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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the "Board") of Bright Smart Securities & Commodities Group Limited (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 2011 together with the comparative figures for the six months ended 30 September 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011 — unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2011	2010
	Note	*$*	*$*
Turnover	*2*	**122,687,201**	72,553,567
Other revenue	*4*	**17,679,882**	8,350,771
Other net gain/(loss)	*5*	**364,835**	(759,729)
Staff costs		**(40,765,104)**	(25,007,716)
Depreciation		**(5,199,052)**	(3,120,888)
Other operating expenses		**(46,758,342)**	(37,158,681)
Profit from operations		**48,009,420**	14,857,324
Finance costs	*6(a)*	**(8,694,819)**	(2,734,467)
Profit before taxation	*6*	**39,314,601**	12,122,857
Income tax	*7*	**(6,347,058)**	(2,056,488)
Net profit and total comprehensive income attributable to equity shareholders for the period		**32,967,543**	10,066,369
Earnings per share	*8*		
Basic and diluted (cents)		**4.85**	1.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011 — unaudited (Expressed in Hong Kong dollars)

	Note	**At 30 September 2011** **$**	At 31 March 2011 $
Non-current assets			
Fixed assets		**28,315,022**	23,897,559
Deferred tax assets		**469,358**	—
Other non-current assets		**10,668,646**	21,868,923
Total non-current assets		**39,453,026**	45,766,482
Current assets			
Accounts receivable	*10*	**1,095,698,185**	1,344,636,595
Other receivables, deposits and prepayments		**11,042,453**	12,885,488
Taxation recoverable		**—**	1,818,947
Cash and cash equivalents		**272,270,383**	349,858,257
Total current assets		**1,379,011,021**	1,709,199,287
Current liabilities			
Accounts payable	*11*	**335,594,866**	475,966,075
Accrued expenses and other payables		**20,889,953**	19,751,202
Bank loans		**492,000,000**	815,000,000
Amount due to a related company		**100,000,000**	—
Current taxation		**7,666,828**	2,154,300
Total current liabilities		**956,151,647**	1,312,871,577
Net current assets		**422,859,374**	396,327,710
Total assets less current liabilities		**462,312,400**	442,094,192
Non-current liabilities			
Deferred tax liabilities		**—**	515,059
NET ASSETS		**462,312,400**	441,579,133
EQUITY			
Share capital		**203,904,600**	203,904,600
Share premium		**180,021,232**	192,255,508
Merger reserve		**(19,999,991)**	(19,999,991)
Share option reserve		**2,437,828**	2,749,525
Retained profits		**95,948,731**	62,669,491
TOTAL EQUITY		**462,312,400**	441,579,133

Notes:
(Expressed in Hong Kong dollars unless otherwise indicated)

1. Statement of compliance and basis of preparation

This interim financial report for the six months period ended 30 September 2011 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. The financial information set out in this report does not constitute the Group's interim financial statements for the period ended 30 September 2011, but is derived from those financial statements.

The accounting policies applied in preparing this interim financial report are the same as those applied in preparing the financial statements for the year ended 31 March 2011, as disclosed in the Annual Report and Financial Statements for 2010/11. A number of new and revised Hong Kong Financial Reporting Standards have become effective in 2011. None has material impact on the Group.

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.

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	
	2011	2010
	$	*$*
Brokerage commission	**93,423,241**	58,239,205
Interest income from margin financing	**28,564,168**	12,321,695
Interest income from IPO financing	**699,792**	1,992,667
	122,687,201	72,553,567

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.

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

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

(a) Segment information

	Six months ended 30 September 2011		
	Securities broking	**Commodities and futures broking**	**Total**
	\$	***\$***	***\$***
Revenue from external 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)**

	Six months ended 30 September 2010		
	Securities broking	Commodities and futures broking	Total
	\$	*\$*	*\$*
Revenue from external customers:			
— Brokerage commission	41,701,254	16,537,951	58,239,205
— Interest income from margin financing	12,321,695	—	12,321,695
— Interest income from IPO financing	1,992,667	—	1,992,667
Consolidated turnover	56,015,616	16,537,951	72,553,567
Handling and settlement fees	6,279,391	—	6,279,391
Reportable segment revenue	62,295,007	16,537,951	78,832,958
Reportable segment profit (EBIT)	3,283,456	11,970,477	15,253,933
Depreciation for the period	(3,112,420)	(8,468)	(3,120,888)
Other interest income	1,562,282	11,060	1,573,342
Finance costs	(2,734,314)	(153)	(2,734,467)
Additions to non-current segment assets during the period	19,560,637	6,500	19,567,137

