surged to 48.2% (2011: 19.8%).

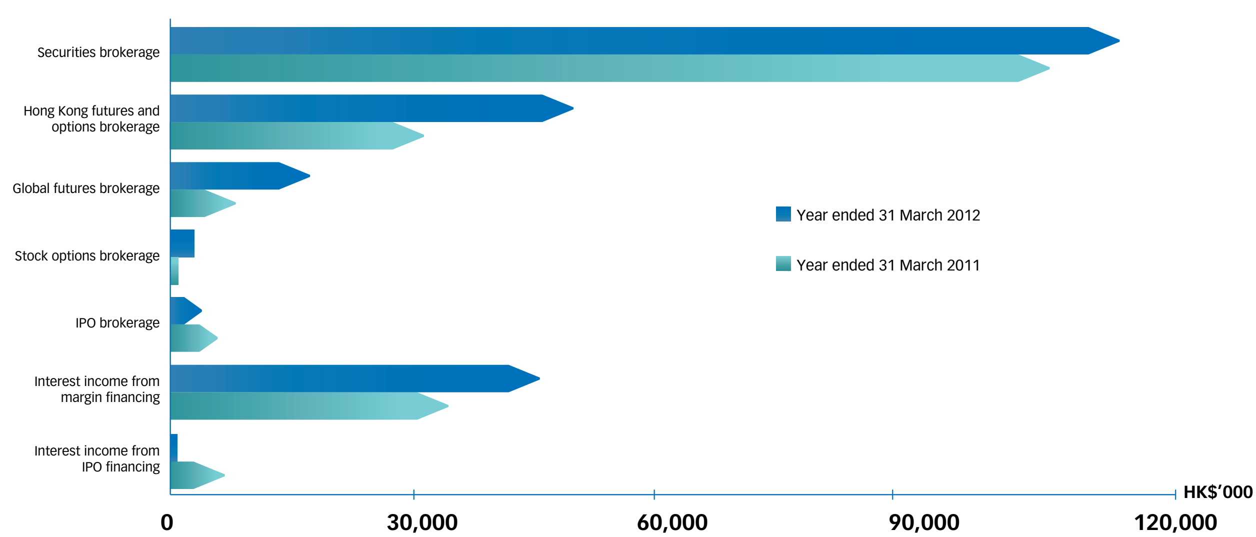
## Turnover distribution from head office and branches



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

| | **Year ended 31 March** | | | | |
|---|---|---|---|---|---|
| | **2012** | **Proportion of total turnover** | 2011 | Proportion of total turnover | Increase/ (decrease) |
| | ***HK$'000*** | **%** | *HK$'000* | % | % |
| Commission income from: | | | | | |
| • Securities brokerage | **113,388** | **49.6%** | 105,044 | 55.8% | 7.9% |
| • Hong Kong futures and options brokerage | **48,012** | **21.0%** | 30,103 | 16.0% | 59.5% |
| • Global futures brokerage | **16,459** | **7.2%** | 7,635 | 4.1% | 115.6% |
| • Stock options brokerage | **2,569** | **1.1%** | 781 | 0.4% | 228.9% |
| • IPO brokerage | **3,507** | **1.5%** | 5,385 | 2.9% | (34.9%) |
| Interest income from margin financing | **43,967** | **19.2%** | 33,019 | 17.5% | 33.2% |
| Interest income from IPO financing | **805** | **0.4%** | 6,235 | 3.3% | (87.1%) |
| | **228,707** | **100.0%** | 188,202 | 100.0% | 21.5% |

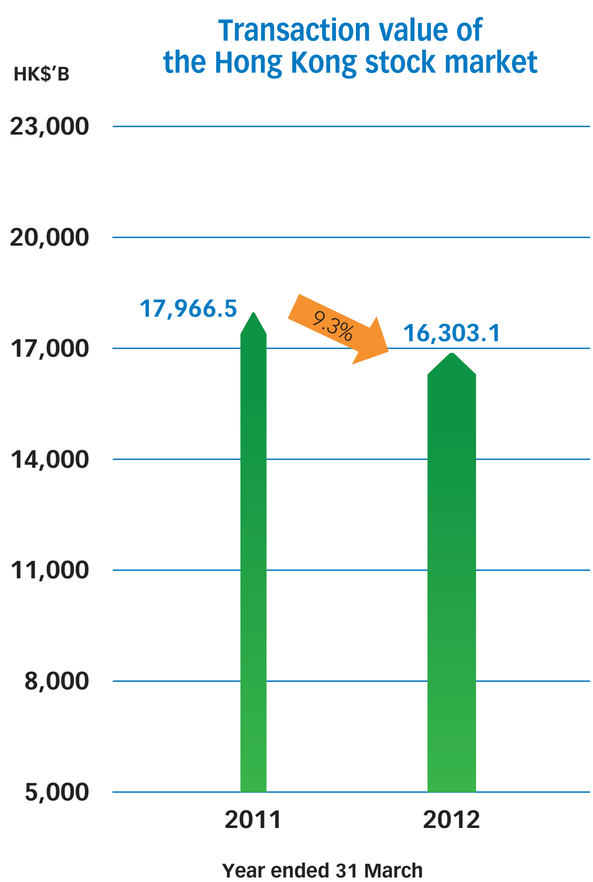
**Turnover breakdown by business segments**

