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)

(Stock code: 1428)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

The board of directors (the "Board") of Bright Smart Securities & Commodities Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011 together with the comparative figures for the year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Note	**2011** ***HK$***	2010 *HK$*
Turnover	*2*	**188,201,889**	140,240,061
Other revenue	*4*	**21,630,482**	15,858,301
Other net (loss)/gain	*5*	**(826,266)**	98,558
		209,006,105	156,196,920
Staff costs	*6(b)*	**(67,802,349)**	(36,235,322)
Depreciation		**(6,908,917)**	(3,608,315)
Other operating expenses	*6(c)*	**(77,652,097)**	(35,743,667)
Profit from operations		**56,642,742**	80,609,616
Finance costs	*6(a)*	**(8,008,036)**	(8,398,836)
Profit before taxation	*6*	**48,634,706**	72,210,780
Income tax	*7*	**(8,016,638)**	(11,926,761)
Profit and total comprehensive income attributable to equity shareholders for the year		**40,618,068**	60,284,019
Earnings per share			
Basic and diluted (HK cents)	*8*	**6.69**	12.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	2011 HK$	2010 HK$
Non-current assets			
Fixed assets		**23,897,559**	7,191,201
Deferred tax assets		—	464,985
Other non-current assets		**21,868,923**	4,582,607
Total non-current assets		**45,766,482**	12,238,793
Current assets			
Accounts receivable	*10*	**1,344,636,595**	763,133,465
Other receivables, deposits and prepayments		**12,885,488**	9,420,641
Taxation recoverable		**1,818,947**	—
Cash and cash equivalents		**349,858,257**	157,531,612
Total current assets		**1,709,199,287**	930,085,718
Current liabilities			
Accounts payable	*11*	**475,966,075**	189,095,829
Accrued expenses and other payables		**19,751,202**	151,256,284
Bank loans		**815,000,000**	441,000,000
Current taxation		**2,154,300**	8,920,966
Total current liabilities		**1,312,871,577**	790,273,079
Net current assets		**396,327,710**	139,812,639
Total assets less current liabilities		**442,094,192**	152,051,432
Non-current liabilities			
Deferred tax liabilities		**515,059**	—
NET ASSETS		**441,579,133**	152,051,432
EQUITY			
Share capital		**203,904,600**	130,000,009
Share premium		**192,255,508**	—
Merger reserve		**(19,999,991)**	—
Share option reserve		**2,749,525**	—
Retained profits		**62,669,491**	22,051,423
TOTAL EQUITY		**441,579,133**	152,051,432

Notes:

1. **Statement of compliance and basis of preparation**

This financial report has been prepared on a basis consistent with accounting policies adopted in the Group's 2011 annual financial statements. The Group's 2011 annual financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, 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 disclosure requirements of the Hong Kong Companies Ordinance. Those 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 report does not constitute the Group's statutory financial statements for the year ended 31 March 2011, 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. None of these changes or developments is relevant to the Company for the current and prior accounting periods reflected in those financial statements. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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. 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") financing as follows:

	2011	2010
	HK$	*HK$*
Brokerage commission	**148,947,183**	114,638,993
Interest income from margin financing	**33,019,410**	15,488,669
Interest income from IPO financing	**6,235,296**	10,112,399
	188,201,889	140,240,061

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

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 selected overseas market, 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.

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, 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.

(a) ***Segment information***

	2011		
	Securities broking	**Commodities and futures broking**	**Total**
	HK$	***HK$***	***HK$***
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)**

	2010		
	Securities broking	Commodities and futures broking	Total
	HK$	*HK$*	*HK$*
Revenue from external customers:			
— Brokerage commission	92,702,616	21,936,377	114,638,993
— Interest income from margin financing	15,488,669	—	15,488,669
— Interest income from IPO financing	10,112,399	—	10,112,399
Consolidated turnover	118,303,684	21,936,377	140,240,061
Handling and settlement fees	12,418,586	—	12,418,586
Reportable segment revenue	130,722,270	21,936,377	152,658,647
Reportable segment profit (EBIT)	65,468,556	15,185,823	80,654,379
Depreciation for the year	(3,584,272)	(24,043)	(3,608,315)
Other interest income	2,997,984	19,131	3,017,115
Finance costs	(8,398,836)	—	(8,398,836)
Additions to non-current segment assets during the year	3,611,630	28,685	3,640,315
Reportable segment assets	831,975,174	109,883,352	941,858,526
Reportable segment liabilities	(694,156,408)	(87,149,951)	(781,306,359)