	At 31 March 2011		
	Securities broking	Commodities and futures broking	Total
	\$	*\$*	*\$*
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)

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

	Six months ended 30 September	
	2011	2010
	$	*$*
Profit		
Reportable segment profit (EBIT)	**49,542,470**	15,253,933
Finance costs	**(8,694,819)**	(2,734,467)
Unallocated corporate expenses	**(1,533,050)**	(396,609)
Consolidated profit before taxation	**39,314,601**	12,122,857

	At 30 September 2011	At 31 March 2011
	$	*$*
Assets		
Reportable segment assets	**1,414,784,725**	1,747,464,849
Elimination of inter-segment receivables	**(5,150,724)**	(3,856,365)
Deferred tax assets	**469,358**	—
Taxation recoverable	**—**	1,818,947
Unallocated corporate assets	**8,360,688**	9,538,338
Consolidated total assets	**1,418,464,047**	1,754,965,769
Liabilities		
Reportable segment liabilities	**(949,267,817)**	(1,310,559,591)
Elimination of inter-segment payables	**908,984**	40,000,000
Current taxation	**(7,666,828)**	(2,154,300)
Deferred tax liabilities	**—**	(515,059)
Unallocated corporate liabilities	**(125,986)**	(40,157,686)
Consolidated total liabilities	**(956,151,647)**	(1,313,386,636)

4. Other revenue

	Six months ended 30 September	
	2011	2010
	$	*$*
Interest income from		
— Authorised institutions	**1,669,342**	134,606
— Others	**4,018,117**	1,438,736
	5,687,459	1,573,342
Handling and settlement fees	**11,793,946**	6,279,391
Sundry income	**198,477**	498,038
	17,679,882	8,350,771

5. **Other net gain/(loss)**

	Six months ended 30 September	
	2011	2010
	$	*$*
Error trades arising from securities, commodities and futures dealing	**(435,270)**	(792,406)
Net foreign exchange gain	**800,105**	32,677
	364,835	(759,729)

6. **Profit before taxation**

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2011	2010
	$	*$*
(a) Finance costs		
Interest expense on		
Bank loans for IPO financing	**(307,697)**	(1,131,641)
Other bank loans and overdrafts	**(6,104,235)**	(1,602,826)
Loans from related companies	**(2,282,887)**	—
	(8,694,819)	(2,734,467)
(b) Other operating expenses		
Auditors' remuneration	**(663,000)**	(330,000)
Advertising and promoting expenses	**(3,282,375)**	(5,015,445)
Handling and settlement expenses	**(9,466,086)**	(4,760,605)
Commission expense to overseas brokers	**(2,221,039)**	(1,261,035)
Information and communication expenses	**(10,352,642)**	(6,117,326)
Legal and professional fees	**(1,430,860)**	(4,591,668)
Operating lease charges in respect of properties	**(12,924,058)**	(8,388,236)
Rates and building management fees	**(1,551,617)**	(923,003)

7. Income tax

	Six months ended 30 September	
	2011	2010
	$	*$*
Current tax — Hong Kong Profits Tax		
Provision for the period	**(7,331,475)**	(1,993,166)
Deferred tax		
Origination and reversal of temporary differences	**984,417**	(63,322)
Actual tax expense	**(6,347,058)**	(2,056,488)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 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 $32,967,543 (six months ended 30 September 2010: $10,066,369) and the weighted average number of shares in issue during the period ended 30 September 2011 of 679,682,000 (six months ended 30 September 2010: 534,710,098).

There were no dilutive potential ordinary shares for the six months ended 30 September 2010 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 2011 (six months ended 30 September 2010: Nil).