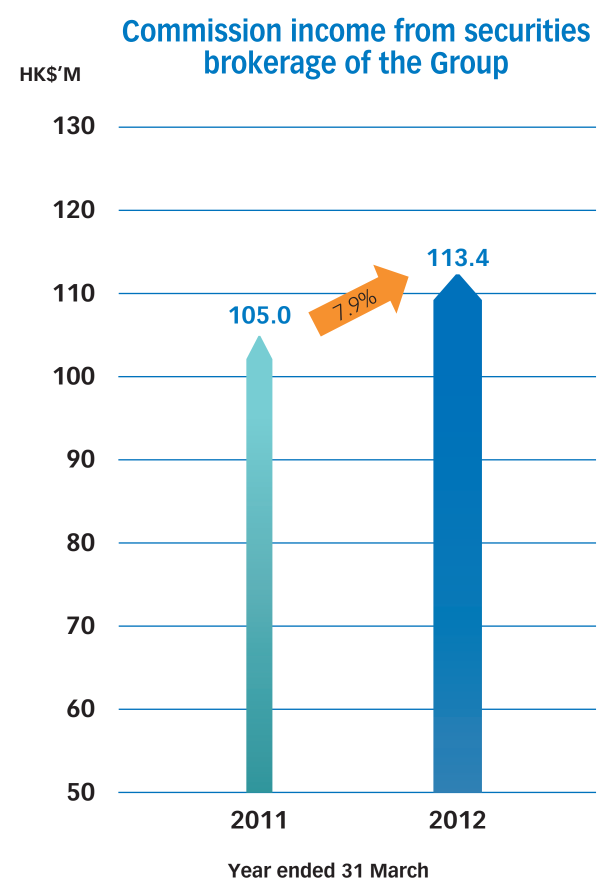


*I. Securities brokerage*

The Group's commission income from securities brokerage for the Year was HK$113.4 million (2011: HK$105.0 million), an increase of 7.9% over the Prior Year, accounting for 49.6% of the total turnover (2011: 55.8%). During the Year, the Stock Exchange recorded a total transaction value of HK$16,303.1 billion (2011: HK$17,966.5 billion), representing a year-on-year decline of 9.3%. In contrast, the Group significantly outperformed the market, recording an increase in commission income from securities brokerage against the downward market trend. It also gained market share during the Year.

As to the global securities segment, the Group launched the services for trading China B shares, Singapore stocks and Taiwan stocks during the Year. With the increasing demand for US securities from Hong Kong investors, the Group rolled out its margin financing service in respect of US securities in April 2012.



*II. Hong Kong futures and options brokerage*

The Group's commission income from Hong Kong futures and options brokerage for the Year was HK$48.0 million (2011: HK$30.1 million), a significant increase of 59.5% over the Prior Year, accounting for 21.0% of the total turnover (2011: 16.0%).

*III. Global futures brokerage*

The volatile global markets prompted trading of global futures as a hedging tool, fuelling the active growth of the global futures market. Commission income from global futures brokerage for the Year was HK$16.5 million (2011: HK$7.6 million), up 115.6% from the Prior Year, accounting for 7.2% of the total turnover (2011: 4.1%). During the Year, the Group introduced 13 additional global futures products, including FX futures, agricultural commodity futures and gasoline futures, bringing the Group's global futures products to 50 types as at 31 March 2012.

*IV. Stock options brokerage*

To meet customer needs, the Group has introduced the trading service for Hong Kong stock options since August 2010, recording an income of HK$2.6 million during the Year (2011: HK$0.8 million), accounting for 1.1% of the total turnover (2011: 0.4%). Stock option is a highly leveraged investment product. The Group will closely monitor the margin levels maintained in stock options accounts and adjust according to market conditions to ensure proper risk management.