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

	2011	2010
	HK$	*HK$*
Profit		
Reportable segment profit (EBIT)	**57,233,809**	80,654,379
Finance costs	**(8,008,036)**	(8,398,836)
Unallocated corporate expenses	**(591,067)**	(44,763)
Consolidated profit before taxation	**48,634,706**	72,210,780
Assets		
Reportable segment assets	**1,747,464,849**	941,858,526
Elimination of inter-segment receivable	**(3,856,365)**	—
Deferred tax assets	—	464,985
Taxation recoverable	**1,818,947**	—
Unallocated corporate assets	**9,538,338**	1,000
Consolidated total assets	**1,754,965,769**	942,324,511
Liabilities		
Reportable segment liabilities	**(1,310,559,591)**	(781,306,359)
Elimination of inter-segment payable	**40,000,000**	—
Current taxation	**(2,154,300)**	(8,920,966)
Deferred tax liabilities	**(515,059)**	—
Unallocated corporate liabilities	**(40,157,686)**	(45,754)
Consolidated total liabilities	**(1,313,386,636)**	(790,273,079)

4. Other revenue

	2011	2010
	HK$	*HK$*
Interest income from		
— Authorised institutions	**1,121,926**	202,527
— Others	**3,711,646**	2,814,588
	4,833,572	3,017,115
Handling and settlement fees	**15,924,959**	12,418,586
Sundry income	**871,951**	422,600
	21,630,482	15,858,301

5. Other net (loss)/gain

	2011	2010
	HK$	*HK$*
Gain on disposal of fixed assets	**—**	443,367
Error trades arising from securities, commodities and futures dealing	**(962,970)**	(420,281)
Net foreign exchange gain	**136,704**	75,472
	(826,266)	98,558

6. Profit before taxation

Profit before taxation is arrived at after charging:

	2011	2010
	HK$	*HK$*
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	**3,161,545**	5,543,040
— Other bank loans and overdrafts	**4,846,491**	1,884,742
— Loans from related companies	**—**	971,054
	8,008,036	8,398,836
(b) Staff costs		
Salaries, allowances and benefits in kind	**50,278,989**	26,265,935
Discretionary bonuses	**12,930,697**	9,026,112
Contributions to Mandatory Provident Fund	**1,843,138**	943,275
Equity-settled share-based payments	**2,749,525**	—
	67,802,349	36,235,322
(c) Other operating expenses		
Advertising and promotion expenses	**8,456,980**	3,639,110
Auditors' remuneration	**1,617,500**	500,000
Commission expense to overseas brokers	**2,294,939**	1,222,037
Handling and settlement expenses	**12,270,382**	10,157,947
Information and communication expenses	**14,325,122**	9,009,477
Legal and professional fees	**6,602,258**	300,486
Operating lease payments — property rentals	**18,941,503**	5,001,547
Rates and building management fees	**2,073,096**	1,005,676
Miscellaneous expenses	**11,070,317**	4,907,387
	77,652,097	35,743,667

7. Income tax

	2011	2010
	HK$	*HK$*
Current tax — Hong Kong Profits Tax		
Provision for the year	**7,044,329**	12,673,473
(Over)/under-provision in respect of prior years	**(7,735)**	5,929
	7,036,594	12,679,402
Deferred tax		
Origination and reversal of temporary differences	**980,044**	(752,641)
	8,016,638	11,926,761

The provision for Hong Kong Profits Tax for the year ended 31 March 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

8. Earnings per share

The calculation of basic earnings per share for the financial year is based on the profit attributable to equity shareholders of the Company for the year ended 31 March 2011 of HK$40,618,068 (2010: HK$60,284,019), and the weighted average number of shares in issue during the year ended 31 March 2011 of 606,997,458 (2010: 500,000,000). The weighted average number of shares in issue during the year ended 31 March 2010 is based on the assumption that 500,000,000 ordinary shares were in issue as if the shares issued at the date the Company became the holding company of the Group were outstanding throughout the year ended 31 March 2010.

There were no dilutive potential ordinary shares during the financial year and diluted earnings per share are therefore equal to basic earnings per share.

9. Dividend

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

	2011	2010
	HK$	*HK$*
Dividends declared during the year	—	136,050,000
Final dividend proposed after the end of the reporting period of HK1.80 cents per ordinary share (2010: Nil per ordinary share)	**12,234,276**	—
	12,234,276	136,050,000

At a Board meeting held on 10 June 2011, the Directors recommended the payment of a final dividend of HK1.80 cents per share for the year ended 31 March 2011 amounting to HK$12,234,276, subject to the approval of the final dividend by the shareholders at the forthcoming Annual General Meeting. 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.

In the prior year, pursuant to the resolutions passed at the respective board of directors' meetings of Bright Smart Securities International (H.K.) Limited and Bright Smart Futures & Commodities Co., Ltd on 31 March 2010, dividends of HK$116,050,000 and HK$20,000,000 were declared to the respective shareholders of Bright Smart Securities International (H.K.) Limited and Bright Smart Futures & Commodities Co., Ltd as at 31 March 2010.