10. Accounts receivable

	At 30 September 2011	At 31 March 2011
	$	*$*
Accounts receivable from		
— Cash clients	**95,333,587**	62,895,693
— Margin clients	**786,977,396**	997,367,347
— Clearing houses	**194,480,084**	266,424,169
— Brokers and dealers	**18,907,118**	17,949,386
	1,095,698,185	1,344,636,595

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

	At 30 September 2011 **$**	At 31 March 2011 $
Current	**45,188,481**	35,656,590
Less than 1 month past due	**24,998,885**	17,229,566
1 to 3 months past due	**17,255,601**	6,073,729
More than 3 months but less than 12 months past due	**7,890,620**	3,935,808
Amount past due	**50,145,106**	27,239,103
	95,333,587	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 30 September 2011 and 31 March 2011, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $1,832,099,521 and $3,573,187,167 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.

Subsequent to the end of the reporting period, one of the group's trade debtors, MF Global Hong Kong Limited, appointed provisional liquidators on 2 November 2011. At the end of the reporting period, $4,656,523 was due from this debtor. The Group expects to recover the whole amount. No allowance for doubtful debts has been made in these interim financial reports in this regard.

11. Accounts payable

	At 30 September 2011 **$**	At 31 March 2011 $
Accounts payable		
— Cash clients	**76,904,025**	182,796,758
— Margin clients	**212,415,204**	270,682,039
— Clearing houses	**46,275,637**	22,487,278
	335,594,866	475,966,075

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 2011 (the "Period"), the stock market in Hong Kong has been in a slump. The European debt crisis has escalated, while the US and other major developed countries have started showing the signs of a slow-down in the economy since the third quarter. On the other hand, in the Mainland, the real estate prices and demand have been weakened upon further tightening of monetary policies that were promulgated by the central government to curb inflation. The market sentiment has also been affected by the debt concern of local governments. The abundance of uncertainties have caused the Hang Seng Index to go down from 23,664 points as at 1 April 2011 to 17,592 points as at 30 September 2011, representing an accumulated decrease of 25.7%.

Despite the disappointing performance of the Hang Seng Index during the Period, the securities and derivatives markets recorded brisk trading and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") reported an average daily value of transactions of HK$71.87 billion, representing an increase of 15.4% as compared with the six months ended 30 September 2010 (the "Same Period 2010"). In respect of the initial public offering ("IPO") market, based on the HKEx Securities and Derivatives Markets Quarterly Report of the second and third quarters of 2011 issued by Hong Kong Exchanges and Clearing Limited ("HKEx"), there were 45 companies (including Main board and Growth Enterprise Market ("GEM") board but excluding companies which have transferred their listing from GEM board to Main board) newly listed with total raised funds of HK$176.24 billion, representing an increase of 39.3% compared to HK$126.49 billion in the Same Period 2010.

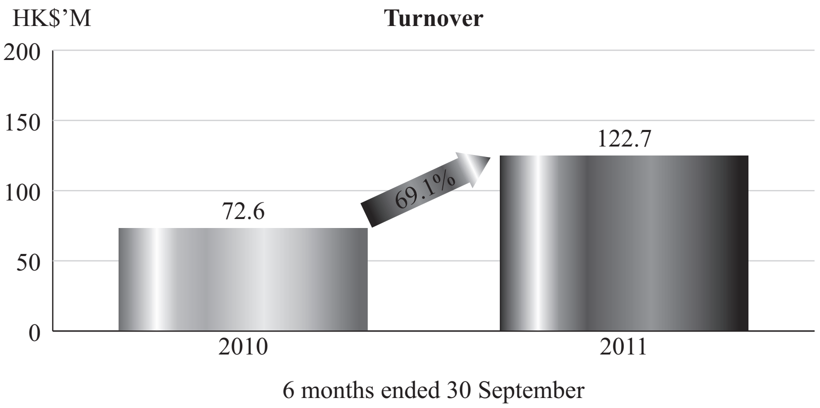
During the Period, HKEx consulted on a number of financial reforms and has continued to develop new financial products. Of these, the HKEx has been promoting the "Dual Tranche, Dual Counter" ("DTDC") trading model (in RMB and Hong Kong dollars) to issuers and intermediaries, and has finalised the trading arrangements and completed system upgrade for securities trading in the DTDC model. To complement secondary market trading in RMB-denominated securities, HKEx has launched the "RMB Equity Trading Support Facility" for brokers and custodians. However, as the RMB equity products are still in the early stage and the RMB remains under-circulated in Hong Kong, it is expected that trading is not expected to be active upon the initial launch of the RMB-denominated securities.