*V. Margin financing*

During the Year, the Group's interest income from margin financing was HK$44.0 million (2011: HK$33.0 million), a significant increase of 33.2% over the Prior Year, accounting for 19.2% of the total turnover (2011: 17.5%).

*VI. IPO brokerage and IPO financing*

Under the fluctuating market conditions during the Year, several corporations put off their listing plans or scaled down the size of their fund raising activities. The amount of funds raised by way of IPO decreased significantly by 42.1% compared to the Prior Year. The unsatisfactory performance of several newly listed shares and investors' lukewarm interest in subscription brought down the Group's interest income from IPO financing by 87.1% to HK$0.8 million (2011: HK$6.2 million), while the commission income from IPO brokerage was HK$3.5 million (2011: HK$5.4 million), representing a year-on-year decrease of 34.9%.

**Operating Expenses**

During the Year, the Group incurred operating expenses of HK$191.6 million (2011: HK$160.4 million), representing a year-on-year increase of 19.5%. The increase in operating expenses was mainly attributable to the rising staff costs and business-related expenses as a result of the Group's business expansion and the launch of new businesses during the Year. However, advertising and promotion expenses as well as legal and professional fees decreased by 17.8% and 55.1% respectively during the Year, due to the one-off nature of the promotion expenses and professional fees in relation to the listing of the Group in August 2010. A breakdown of the operating expenses is set out below:

| | **Year ended 31 March** | | Increase/ |
|---|---|---|---|
| | **2012** | 2011 | (decrease) |
| | ***HK$'000*** | *HK$'000* | % |
| Staff costs | **74,720** | 67,802 | 10.2% |
| Depreciation | **10,588** | 6,909 | 53.2% |
| Finance costs | **12,541** | 8,008 | 56.6% |
| Advertising and promotion expenses | **6,955** | 8,457 | (17.8%) |
| Handling and settlement expenses | **18,409** | 12,270 | 50.0% |
| Information and communication expenses | **20,507** | 14,325 | 43.2% |
| Rentals, rates and building management fees | **29,045** | 21,015 | 38.2% |
| Legal and professional fees | **2,961** | 6,602 | (55.1%) |
| Miscellaneous expenses | **15,842** | 14,983 | 5.7% |
| | **191,568** | 160,371 | 19.5% |

**Future Plans**

With the second phase of trading hour extension being implemented by HKEx, the competitiveness of the Hong Kong equity market has been further enhanced. Moreover, overall efficiency of the Hong Kong securities market will be further increased by HKEx's other growth strategies, such as the promotion of RMB structured products, upgrading of the trading system, the alliance with overseas financial markets and the plan to introduce the After-Hour Futures Trading during the second half of 2012, Hong Kong's position as an international financial hub will be consolidated accordingly. Notwithstanding the uncertainties in the global economic prospects, the Group will strive to capture all the opportunities ahead and to cope with the growth strategies of HKEx so as to prepare the Group for its future expansion.

*Expanding Market Share*

The Group believes there is still immense room for development in the market, and will continue to attract new customers and increase market share actively through proactive strategies in order to get a higher ranking among other Stock Exchange participants. To further the Group's business expansion strategies, the Group will continue to identify sites with potential for branch development, aiming at a branch network that covers the 18 districts of Hong Kong.

As China has emerged as a major economic power in the international arena, the Group will strive to develop the Mainland market and commit more resources to attract customers in the Mainland, so as to increase revenue streams. To increase brand recognition in the Mainland, the Group will step up its marketing efforts by negotiating cooperation with various Mainland media platforms to present the live broadcast of its flagship advertising tool "Bright Smart Finance Channel" (耀才財經台). The Group's celebrity stock commentator, Mr. Kwok Sze Chi, will conduct seminars in the Mainland regularly to promote communication between the Group and the Mainland investors and, at the same time, share with them the latest development of the Hong Kong stock market. Furthermore, the Group's powerful and reliable online trading platform allows the Group to offer one-stop financial services to Mainland investors. The Group adheres to its favourable commission policy which will also help lure more PRC customers and gain a foothold in the Mainland.

*Enriching product variety*

The Group will continue the strategy to diversify its products and services, and develop a wide range of financial products to expand its sources of income. In March 2012, the Group was licensed by the Securities and Futures Commission to carry out Type 7 (Providing Automated Trading Services) regulated activity, facilitating new shares pre-listing trading via an online order matching system, the "BS Pre-IPO Trading Centre", which made the Group one of the securities houses in the market to provide grey market trading of new shares. Meanwhile, the Group was also licensed to carry out Type 9 (Asset Management) regulated activity in the same month, and is now formulating the plan to introduce discretionary management accounts for professional investors and launch the Group's first fund product. As to the global products, the Group introduced the US securities margin financing service in April 2012, and is rolling out the leveraged forex trade as well as Bullion products, so as to generate new sources of income.