10. Accounts receivable

	2011	2010
	HK$	*HK$*
Accounts receivable from		
— Cash clients	**62,895,693**	55,447,328
— Margin clients	**997,367,347**	608,568,325
— Clearing houses	**266,424,169**	91,775,026
— Brokers and dealers	**17,949,386**	7,342,786
	1,344,636,595	763,133,465

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

	2011	2010
	HK$	*HK$*
Current	**35,656,590**	25,440,411
Less than 1 month past due	**17,229,566**	30,006,917
1 to 3 months past due	**6,073,729**	—
More than 3 months but less than 12 months past due	**3,935,808**	—
Amounts past due	**27,239,103**	30,006,917
	62,895,693	55,447,328

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 2011, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$3,573,187,167 (2010: HK$1,934,244,187).

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

	2011	2010
	HK$	*HK$*
Accounts payable		
— Cash clients	**182,796,758**	68,825,766
— Margin clients	**270,682,039**	112,830,849
— Clearing houses	**22,487,278**	7,439,214
	475,966,075	189,095,829

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 HK1.80 cents per share for the year ended 31 March 2011 amounting to HK$12,234,276, subject to the approval of the final dividend by the shareholders at the forthcoming Annual General Meeting. If approved, the final dividend will be paid to the shareholders on 5 August 2011 (Friday). Shareholders whose names appear on the register of members on 15 July 2011 (Friday) will be entitled to the proposed final dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the final dividend, from 18 July 2011 (Monday) to 20 July 2011 (Wednesday) (both days inclusive), during which period no share transfer will be effected.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 15 July 2011 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group achieved a satisfactory financial performance for the year ended 31 March 2011 (the "Year"), with a 34.2% increase in turnover to HK$188.2 million. However, the Group recorded a net profit of HK$40.6 million, representing a decrease of 32.6% compared with the year ended 31 March 2010 (the "Prior Year"). The decrease was due to the substantial operating expenses incurred in staff recruitment and branch network development resulting from the Group's active expansion. Basic earnings per share were HK6.69 cents. The Board recommended the payment of a final dividend for the Year of HK1.80 cents per share.

Market overview

During the Year under review, despite the trading performance of the Hong Kong equity market in the first half of the Year (April to September 2010) was fair, global economy picked up in the second half (October 2010 to March 2011), supported by strong economic data and corporate earnings. In general, the trading activities in the Hong Kong securities and derivatives markets remained active during the Year. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") recorded an average daily value of transactions of HK$71.9 billion, up 7.1% 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 was 230,120 and 269,630 respectively (2010: 210,397 and 194,461).

According to the 2010 Annual Report of the Stock Exchange, for the year ended 31 December 2010, IPO funds raised of approximately HK$450 billion reached a record high, and made Hong Kong the world's biggest IPO centre for the second consecutive year. On the back of abundant liquidity, and with the Stock Exchange actively bringing mainland and overseas enterprises to list in Hong Kong, the IPO market is expected to remain optimistic.

As a breakthrough in the development of RMB financial products in Hong Kong, Hui Xian REIT, the first RMB-denominated REIT, was listed on the Stock Exchange in April 2011. The Stock Exchange has enhanced its infrastructure for RMB-denominated products. It is expected that RMB-denominated products will be the focus of the Hong Kong Market.

Looking forward, despite the uncertainties facing the global market due to debt crisis in Europe, economic recovery progress in the United States, and tightening measures to curb inflation and economic bubbles by the PRC Government, the Hong Kong investment market still has good growth potential, driven by capital flows to Asia and continued economic growth in China.

Business review

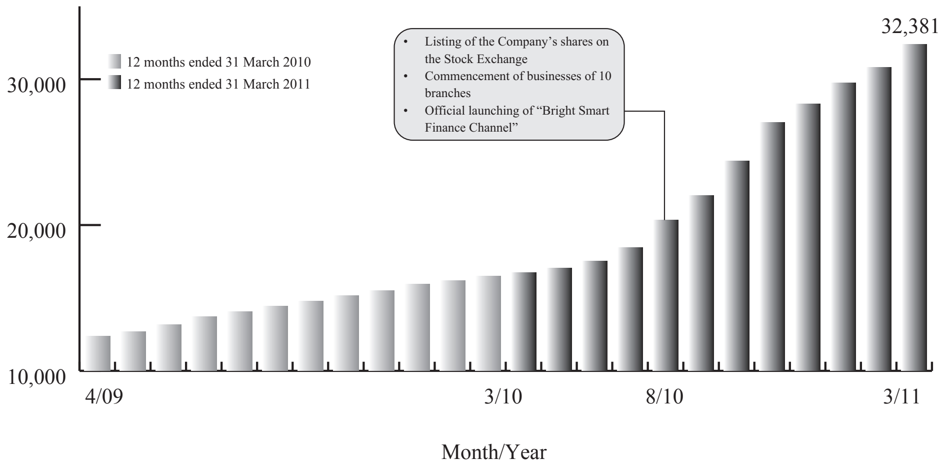
Overview of branch network and clientele