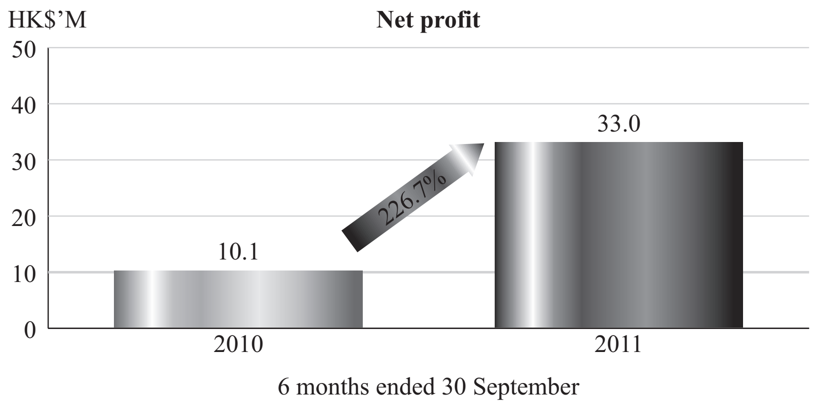
Looking ahead, the Hong Kong equity market will be exposed to additional uncertainties in the face of the unresolved debt crisis in Europe, the risk of further economic deceleration in Europe and the US and the fund chain concern in the Mainland. Notwithstanding these issues, the formulation of a preliminary market rescue plan by the European Union in mid-October has stimulated the risk appetite on the market, and has in turn pushed the Hang Seng Index back to a closing of 19,865 points on 31 October 2011, marking a monthly increase of 12.9%. With the capital flowing back to China and Hong Kong, coupled with the possible hold-down of inflation and the sound fundamentals of the Hong Kong economy, we are cautiously optimistic on the outlook for the Hong Kong equity market.

Business review

Operating results

During the Period, the Group reported inspiring results with strong growth in both turnover and profits. Turnover for the Period amounted to HK$122.7 million (Same Period 2010: HK$72.6 million), representing a significant increase of 69.1% compared to the Same Period 2010; whereas the net profits amounted to HK$33.0 million (Same Period 2010: HK$10.1 million), escalating by 226.7% from the Same Period 2010. The Group's outstanding performance during the Period was mainly attributable to the efficacy of the branch network expansion which has resulted in a rapid increase in the customer base and in turn a significant increase in the brokerage commissions. The expansion of the branch network has brought the full play of economies of scale, powering the increase in profits. Basic earnings per share were HK4.85 cents (Same Period 2010: HK1.88 cents).



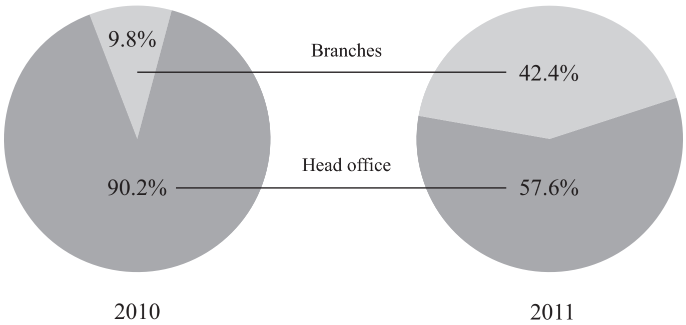


Turnover

In 2010, 10 new branches went into operation, with their operation gathering momentum during the Period and stimulating remarkable increase in the number of clients. Consequently, the Group generated a turnover of HK$122.7 million in the Period (Same Period 2010: HK$72.6 million), significantly up by 69.1% from the Same Period 2010.

During the Period, the turnover from the branches grew astonishing over 6-fold to HK$52.0 million (Same Period 2010: HK$7.1 million); whereas the turnover from the head office also recorded a steady increase to HK$70.7 million (Same Period 2010: HK$65.5 million), representing an increase of 7.9% from the Same Period 2010. The branches contributed 42.4% of the total turnover (Same Period 2010: 9.8%), representing a substantial increase of 32.6 percentage points from the Same Period 2010.

