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 2012

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 2012 together with the comparative figures for the six months ended 30 September 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012 — unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2012	2011
	Note	***$***	*$*
Turnover	*2*	**110,372,797**	122,687,201
Other revenue	*4*	**27,723,041**	17,679,882
Other net gain	*5*	**104,505**	364,835
Staff costs		**(39,736,250)**	(40,765,104)
Depreciation		**(6,167,952)**	(5,199,052)
Other operating expenses		**(49,828,469)**	(46,758,342)
Profit from operations		**42,467,672**	48,009,420
Finance costs	*6(a)*	**(6,824,388)**	(8,694,819)
Profit before taxation	*6*	**35,643,284**	39,314,601
Income tax	*7*	**(4,293,994)**	(6,347,058)
Profit and total comprehensive income attributable to equity shareholders for the period		**31,349,290**	32,967,543
Earnings per share	*8*		
Basic (cents)		**3.98**	4.85
Diluted (cents)		**3.98**	4.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 — unaudited (Expressed in Hong Kong dollars)

	Note	**At 30 September 2012 $**	At 31 March 2012 $
Non-current assets			
Fixed assets		**30,464,590**	26,197,007
Other non-current assets		**10,459,668**	8,490,032
Total non-current assets		**40,924,258**	34,687,039
Current assets			
Accounts receivable	*10*	**1,521,842,508**	1,145,959,330
Other receivables, deposits and prepayments		**13,739,907**	12,479,669
Cash and cash equivalents		**245,768,199**	397,052,989
Total current assets		**1,781,350,614**	1,555,491,988
Current liabilities			
Accounts payable	*11*	**430,971,735**	469,737,171
Accrued expenses and other payables		**16,079,654**	17,687,699
Bank loans		**575,000,000**	425,000,000
Current taxation		**8,057,135**	3,763,141
Amount due to a related company		**100,000,000**	180,000,000
Total current liabilities		**1,130,108,524**	1,096,188,011
Net current assets		**651,242,090**	459,303,977
Total assets less current liabilities		**692,166,348**	493,991,016
Non-current liabilities			
Deferred tax liabilities		**192,551**	192,551
NET ASSETS		**691,973,797**	493,798,465
EQUITY			
Share capital		**307,269,900**	204,846,600
Share premium		**246,310,124**	181,907,382
Merger reserve		**(19,999,991)**	(19,999,991)
Share option reserve		**3,154,777**	3,427,420
Retained profits		**155,238,987**	123,617,054
TOTAL EQUITY		**691,973,797**	493,798,465

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 2012 has been prepared in accordance with Hong Kong Accounting Standard 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 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 interim financial report contains condensed consolidated financial statements and selected explanatory notes. 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.

(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 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 HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*

— Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*

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 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:

	Six months ended 30 September	
	2012	2011
	$	*$*
Brokerage commission	**88,793,632**	93,423,241
Interest income from margin financing	**21,539,498**	28,564,168
Interest income from IPO financing	**39,667**	699,792
	110,372,797	122,687,201

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 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 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 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 2012		
	Securities broking	**Commodities and futures broking**	**Total**
	$	*$*	*$*
Revenue from customers:			
— Brokerage commission	**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 30 September 2012		
	Securities broking	**Commodities and futures broking**	**Total**
	$	*$*	*$*
Reportable segment assets	**1,634,356,572**	**215,969,431**	**1,850,326,003**
Reportable segment liabilities	**(1,074,967,230)**	**(110,240,131)**	**(1,185,207,361)**

	Six months ended 30 September 2011		
	Securities broking	Commodities and futures broking	Total
	$	*$*	*$*
Revenue from customers:			
— Brokerage commission	61,813,389	31,609,852	93,423,241
— Interest income from margin financing	28,564,168	—	28,564,168
— Interest income from IPO financing	699,792	—	699,792
Consolidated turnover	91,077,349	31,609,852	122,687,201
Handling and settlement fees	11,784,447	9,499	11,793,946
Reportable segment revenue	102,861,796	31,619,351	134,481,147
Reportable segment profit (EBIT)	25,669,962	23,872,508	49,542,470
Depreciation for the period	(4,995,446)	(7,904)	(5,003,350)
Other interest income	5,506,370	180,485	5,686,855
Finance costs	(8,694,819)	—	(8,694,819)
Additions to non-current segment assets during the period	9,392,980	—	9,392,980