In order to absorb new clients, enlarge its market share and enhance its brand image, the Group opened 10 branches in densely populated locations in Hong Kong during the Year. The new branches are located in Central, Mong Kok, Causeway Bay, Kwun Tong, Sham Shui Po, Yuen Long, Sheung

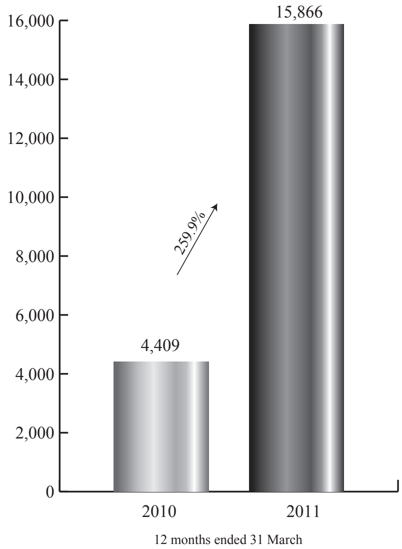
Shui, Tai Po, Tai Wai and North Point. Together with the Tsuen Wan branch opened in December 2009, the number of branches has increased rapidly to 11 (excluding the head office located in Central) as at 31 March 2011.

Benefited from the increasing number of branches and the brand effect brought by the Group's expansion, the Group's total number of client accounts increased rapidly. During the Year, the total number of new client accounts opened (after deducting the number of client accounts closed) was 15,866 (2010: 4,409), about 3.6 times of that in the Prior Year. For the new client accounts opened during the Year, 11.3% were attributed to the head office, while 88.7% were attributed to the branches (about 7.8 times of that from the head office), reflecting the management's discerning decision to open new branches which had strengthened the client base within a short period of time. As at 31 March 2011, the total number of client accounts achieved an inspiring growth of 96.1% to 32,381 from 16,515 as at 31 March 2010.

Total number of client accounts



Number of new accounts opened*

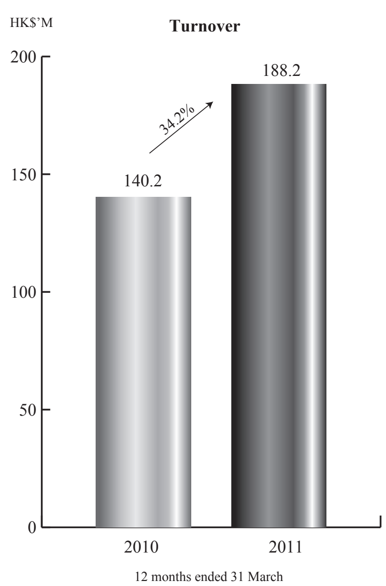


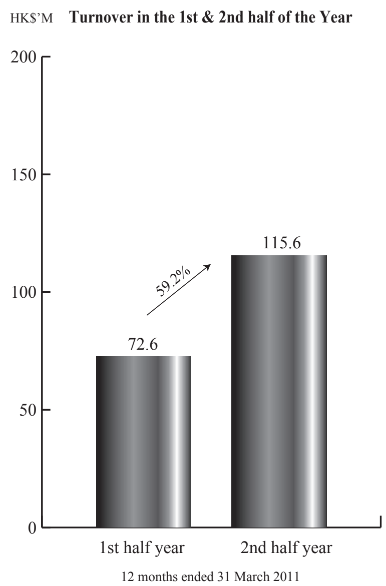
* after deducting the number of client accounts closed during the respective financial years

Turnover analysis

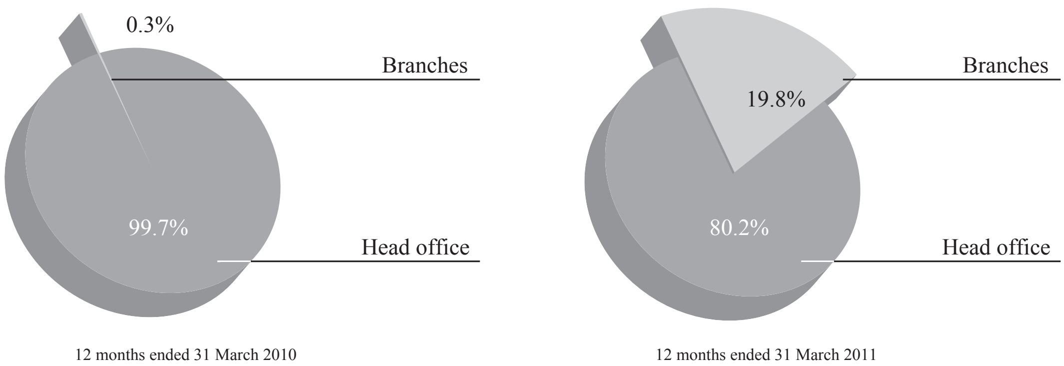
The Group's total turnover for the Year was HK$188.2 million (2010: HK$140.2 million), representing a sharp increase of 34.2%. The increase was due to the strong growth of the commission income from securities and futures brokerage segments as a result of the increase in the number of clients resulting from the Group's branch network expansion.