Turnover distribution from head office and branches

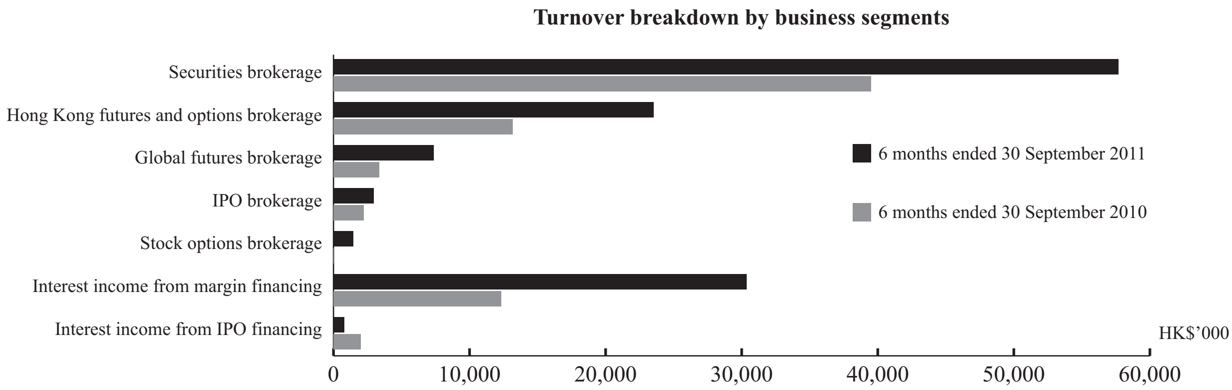


6 months ended 30 September

Amid intensive competition in the securities brokerage industry, the Group continued to adopt aggressive marketing strategies, including providing commission-free offers to new accounts in order to secure the Group's market share. Also, the Group has launched a multi-channel trading platform during the Period to facilitate iPhone, iPad and Android users to trade online.

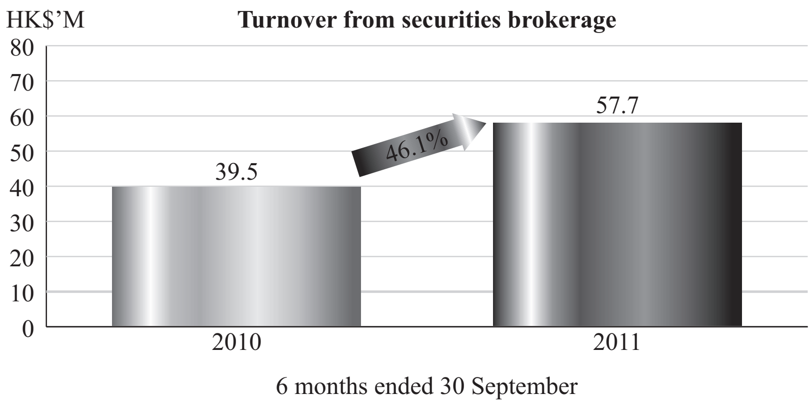
A summary of the revenue from different business segments of the Group is set out below:

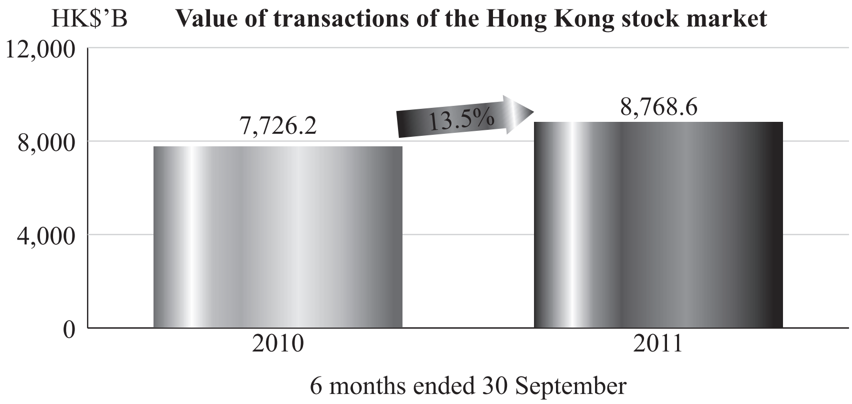
	6 months ended 30 September				
	2011	**Proportion of total turnover**	2010	Proportion of total turnover	Increase/ (decrease)
	HK$'000	***%***	*HK$'000*	*%*	*%*
Commission income from:					
— Securities brokerage	**57,681**	**46.9%**	39,487	54.4%	46.1%
— Hong Kong futures and options brokerage	**23,780**	**19.4%**	13,167	18.2%	80.6%
— Global futures brokerage	**7,830**	**6.4%**	3,371	4.6%	132.3%
— IPO brokerage	**2,710**	**2.2%**	2,214	3.1%	22.4%
— Stock options brokerage	**1,422**	**1.2%**	—	—	—
Interest income from margin financing	**28,564**	**23.3%**	12,322	17.0%	131.8%
Interest income from IPO financing	**700**	**0.6%**	1,993	2.7%	(64.9%)
	122,687	**100%**	72,554	100%	69.1%