	At 30 September 2011		
	Securities broking	Commodities and futures broking	Total
	$	*$*	*$*
Reportable segment assets	1,217,396,743	197,387,982	1,414,784,725
Reportable segment liabilities	(839,475,994)	(109,791,823)	(949,267,817)

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

	Six months ended 30 September	
	2012	2011
	$	*$*
Profit		
Reportable segment profit (EBIT)	**42,803,331**	49,542,470
Finance costs	**(6,824,388)**	(8,694,819)
Unallocated corporate expenses	**(335,659)**	(1,533,050)
Consolidated profit before taxation	**35,643,284**	39,314,601

	At 30 September 2012 $	At 31 March 2012 $
Assets		
Reportable segment assets	**1,850,326,003**	1,587,217,871
Elimination of inter-segment receivables	**(37,036,536)**	(6,137,151)
Unallocated corporate assets	**8,985,405**	9,098,307
Consolidated total assets	**1,822,274,872**	1,590,179,027

	At 30 September 2012 $	At 31 March 2012 $
Liabilities		
Reportable segment liabilities	**(1,185,207,361)**	(1,094,238,172)
Elimination of inter-segment payables	**63,207,312**	1,881,968
Current taxation	**(8,057,135)**	(3,763,141)
Deferred tax liabilities	**(192,551)**	(192,551)
Unallocated corporate liabilities	**(51,340)**	(68,666)
Consolidated total liabilities	**(1,130,301,075)**	(1,096,380,562)

4 OTHER REVENUE

	Six months ended 30 September 2012 $	2011 $
Interest income from		
— Authorised institutions	**9,991,590**	1,669,342
— Others	**3,815,453**	4,018,117
	13,807,043	5,687,459
Handling and settlement fees	**13,592,080**	11,793,946
Sundry income	**323,918**	198,477
	27,723,041	17,679,882

5 OTHER NET GAIN

	Six months ended 30 September 2012 $	2011 $
Error trades arising from securities, commodities and futures dealing	**(251,149)**	(435,270)
Net foreign exchange gain	**355,654**	800,105
	104,505	364,835

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September 2012 $	2011 $
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	**—**	(307,697)
— Other bank loans and overdrafts	**(4,072,230)**	(6,104,235)
— Loans from related companies	**(2,752,158)**	(2,282,887)
	(6,824,388)	(8,694,819)
(b) Other operating expenses		
Auditors' remuneration	**(649,998)**	(663,000)
Advertising and promoting expenses	**(3,478,286)**	(3,282,375)
Handling and settlement expenses	**(10,072,359)**	(9,466,086)
Commission expense to overseas brokers	**(2,553,363)**	(2,221,039)
Information and communication expenses	**(10,271,153)**	(10,352,642)
Legal and professional fees	**(1,674,099)**	(1,430,860)
Operating lease charges in respect of properties	**(14,363,526)**	(12,924,058)
Rates and building management fees	**(1,738,651)**	(1,551,617)

7 INCOME TAX

	Six months ended 30 September 2012 $	2011 $
Current tax — Hong Kong Profits Tax		
Provision for the period	**(4,293,994)**	(7,331,475)
Deferred tax		
Origination and reversal of temporary differences	**—**	984,417
Actual tax expense	**(4,293,994)**	(6,347,058)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 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 $31,349,290 (six months ended 30 September 2011: $32,967,543) and the weighted average number of shares in issue during the period ended 30 September 2012 of 787,297,497 (six months ended 30 September 2011: 679,682,000).

There were no dilutive potential ordinary shares for the six months ended 30 September 2012 and 2011, therefore basic earnings per share equals to diluted earnings per share.