The turnover recorded in the second half of the Year (October 2010 to March 2011) was HK$115.6 million, an increase of 59.2% as compared to HK$72.6 million in the first half of the Year (April to September 2010). Turnover growth in the second half of the Year was attributed to the gradual maturity of the branches operations, after the Group's 10 branches opened in the Year.



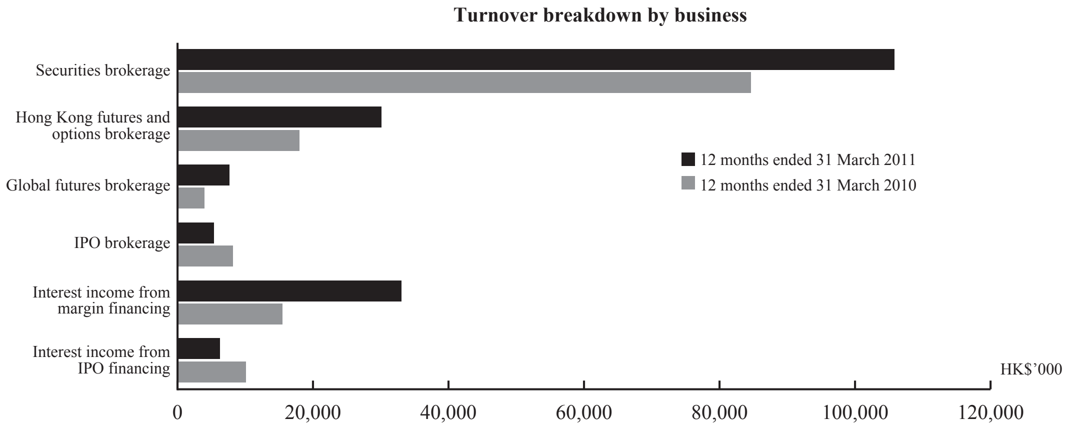


Turnover distribution from head office and branches



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

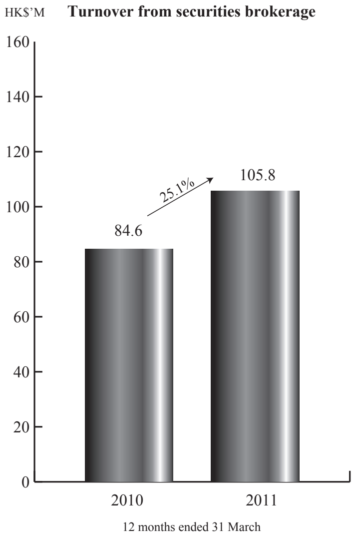
	Year ended 31 March				
	2011	**Proportion of total turnover**	2010	Proportion of total turnover	Increase/ (decrease)
	HK$'000	***%***	*HK$'000*	*%*	*%*
Commission income from					
— Securities brokerage	**105,825**	**56.2%**	84,577	60.3%	25.1%
— Hong Kong futures and options brokerage	**30,103**	**16.0%**	17,976	12.8%	67.5%
— Global futures brokerage	**7,635**	**4.1%**	3,960	2.8%	92.8%
— IPO brokerage	**5,385**	**2.9%**	8,126	5.8%	(33.7%)
Interest income from margin financing	**33,019**	**17.5%**	15,489	11.1%	113.2%
Interest income from IPO financing	**6,235**	**3.3%**	10,112	7.2%	(38.3%)
	188,202	**100.0%**	140,240	100.0%	34.2%

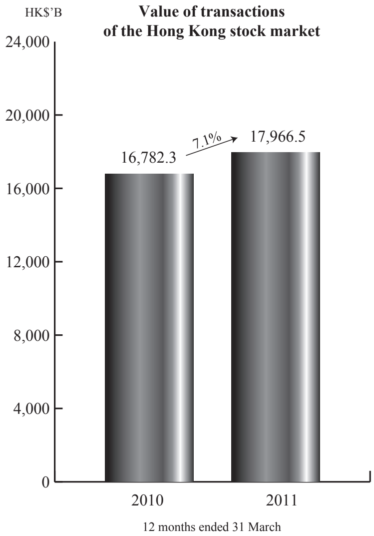


I. *Securities brokerage*

The Group's commission income from securities brokerage for the Year was HK$105.8 million (2010: HK$84.6 million), representing an increase of 25.1% when compared to the Prior Year. During the Year, the Stock Exchange recorded a total value of transactions of approximately HK$17,966.5 billion (2010: HK$16,782.3 billion), an increase of only 7.1% over the Prior Year. Outperforming the market, the growth of the Group's commission income from securities brokerage far exceeded that of the total value of transactions of the Stock Exchange, in terms of percentage.