I. Securities brokerage

The Group's commission income from securities brokerage for the Period amounted to HK$57.7 million (Same Period 2010: HK$39.5 million), representing an increase of approximately 46.1% as compared to the Same Period 2010, and which accounted for 46.9% of the total turnover. During the Period, the total value of transactions recorded by the Stock Exchange was HK$8,768.6 billion, representing an increase of 13.5% as compared to HK$7,726.2 billion for the Same Period 2010. In comparison, the Group's securities brokerage segment significantly outperformed the market, recording a growth in commission income that far exceeded the growth (in terms of percentage) in market turnover.





During the Period, the Group launched brokerage services for China B shares and Taiwan securities, however the global securities brokerage business is still in its infancy. In November 2011, the Group launched Singapore securities trading services. To promote the internationalisation of its products, the Group will continue to roll out securities brokerage services of other countries. It is expected that the global securities brokerage business will have desirable growth potential under the trend of globalisation.

II. ***Hong Kong futures and options brokerage***

During the Period, the Group's Hong Kong futures and options brokerage segment delivered a commission income of HK$23.8 million (Same Period 2010: HK$13.2 million), representing a significant increase of 80.6% as compared to the Same Period 2010, and which accounted for 19.4% of the total turnover.

III. ***Global futures brokerage***

Global futures trading has been stimulated by wavering in the global market, and during the Period commission income from global futures brokerage increased by 132.3% from the Same Period 2010 to HK$7.8 million (Same Period 2010: HK$3.4 million), accounting for 6.4% of the total turnover. During the Period, the Group introduced 13 new global futures products, extending the total number of global futures products to 50 as at 30 September 2011.

IV. ***Stock options brokerage***

To meet customer needs, the Group also provides stock options trading services. During the Period, the stock options brokerage recorded an income of HK$1.4 million (Same Period 2010: Nil), accounting for 1.2% of the total turnover. As stock options are highly leveraged investment products, the Group stringently monitors the deposit level in the stock option accounts and makes adjustments according to the market situation in order to implement sound risk control.

V. ***Margin financing***

The Group has been offering competitive margin rates to its clients. During the Period, the interest income generated from margin financing was HK$28.6 million (Same Period 2010: HK$12.3 million), representing a significant increase of 131.8% from the Same Period 2010, and which accounted for 23.3% of the total turnover.

VI. ***IPO brokerage and IPO financing***

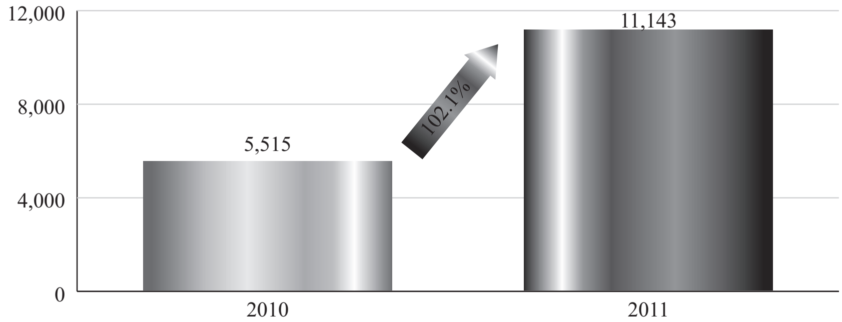
During the Period, although the amount of funds raised through IPO of newly listed companies increased by 39.3% compared to the Same Period 2010, there has been a shrinkage in the scale of new share subscription by customers. This is as a result of the sluggish response to Hong Kong public offering under the impact of the market sentiment, and the interest income from IPO financing decreased by 64.9% to HK$0.7 million (Same Period 2010: HK$2.0 million). However, due to an increase in the total value of new shares allotted to customers during the Period, the commission income from IPO brokerage amounted to HK$2.7 million (Same Period 2010: HK$2.2 million), representing an increase of 22.4% from the Same Period 2010.