9 DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2012 (six months ended 30 September 2011: $Nil).

10 ACCOUNTS RECEIVABLE

	At 30 September 2012 $	At 31 March 2012 $
Accounts receivable from		
— Cash clients	**85,356,346**	110,688,229
— Margin clients	**1,064,461,314**	893,571,157
— Clearing houses	**353,448,941**	127,318,844
— Brokers and dealers	**19,540,291**	15,345,484
Less: Allowance for doubtful debts	**(964,384)**	(964,384)
	1,521,842,508	1,145,959,330

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

	At 30 September 2012 $	At 31 March 2012 $
Current	**52,584,586**	38,637,877
Less than 1 month past due	**9,442,202**	59,540,934
1 to 3 months past due	**8,971,717**	6,738,631
More than 3 months past due	**14,357,841**	5,770,787
Amount past due	**32,771,760**	72,050,352
	85,356,346	110,688,229

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 30 September 2012 and 31 March 2012, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $3,881,801,951 and $2,941,959,839 respectively.

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

11 ACCOUNTS PAYABLE

	At 30 September 2012 $	At 31 March 2012 $
Accounts payable		
— Cash clients	**175,788,281**	66,866,180
— Margin clients	**238,040,562**	161,168,878
— Clearing houses	**62,450**	241,702,113
— Broker	**17,080,442**	—
	430,971,735	469,737,171

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

In the six months ended 30 September 2012 (the "Period") under review, the Hong Kong stock market continued to fluctuate. Impacted by the rumor of Greece's possible exit from the eurozone as well as financing difficulties faced by some key countries in the eurozone, the Hang Seng Index once plunged to an all-year low of 18,056 points in early June. Fortunately, the European Union (EU) members were proactive in implementing austerity and bailout measures to slightly ease market concerns about the debt issue in Europe, and many central banks worldwide adopted loose monetary policies to spur the economic growth including the third round of quantitative easing (QE3) officially launched by the US Federal Reserve Board and the direct currency trading program launched by the European Central Bank. As a result, the market sentiment has gradually become more optimistic.

In the PRC, economic growth slowed down significantly to below 8%, but the PRC government showed no signs of stepping up its pace to ease the monetary supply. This has become the major cause of the weakening A shares as well as the restrained rally of Hong Kong shares. In conclusion, the Hang Seng Index opened at 20,662 points on 2 April 2012 and closed at 20,840 points on 28 September 2012, representing a slight increase of 0.86% in the Period.

Looking ahead to the coming six months, instead of concentrating on the European debt crisis, the Hong Kong stock market is expected to focus on how to address the "fiscal cliff" after the US presidential election as well as whether the PRC government will launch additional measures after the 18th Party Congress to stabilize the economic growth. In addition, given that many countries worldwide maintained the loose monetary policies, the Group believes that those countries will gradually pick up the momentum of economic recovery, and hopefully, the financial performance of the local listed companies will get better steadily as well. It will help the reallocation of the funds to the risk assets. Thus, the Group remains prudently optimistic about the landscape of the Hong Kong stock market.