Such growth in securities brokerage income was mainly attributable to the expanded client base and gradual maturity of the branches operations in the Year. Also, the Group continued to pursue proactive product diversification and launched its brokerage services for stock options traded on the Stock Exchange and securities traded on the US exchange during the Year, thereby developing new revenue streams for the Group. In April 2011, the Group introduced its brokerage services for China B shares. The Group also plans to further extend its service coverage to securities traded on the Taiwan and Singapore exchanges.





II. *Hong Kong futures and options brokerage*

During the Year, the Group's Hong Kong futures and options brokerage segment delivered satisfactory results, generating commission income of HK$30.1 million (2010: HK$18.0 million), an increase of 67.5% when compared to the Prior Year.

III. *Global futures brokerage*

The Group introduced online global futures trading services covering futures products traded on the US and Singapore exchanges since 2009. During the Year, the Group offered a wider range of global futures products to its clients. Driven by the introduction of diversified financial products, the Group's commission income from global futures brokerage recorded a substantial year-on-year increase of 92.8% to HK$7.6 million in the Year (2010: HK$4.0 million). The Group's global futures brokerage business is still in a development stage. As the Group continues to extend its offerings to include more global futures products, it is believed that the global futures brokerage segment will be a future growth driver for the Group.

IV. Margin financing

The Group offers margin financing with competitive margin rates to its clients, allowing greater flexibility on their funding and thereby attracting clients to trade securities on margin basis.

The successful listing of the Company on the Stock Exchange in August 2010 has greatly strengthened the Group's financial resources for funding its margin financing business. For the Year, the interest income generated from margin financing was HK$33.0 million (2010: HK$15.5 million), representing an increase of 113.2% over the Prior Year. The average monthly accounts receivable due from margin clients over the Year was HK$777.6 million, representing an increase of 81.8% as compared to HK$427.8 million in the Prior Year.

With effective credit control policies in place, the Group did not have any bad debt during the Year, though the amount of margin financing increased significantly.

V. IPO brokerage and IPO financing

The IPO market has remained active. The Group offered competitive margin financing interest rates to its clients. However, facing the radical competition in the IPO financing market, the commission income from IPO brokerage during the Year recorded a decrease of 33.7% to HK$5.4 million when compared to the Prior Year (2010: HK$8.1 million). The interest income generated from IPO financing was HK$6.2 million during the Year (2010: HK$10.1 million), down by 38.3% when compared to the Prior Year.

Net profit analysis

The Group recorded a net profit for the Year of HK$40.6 million (2010: HK$60.3 million), a decrease of 32.6% when compared to the Prior Year. The drop in net profit was mainly attributable to the increase in operating costs incurred for business development in the Year, especially on the costs of manpower and branches network development. The total operating expenses recorded in the Year were HK$160.4 million (2010: HK$84.0 million). The Year was a period of investment. With the gradual maturity of the branches operations, the Group's turnover in the second half of the Year had increased significantly. The management believes that such investment will generate remarkable returns for the Group in the years ahead.

Operating expenses

Analysis of the operating expenses:

	Year ended 31 March		Increase/
	2011	2010	(decrease)
	HK$'000	*HK$'000*	*%*
Staff costs, excluding equity-settled share-based payments	**65,053**	36,235	79.5%
Equity-settled share-based payments	**2,749**	—	N.A.
Depreciation	**6,909**	3,608	91.5%
Finance costs	**8,008**	8,399	(4.7%)
Advertising and promotion expenses	**8,457**	3,639	132.4%
Handling and settlement expenses	**12,270**	10,158	20.8%
Information and communication expenses	**14,325**	9,009	59.0%
Rentals, rates and building management fees	**21,015**	6,007	249.8%
Miscellaneous expenses	**21,585**	6,931	211.4%
	160,371	83,986	90.9%

I. *Staff costs, excluding equity-settled share-based payments*

The Group's total staff costs, excluding equity-settled share-based payments, for the Year was increased by 79.5% when compared to the Prior Year. The Group has always placed strong emphasis on human resources and has been willing to invest in manpower with the strong belief that an excellent workforce is the most important asset and is essential for offering quality services to its clients. To cope with the operation of the new branches and expansion of the Group's business, the Group recruited more frontline and back-office staff in the Year. The average number of full-time staff during the Year was 202 (2010: 109), an increase of 85.3% when compared with the Prior Year.