Overview of branch network and clientele

The Mong Kok Second Branch commenced operation in May 2011. The total number of branches therefore has increased to 12 (excluding the head office in Central), covering the population-dense areas in Hong Kong. To enhance its customer service level, the Group implemented seven-day operation at selected branches in July 2011, making it more convenient for customers to open accounts, participate in seminars and have access to account services seven days a week even on Sundays.

Benefiting from the Group's expanded branch network, and the attraction of new customers by different promotion campaigns launched during the Period, the total number of net new client accounts opened (after deducting the number of client accounts closed) reached 11,143 (Same Period 2010: 5,515), representing a growth of 102.1% from the Same Period 2010. Among the new client accounts opened, 755 and 10,388 were attributable to the head office and the branches respectively, accounting for 6.8% and 93.2% of total number of new client accounts opened respectively (Same Period 2010 — head office: 16.1%; branches: 83.9%). As at 30 September 2011, the Group's total number of client accounts amounted to 43,524, representing an inspiring growth of 34.4% from 32,381 accounts as at 31 March 2011.

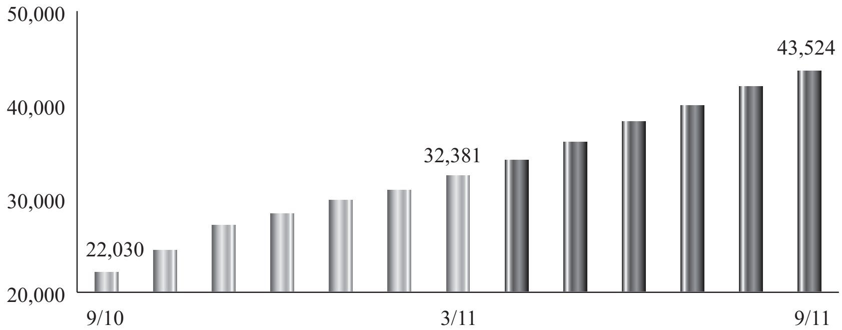
Number of new client accounts opened*



* after deducting the number of client accounts closed during the respective periods

6 months ended 30 September

Total number of client accounts



Month / Year

Operating expenses

During the Period, the Group recorded operating expenses of HK$101.4 million (Same Period 2010: HK$68.0 million), representing an increase of 49.1% from the Same Period 2010. The increase in operating expenses was mainly attributable to the increase in business and the operation of new branches during the Period, leading to increased staff costs and business-related expenses. However, advertising and promotion expenses as well as legal and professional fees, have decreased by 34.6% and 68.8% respectively during the Period, due to the one-off nature of the promotion expenses, and professional fees payable in relation to the listing of the Company in August 2010. Details of the operating expenses are set out below:

	6 months ended 30 September		Increase/
	2011	2010	(decrease)
	HK$'000	*HK$'000*	*%*
Staff costs	**40,765**	25,008	63.0%
Depreciation	**5,199**	3,121	66.6%
Finance costs	**8,695**	2,734	218.0%
Advertising and promotion expenses	**3,282**	5,015	(34.6%)
Handling and settlement expenses	**9,466**	4,761	98.8%
Commission expenses to overseas brokers	**2,221**	1,261	76.1%
Information and communication expenses	**10,353**	6,117	69.3%
Rentals, rates and building management fees	**14,476**	9,311	55.5%
Legal and professional fees	**1,431**	4,592	(68.8%)
Miscellaneous expenses	**5,529**	6,102	(9.4%)
	101,417	68,022	49.1%

Future plans

HKEx's launch of various reform measures to enhance the Hong Kong financial market, such as the extension of trading hours, the development of RMB structural products, the enhancement of the trading system, the alliance with overseas financial markets and the proposed night-time trading of futures, positively contributes to the investment environment in Hong Kong and to increasing the competitiveness of the Hong Kong financial market. Notwithstanding the uncertainties in the global economic prospects, the Group is optimistic about the long-term development of the financial market in Hong Kong.