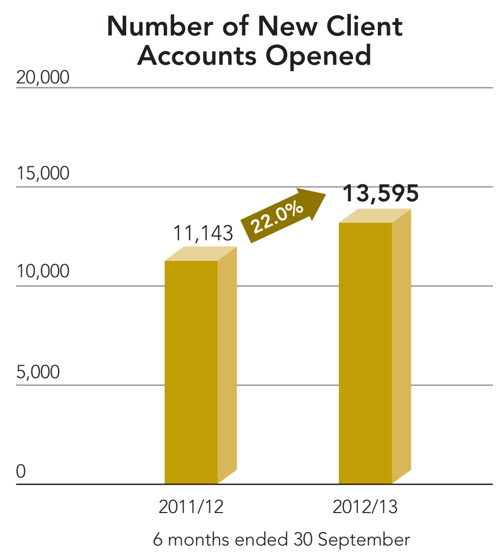
Operating results

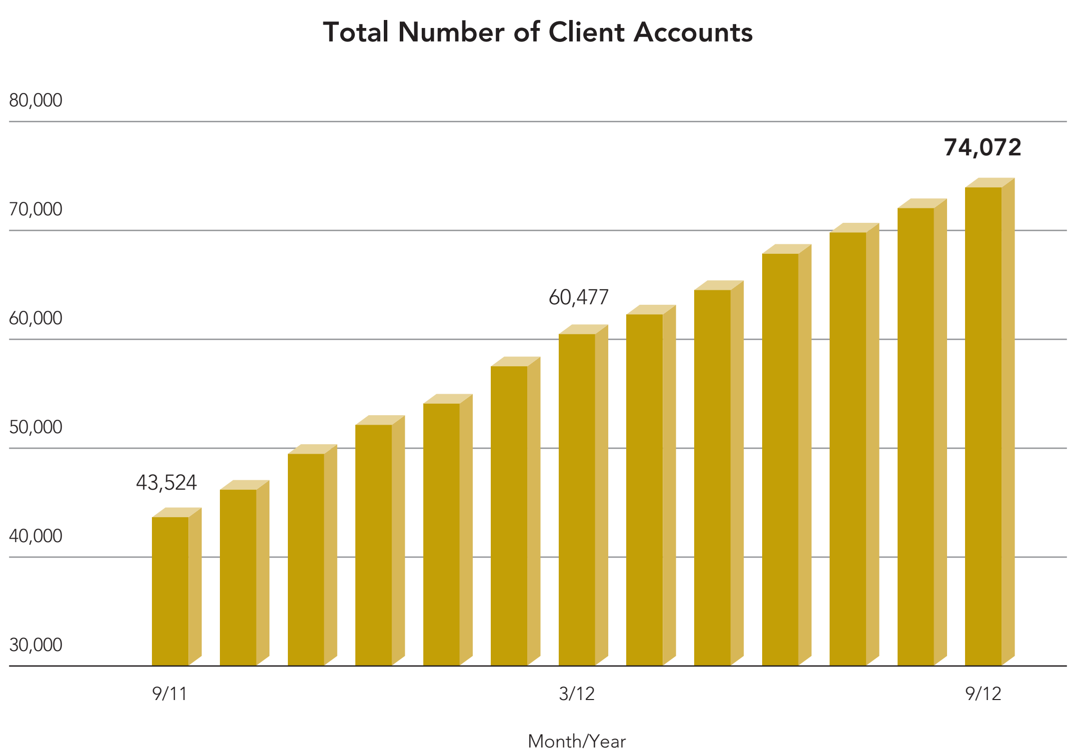
During the Period, the Group recorded turnover of HK$110.4 million (2011: HK$122.7 million), representing a decrease of 10.0% compared to the corresponding period of last year; whereas, the net profit amounted to HK$31.3 million (2011: HK$33.0 million), approximately at a similar level as compared to the corresponding period of last year with a slight drop of 4.9%. Basic earnings per share is HK Cents 3.98 (2011: HK Cents 4.85). The Board does not recommend the payment of an interim dividend for the Period.

The turnover and net profit saw a decline, mainly resulting from a decrease in commission income from securities brokerage due to the weak trading volume in the market during the Period. However, the Group has been more resistant to downturn than its counterparts in the industry, and despite the general unsatisfactory performance in the market (a 31.3% period-to-period drop in the total transaction value recorded by HKEx), it still recorded healthy growth in total number of clients by implementing the strategic expansion of branches as well as a series of strong marketing strategies.