II. *Equity-settled share-based payments*

During the year, the Company granted a total of 18,518,000 share options (of which 170,000 share options were cancelled during the Year) to selected participants as incentives or rewards for their contribution to the Group. The estimated fair value of the share options granted was HK$2.7 million, which has been recognised in the profit or loss as equity-settled share-based payments for the Year (2010: Nil).

III. *Depreciation*

Depreciation for the Year increased by 91.5% as compared to the Prior year. This was due to purchases of items of fixed assets as a result of expanding the number of branches from 1 to 11 during the Year.

IV. Finance costs

Despite the increase in interest expenses on bank borrowings as a result of increased margin financing provided to our clients, the decrease in interest expenses on bank borrowings for IPO financing compensated for those on bank borrowings for margin financing, causing the finance costs for the Year to decrease slightly by 4.7%.

V. Advertising and promotion expenses

The Group places emphasis on its sales and promotion activities. Advertising and promotion expenses for the Year increased by 132.4% compared to the Prior Year. Along with the Company's listing and branch network expansion, more resources were devoted to promote its brand during the Year. Thanks to the successful marketing strategy, the total number of clients grew rapidly in a short period of time.

VI. Handling and settlement expenses

Handling and settlement expenses represent the CCASS fees mainly for securities, futures and options settlement. As the Group's turnover recorded a sharp increase in the Year, the handling and settlement expenses increased accordingly.

VII. Information and communication expenses

Information and communication expenses mainly represent fees for the securities and futures trading systems, and subscription fees for real-time price quotation service. With dedication to delivering excellent customer service, the Group provided real-time price quotation services to its clients of the branches, causing the information and communication expenses to increase by 59.0% in the Year.

VIII. Rentals, rates and building management fees

Rentals, rates and building management fees increased by 249.8%, which were mainly attributable to the development of the branch network during the Year.

IX. Miscellaneous expenses

Miscellaneous expenses mainly comprise legal and professional fees, office expenses and other operating expenses. The increase in miscellaneous expenses during the Year was mainly due to the one-off legal and professional fees in relation to the Company's listing and the increase in operating expenses as a result of business expansion.

Future plans

To align Hong Kong's financial market more closely with the mainland and major overseas financial markets, the Stock Exchange has extended trading hours starting from March 2011. The change will reinforce Hong Kong's status as one of the international financial centres, promoting the healthy development of the Hong Kong stock market. Coupled with China's continuing economic growth and the implementation of favourable national policies, the overall competitiveness of the Hong Kong stock market will be further enhanced. These favourable market conditions will attract more investors' attention to and participation in the Hong Kong stock market, laying a solid foundation for the Group's future development. As a Hong Kong-based financial institution, the Group will strive to enlarge its market share and develop new revenue streams. The Group will particularly focus on the following:

Enhancing market share

The Group will continue to look for suitable locations for business development and branch network expansion. To enhance customer satisfaction and promote the overall image of the Group, the Group's Sales Centre has expanded to the 27/F of Wing On House in Central in May 2011, to provide more comprehensive customer services, including placing orders, opening new accounts and subscribing to IPO shares. As for branch expansion, the Group's Mong Kok second branch opened in the same month, further expanding its network coverage in Hong Kong and enlarging its customer base.

As an international hub with strong capital flow, Hong Kong has long been regarded as an ideal platform for mainland and overseas enterprises to expand internationally. With the increasing number of enterprises raise funds by listing in Hong Kong, it is expected that the IPO market will remain optimistic. To fully capture the opportunities arising from IPOs, the Group will strengthen its liquid capital according to the market conditions and capital requirements. The Group will evaluate the potential sources of funding including bank loans and capital market financing so as to boost the Group's capability of providing IPO and margin financings to its clients, and hence to increase the revenue from these businesses.

Penetrating the China market

The growth momentum of China's economy remains strong. China surpassed Japan in 2010 to become the world's second largest economy in terms of gross domestic product. The China's regulator will launch the "mini-QFII" (Qualified Foreign Institutional Investors) scheme, which allows the Hong Kong subsidiaries of Chinese brokerage companies and fund houses to raise offshore capital to engage in the mainland securities business. The launch of mini-QFII will expedite the progress of opening up of China's financial market. Although local brokerage firms have not yet been qualified for the mini-QFII scheme, the Group has stepped up its efforts to establish its presence in the China market. The Group plans to set up consultancy offices in major cities including Shenzhen, Guangzhou, Shanghai and Macau to provide consultancy services on Hong Kong securities and futures, and global financial products to PRC investors. The move will help to promote the Group's brand name and will also prepare the Group to establish a service network in China in the future.