The Group will continue to strive for a bigger market share by implementing aggressive marketing strategies, and the launch of new products in response to market conditions to meet the diverse needs of its customers. To further extend the success of the low-commission strategy in the past, the Group launched new fee schedules for the trading of callable bull/bear contracts ("CBBCs") and warrants at a flat rate of HK$4.88 for each transaction in October 2011. The new "HK$4.88" fee has broken the lowest commission fee level for trading CBBCs and warrants among securities companies in Hong

Kong, further fortified the Group's leading position as the "King of Low Commission". Moreover, in view of more investors engaging in short-term trading, the Group launched the "Day Trade"（壹開拾）margin financing services for securities trading in the same month. Since their launch, the new "HK$4.88" fee and the "Day Trade"（壹開拾）margin accounts have received heated market response. The Group believes that these new campaigns have helped to further broaden its customer base and rapidly increase its market share, lifting the Group to new heights.

In July 2011, the Group's wholly-owned subsidiary, Bright Smart Futures & Commodities Company Limited, was approved as a broker member of the Hong Kong Mercantile Exchange ("HKMEx") to provide futures products launched by HKMEx. The Group will also continue to enrich its portfolio of global investment products, and Singapore securities trading services were launched in November 2011.

The Group is currently identifying opportunities to enter the Mainland market and is exploring feasible business models. The Group is negotiating possible co-operation with different Mainland financial websites, with the aim of increasing the Group's presence through the live broadcast of the "Bright Smart Finance Channel"（耀才財經台）on Mainland websites. The Group is also preparing for the launch of assets management business.

In terms of branch development, the Group plans to open a new branch in Quarry Bay, scheduled to be completed early 2012, in the pursuit of further enhancing its branch network. The Group will continue to implement seven-day operation in selected branches in an effort to enhance their customer service level and at the same time attract new customers with extended service hours.

As for internal management, the Group will continue to adopt stringent risk and credit control as well as prompt response measures in accordance with market changes, in order to ensure the sound management of capital risks and accounts receivable from margin clients. The Group will also proactively enhance its management efficiency and cost control efforts with the objective of further raising its profitability.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the net current assets of the Group increased by HK$26.6 million or 6.7% to HK$422.9 million (31 March 2011: HK$396.3 million). The Group's current ratio, which is current assets divided by current liabilities, was 1.44 as at 30 September 2011 (31 March 2011: 1.30).

The Group's bank deposits, bank balances and cash amounted to HK$272.3 million as at 30 September 2011 (31 March 2011: HK$349.9 million), decreased by 22.2% compared with that as at 31 March 2011. The decrease was mainly attributable to the combined effect of the net repayment of bank borrowings of HK$323.0 million, loan proceeds from a related company of HK$100.0 million, the decrease in accounts payable of HK$140.4 million and the decrease in accounts receivable of HK$248.9 million.

As at 30 September 2011, the Group had bank borrowings and a loan from a related company worth a total of HK$592.0 million (31 March 2011: HK$815.0 million) which are primarily at fixed rates. The bank borrowings were primarily collateralised by the Group's margin clients' securities pledged to the Group. The Group's gearing ratio, which is the total borrowings divided by the total shareholders' equity, was 128.1% as at 30 September 2011 (31 March 2011: 184.6%).

CAPITAL MANAGEMENT

The Group actively and regularly reviews and manages its capital structure and make adjustments to the capital structure in light of changes in economic conditions. The Group ensures each licensed subsidiary maintains an adequate liquid capital level 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 before the execution of any purchase transactions, as prescribed by the Group's credit policy. 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 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, an initial margin is required before opening a trading position. Market conditions and the 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 which have a 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 loans from related companies 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 as minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group had a work force of 224 employees (31 March 2011: 228 employees). Remuneration packages for the Group's employees are determined with reference to the personal performance and experience of individuals. In order to ensure the reasonableness and competitiveness of the employee remuneration and stay in line with market trends, the Group reviews its employee remuneration on a regular basis. In addition to basic salary, the Group also provides a bonus scheme which is based on the Group's performance, and a share option scheme, to motivate its employees 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the Period, other than as an agent for clients of the Company or its subsidiaries.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance. During the Period, the Company had fully complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules 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 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 Group. The Audit Committee, together with the external auditor of the Group, KPMG, has 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 2011.

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 2011/12 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, 22 November 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.