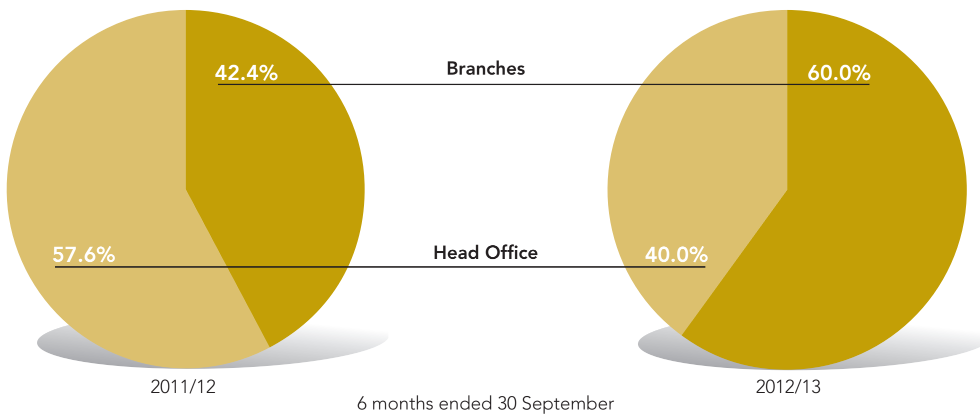
Turnover

Contrary to the adverse market trend, the Group continued its expansion during the Period, opening branches in Wan Chai, Mei Foo, Hung Hom, and Kowloon City. By the end of September 2012, the total number of branches has increased to 17 (excluding the head office in Central), of which 13 selected branches are opened for business seven days a week. The number of new client accounts opened (after deducting the number of client accounts closed) reached 13,595, representing an increase of 22.0% as compared to the corresponding period last year (2011: 11,143). Of the new client accounts opened, 12,551 and 1,044 were attributable to the branches and the head office respectively, accounting for 92.3% and 7.7%. As at 30 September 2012, the Group's total number of client accounts jumped by 22.5% to 74,072 from 60,477 as at 31 March 2012, breaking through the 70,000 marks.





During the Period, the turnover attributable to the branches was HK$66.3 million (2011: HK$52.0 million), representing an increase of 27.5% as compared to the corresponding period last year. The percentage of total turnover attributable to the branches was 60.0% (2011: 42.4%), representing an increase of 41.5% as compared to the corresponding period last year.



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

	6 months ended 30 September				
	2012	**Proportion of total turnover**	2011	Proportion of total turnover	Increase/ (decrease)
	HK$'000	***%***	*HK$'000*	*%*	*%*
Commission income from:					
— Securities brokerage	**48,900**	**44.3%**	57,681	46.9%	(15.2%)
— Hong Kong futures and options brokerage	**28,279**	**25.6%**	23,780	19.4%	18.9%
— Global futures brokerage	**9,799**	**8.9%**	7,830	6.4%	25.1%
— IPO brokerage	**349**	**0.3%**	2,710	2.2%	(87.1%)
— Stock options brokerage	**1,467**	**1.3%**	1,422	1.2%	3.2%
Interest income from margin financing	**21,539**	**19.5%**	28,564	23.3%	(24.6%)
Interest income from IPO financing	**40**	**0.1%**	700	0.6%	(94.3%)
	110,373	**100%**	122,687	100%	(10.0%)

I. Securities brokerage

During the Period, the HKEx recorded a total transaction value of HK$6,028.7 billion (2011: HK$8,768.6 billion), representing a period-to-period drop of 31.3%. However, the Group has been relatively more resistant to downturn than its counterparts in the industry, and the commission income from securities brokerage amounted to HK$48.9 million (2011: HK$57.7 million), representing a decrease of only 15.2% as compared to the corresponding period last year, and comprising 44.3% (2011: 46.9%) of the total turnover.

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$28.3 million (2011: HK$23.8 million), representing an increase of 18.9% as compared to the corresponding period last year, and comprising 25.6% (2011: 19.4%) of the total turnover.

III. Global futures brokerage

During the Period, the commission income from global futures brokerage was HK$9.8 million (2011: HK$7.8 million), up 25.1% from the corresponding period last year, accounting for 8.9% (2011: 6.4%) of the total turnover.

IV. Stock options brokerage

During the Period, the Group's trading service for stock options recorded an income of HK$1.5 million (2011: HK$1.4 million), accounting for 1.3% (2011: 1.2%) 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. Margin financing

During the Period, the Group's interest income generated from margin financing was HK$21.5 million (2011: HK$28.6 million), representing a decrease of 24.6% from the corresponding period last year, accounting for 19.5% (2011: 23.3%) of the total turnover.

VI. IPO brokerage and IPO financing

Impacted by the fluctuating market, the market sentiment for new shares was quite inactive. According to the HKEx's figures, the amount of funds raised by way of IPO decreased significantly by 80.3% compared to the corresponding period last year. Investors showed lukewarm interest in subscription. During the Period, the Group's commission income from IPO brokerage was HK$0.3 million (2011: HK$2.7 million), representing a period-to-period decrease of 87.1%, while the interest income from IPO financing declined by 94.3% to HK$40 thousand (2011: HK$700 thousand).