*Extending futures trading hours*

The HKEx plans to launch the After Hours Futures Trading during the second half of 2012. To support HKEx's new policy and to provide comprehensive services to customers, the Group has made all necessary preparation and is in a position to provide around-the-clock online futures trading service as soon as such new measures are in effect. Furthermore, the Group anticipates the introduction of "Dual Tranche Dual Counter" with enthusiasm. According to the figures released by Hong Kong Monetary Authority, Renminbi deposit balance in Hong Kong stood at RMB554.3 billion as at the end of March 2012. The Group believes that such a measure will encourage investors to invest with Renminbi, prompting heavier trading of Hong Kong stocks and supporting the long term development of the Group.

*Conclusion*

Leveraging on its energetic marketing and development strategies, the Group was able to achieve rapid business growth against adversities, ranking one of the few profitable securities houses in the industry during the Year. Looking forward, the Group will continue to develop a range of financial products to expand its source of income. As the Group diversifies into new business areas and expands its scale of operation, it will reallocate and integrate its resources among different segments. It will also implement effective cost control measures to enhance its overall profitability and operation efficiency, bringing better returns for its shareholders.

**Capital Structure, Liquidity and Financial Resources**

The Group financed its operations with shareholders' equity, cash generated from operation and bank borrowings.

The Group maintained a strong cash position. Its bank deposits, bank balances and cash amounting to HK$397.1 million as at 31 March 2012 (2011: HK$349.9 million), increased by 13.5% as compared with that as at 31 March 2011.

The Group had total bank borrowings of HK$425.0 million as at 31 March 2012 (2011: HK$815.0 million) which are primarily at fixed rates. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 31 March 2012, unutilised facilities amounted to HK$1,648.0 million. The Group's gearing ratio, which is total bank borrowings divided by the total shareholders' equity, was 86.1% (2011: 184.6%).

As at 31 March 2012, the net current assets of the Group increased by HK$63.0 million or 15.9% to HK$459.3 million (2011: HK$396.3 million). The Group's current ratio, which is current assets divided by current liabilities, was 1.42 as at 31 March 2012 (2011: 1.30).

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 Year, all the licensed subsidiaries complied with the liquid capital 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 2012 and 2011.

**Contingent Liabilities**

As at 31 March 2012, subsidiaries of the Company engaging in securities and futures broking have secured banking facilities from authorised institutions for a total amount of HK$623.0 million (2011: HK$466.0 million). The Company has issued corporate guarantees for a total principal amount of HK$623.0 million (2011: HK$466.0 million) for these facilities. As at 31 March 2012, the subsidiary has utilised HK$325.0 million of these aggregate banking facilities (2011: HK$145.0 million).

As at 31 March 2012, the Directors do not consider it probable a claim will be made against the Company under any of the guarantees. The Company 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 Commitments and Capital Commitments**

The operating lease commitments as at 31 March 2012 were approximately HK$36.3 million (2011: HK$51.5 million). The Group did not have any material capital commitment as at 31 March 2012 and 2011.

**Employees and Remuneration Policies**

As at 31 March 2012, the Group had a work force of 236 employees (2011: 228 employees). Staff costs, excluding Directors' emoluments, amounted to approximately HK$68.3 million for the Year (2011: HK$58.5 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.

On 13 October 2011, the Company cancelled all remaining 16,268,000 share options granted on 25 February 2011 and granted a total of 19,578,000 share options under a share option scheme approved and adopted on 4 August 2010 to selected participants as incentives or awards for their contribution to the Group.

**Significant Acquisition and Disposal of Subsidiaries**

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

**Litigation**

Bright Smart Securities International (H.K.) Limited, one of the Group's subsidiaries, is defending a defamation claim brought against it by Chief Securities Limited on 15 May 2012 for an unquantified amount of damages and costs. The matter is now in its early stage of proceeding. The Group is pending senior counsel's advice and is unable to assess the outcome of this claim, no provisions have been made in respect of this claim. Except for the outstanding litigation case as stated herein, the Group was not involved in any other significant litigation as at 31 March 2012 and up to the date of this announcement.

## 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 the 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 the management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of accounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and with 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 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. 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, other than as an agent for clients of the Company or its subsidiaries.

**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 2012.

**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 2012.

**REVIEW OF ANNUAL RESULTS**

The annual results for the Year have 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 2012 have 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 AGM of the Company will be held on Thursday, 16 August 2012. 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 2011/12 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, 25 June 2012

*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*