Enriching product variety

With the commitment to serve customers as the top priority, the Group continues to enrich its product variety to meet different customer needs. The Group has a team of competent product development professionals to actively introduce an international and diversified range of financial products to customers. Following the launch of online Hong Kong stock options trading and US stock trading services in the Year and the launch of trading of China B shares in April 2011, the Taiwan and Singapore stock trading services will soon be launched, extending the Group's product coverage in global financial products. The Group will also expand its product coverage in global futures.

The pace of the internationalisation of the RMB is accelerating. The PRC Government has reiterated its determination to develop Hong Kong as an offshore RMB centre in the Twelfth Five-Year Plan. Driven by the strong momentum of the RMB, the demand for RMB-related products will remain high in the Hong Kong market. The Group will closely monitor the latest development of RMB-denominated products and will offer competitive service charges according to the market conditions, attracting more customers and boosting the Group's revenue.

In addition, the Group plans to set up asset management and financial advisory divisions, in a bid to bring new sources of income to the Group and to enhance its profitability.

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$349.9 million as at 31 March 2011 (2010: HK$157.5 million), increased by 122.2% as compared with that as at 31 March 2010.

The Group had total bank borrowings of HK$815.0 million as at 31 March 2011 (2010: HK$441.0 million). The bank borrowings were collateralised by its margin clients' securities pledged to the Group. As at 31 March 2011, unutilised facilities amounted to HK$491.0 million. The Group's gearing ratio, which is total bank borrowings divided by the total shareholders' equity was 184.6% (2010: 290.0%).

As at 31 March 2011, the net current assets of the Group increased by HK$256.5 million or 183.5% to HK$396.3 million (2010: HK$139.8 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.30 as at 31 March 2011 (2010: 1.18).

CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure 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 sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities. During the financial year, all the licensed subsidiaries complied with the liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("FRR") at all times.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 25 August 2010 ("Listing Date"), the Company's shares were listed on the Main Board of the Stock Exchange. On the Listing Date, 166,800,000 shares were issued and offered by the Company at the offer price of HK$1.60 per share. On 16 September 2010, BOCOM International Securities Limited partially exercised the Over-allotment Option (as defined in the prospectus), and the Company allotted and issued 12,882,000 Shares on 17 September 2010 pursuant to the Over-allotment Option. The total number of issued shares of the Company as at 31 March 2011 was 679,682,000.

Out of the net proceeds of approximately HK$241.3 million raised from the listing of the shares of the Company, HK$216.0 million and HK$24.0 million were injected into Bright Smart Securities International (H.K.) Limited and Bright Smart Futures & Commodities Company Limited respectively as capital for the purpose of funding and furthering of the Group's existing businesses and also to pave the way for the Group's future development.

FINANCIAL 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 on-going 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, credit risk arising from the accounts receivable due from cash clients is considered small. 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, initial margin is required before opening of 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 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.

In conclusion, with effective credit control policies in place, the Group did not record any bad debt in the year ended 31 March 2011.

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 deposit with banks and financial liabilities such as bank loans 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's business is principally conducted in Hong Kong dollars ("HKD") and United States dollars ("USD") and most of the Group's monetary assets and liabilities are denominated in HKD. As the 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. Accordingly, the directors consider the Group's exposure to foreign currency risk is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group had a work force of 228 employees (2010: 161 employees). Staff costs, excluding Directors' emoluments, amounted to approximately HK$58.5 million for the Year (2010: HK$31.3 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 trend. The Group has put in place a share option scheme and a bonus scheme for its executives and employees in a bid to provide 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.

During the Year, the Company granted a total of 18,518,000 share options (of which 170,000 share options were cancelled during the Year) under a share option scheme approved and adopted on 4 August 2010 to selected participants as incentives or rewards for their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period from the Listing Date to 31 March 2011, neither the Company nor any of its subsidiaries had 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 CODE ON CORPORATE GOVERNANCE PRACTICES

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 Code on Corporate Governance Practices 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 2011.

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 2011.

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 2011 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 Annual General Meeting of the Company will be held on 20 July 2011. Notice of the Annual General Meeting 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 2010/11 and the Notice of Annual General Meeting 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
Chief Executive Officer and Executive Director

Hong Kong, 10 June 2011

As at the date of this announcement, the Executive Directors are Mr. Yip Mow Lum (Chairman), Mr. Chan Kai Fung (CEO), Mr. Kwok Sze Chi and Mr. Chan Wing Shing, Wilson; and the Independent non-executive Directors are Mr. Yu Yun Kong, Mr. Szeto Wai Sun and Mr. Ling Kwok Fai, Joseph.