Operating expenses

During the Period, the Group's operating expenses was HK$102.6 million (2011: HK$101.4 million), representing a slight increase of 1.1% as compared to the corresponding period last year. The Group will continually implement effective cost control measures to enhance profitability. A summary of the operating expenses is set out below:

	6 months ended 30 September		
	2012	2011	Increase/ (decrease)
	HK$'000	*HK$'000*	%
Staff costs	**39,736**	40,765	(2.5%)
Depreciation	**6,168**	5,199	18.6%
Finance costs	**6,824**	8,695	(21.5%)
Advertising and promotion expenses	**3,478**	3,282	6.0%
Handling and settlement expenses	**10,072**	9,466	6.4%
Commission expenses to overseas brokers	**2,553**	2,221	14.9%
Information and communication expenses	**10,271**	10,353	(0.8%)
Rentals, rates and building management fee	**16,102**	14,476	11.2%
Legal and professional fees	**1,674**	1,431	17.0%
Miscellaneous expenses	**5,679**	5,529	2.7%
	102,557	101,417	1.1%

Future plans

In line with the accelerated process of RMB internationalization, RMB treasury bonds and RMB-denominated products are currently listed in Hong Kong. During the Period, the HKEx even introduced the first RMB deliverable currency futures in Hong Kong, thus gradually sharpening the competitive edges of the Hong Kong stock market. Despite uncertain factors looming over the global economic outlook, the Group will still actively cope with a series of HKEx development strategies, seize the immediate opportunities, and continue to grow into a more powerful enterprise.

The Group will continue to implement the operating policy of "low commission, good service, and speedy execution". In keeping with its active expansion strategies, the Group will continue to explore the potential regions for new branches, and continue to attract new clients to further capture market share. The Kowloon head office, located at the intersection of the Nathan Road, Kansu Street and Woosung Street, is expected to commence operation in early 2013.

To meet clients' needs, the Group has been vigorously developing various types of financial products. Apart from the introduction of the US securities margin loan service in April 2012, the Group is planning to roll out the leveraged forex and the bullion businesses, etc. The Group has a unique price quoting system (capable of displaying price depth and clients can use the system to inquire the real-time price of the precious metal products). This will provide clients with high transparency, real fairness, justice, and openness in the bullion trading service. It is believed that the introduction of such services will generate a new source of considerable income for the Group.

In the PRC, the Group will use "Bright Smart Finance Channel" (耀才財經台) as the flagship promotion tool to enhance the marketing effects. The Group's celebrity stock commentator, Mr. Kwok Sze Chi (Executive Director and Marketing Director of the Group) will conduct seminars in the PRC 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 Mainland investors. Moreover, the Group adheres to its favorable commission policy which also helps attract more customers from China.

Looking forward, through ongoing implementation of progressive marketing and development strategies, the Group will realize constant growth in the business and take the lead in the industry. Following its diversification into new businesses with a growing variety of financial products, the Group, with all-out efforts, 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 seek optimal returns for its shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the net current assets of the Group increased by HK$191.9 million or 41.8% to HK$651.2 million (31 March 2012: HK$459.3 million). The Group's current ratio, which is current assets divided by current liabilities, was 1.58 as at 30 September 2012 (31 March 2012: 1.42).

The Group's bank deposits, bank balances and cash amounted to HK$245.8 million as at 30 September 2012 (31 March 2012: HK$397.1 million), a decrease of 38.1% compared to that as at 31 March 2012.

The Group had total bank borrowings of HK$575 million as at 30 September 2012 (31 March 2012: HK$425 million) which are primarily at fixed rates. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 30 September 2012, unutilised facilities amounted to HK$1,568 million (31 March 2012: HK$1,648 million). The Group's gearing ratio, which is total bank borrowings divided by the total shareholders' equity, was 83.1% (31 March 2012: 86.1%).

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").

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 2012, the Group had a work force of 245 employees (31 March 2012: 236 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 internal controls and financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 30 September 2012.

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 2012/2013 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, 13 November 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*