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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The board of directors (the “Board”) of Bright Smart Securities & Commodities Group Limited (the “Company”) is pleased to announce its debut unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2010 (the “Period”), together with the comparative figures for the corresponding period of 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010 — unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2010	2009
	<i>Note</i>	\$	\$
Turnover	4	72,553,567	64,029,029
Other revenue	5	8,350,771	7,961,408
Other net loss	6	(759,729)	(139,969)
Staff costs		(25,007,716)	(15,460,659)
Depreciation		(3,120,888)	(1,730,504)
Other operating expenses		(37,158,681)	(17,158,983)
Profit from operations		14,857,324	37,500,322
Finance costs	7(a)	(2,734,467)	(3,817,476)
Profit before taxation	7	12,122,857	33,682,846
Income tax	8	(2,056,488)	(5,560,552)
Net profit and total comprehensive income attributable to equity shareholders for the period		10,066,369	28,122,294
Earnings per share	9		
Basic and diluted (cents)		1.88	5.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010 — unaudited (Expressed in Hong Kong dollars)

		At 30 September 2010 \$	At 31 March 2010 \$
Non-current assets			
Fixed assets		23,637,450	7,191,201
Deferred tax assets		401,663	464,985
Other non-current assets		9,320,237	4,582,607
Total non-current assets		<u>33,359,350</u>	<u>12,238,793</u>
Current assets			
Accounts receivable	12	3,543,621,051	763,133,465
Other receivables, deposits and prepayments		8,402,341	9,420,641
Cash and cash equivalents		335,542,036	157,531,612
Total current assets		<u>3,887,565,428</u>	<u>930,085,718</u>
Current liabilities			
Accounts payable	13	381,886,230	189,095,829
Accrued expenses and other payables		19,076,507	151,256,284
Bank loans		3,100,770,000	441,000,000
Current taxation		10,914,132	8,920,966
Total current liabilities		<u>3,512,646,869</u>	<u>790,273,079</u>
Net current assets		<u>374,918,559</u>	<u>139,812,639</u>
NET ASSETS		<u>408,277,909</u>	<u>152,051,432</u>
EQUITY			
Share capital		203,904,600	130,000,009
Share premium		192,255,508	—
Merger reserve		(19,999,991)	—
Retained profits		32,117,792	22,051,423
TOTAL EQUITY		<u>408,277,909</u>	<u>152,051,432</u>

NOTES TO THE UNAUDITED INTERIM REPORT

For the six months ended 30 September 2010

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Basis of presentation

The Reorganisation of the Group was completed on 2 July 2010. All entities which took part in the Reorganisation were under common control of the ultimate equity holders, referred to as the “Controlling Shareholders”, before and immediately after the Reorganisation and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders that existed prior to the Reorganisation, therefore this is considered as a business combination under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants has been applied. Accordingly, the relevant assets and liabilities of the companies comprising the Group during the periods presented are included in the consolidated financial statements of the Group from the date when the companies first came under the control of the Group’s Controlling Shareholders using the existing book values from the Controlling Shareholders’ perspective. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement set out in these financial statements include the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire periods presented. The consolidated statement of financial position of the Group as at 31 March 2010 had been prepared to present the consolidated state of affairs of the Group as if the Group had been in existence as at that date. In addition, since the Reorganisation was completed on 2 July 2010, the effect of the Reorganisation is not reflected in the Company’s statement of financial position as at 31 March 2010.

All material intra-group transactions and balances have been eliminated on consolidation.

The comparatives of the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement in respect of the six months ended 30 September 2009 and the related notes disclosed in the consolidated interim financial statements were derived from the Group’s management accounts and have not been audited.

2. Statement of compliance

This interim financial report for the six months period ended 30 September 2010 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.

3. Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combination*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Improvements to HKFRSs (2009)

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

The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

4. 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	
	2010	2009
	\$	\$
Brokerage commission	58,239,205	54,313,702
Interest income from margin financing	12,321,695	4,312,800
Interest income from IPO financing	1,992,667	5,402,527
	<u>72,553,567</u>	<u>64,029,029</u>

5. Other revenue

	Six months ended 30 September	
	2010	2009
	\$	\$
Interest income from		
— Authorised institutions	134,606	164,463
— Others	1,438,736	954,286
	1,573,342	1,118,749
Handling and settlement fees	6,279,391	6,536,272
Sundry income	498,038	306,387
	<u>8,350,771</u>	<u>7,961,408</u>

6. Other net loss

	Six months ended 30 September	
	2010	2009
	\$	\$
Error trades arising from securities, commodities and futures dealing	(792,406)	(160,387)
Net foreign exchange gain	32,677	20,418
	<u>(759,729)</u>	<u>(139,969)</u>

7. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2010	2009
	\$	\$
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	(1,131,641)	(3,016,426)
— Other bank loans and overdrafts	(1,602,826)	(256,769)
— Loans from related companies	—	(544,281)
	<u>(2,734,467)</u>	<u>(3,817,476)</u>
(b) Other operating expenses		
Auditors' remuneration	(330,000)	—
Advertising and promotion expenses	(5,015,445)	(1,264,810)
Handling and settlement expenses	(6,021,640)	(5,995,180)
Information and communication expenses	(6,117,326)	(4,612,117)
Legal and professional fees	(4,591,668)	(71,453)
Operating lease charges in respect of properties	(8,388,236)	(2,440,920)
Rates and building management fees	(923,003)	(485,653)
	<u>(33,387,321)</u>	<u>(15,874,933)</u>

8. Income tax

	Six months ended 30 September	
	2010	2009
	\$	\$
Current tax — Hong Kong Profits Tax		
Provision for the period	(1,993,166)	(5,560,552)
Deferred tax		
Origination and reversal of temporary differences	<u>(63,322)</u>	<u>—</u>
Actual tax expense	<u>(2,056,488)</u>	<u>(5,560,552)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the current period.

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$10,066,369 (six months ended 30 September 2009: \$28,122,294) and the weighted average number of shares in issue during the period ended 30 September 2010 of 534,710,098 (2009: 500,000,000). The weighted average number of shares in issue during the period ended 30 September 2009 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 period.

There were no dilutive potential ordinary shares for the six months ended 30 September 2009 and 2010, therefore basic earnings per share equals to diluted earnings per share.

10. Dividend

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

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

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

(b) *Segment information*

	Six months ended 30 September 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	<u>62,295,007</u>	<u>16,537,951</u>	<u>78,832,958</u>
Reportable segment profit (EBIT)	<u>3,283,456</u>	<u>11,970,477</u>	<u>15,253,933</u>
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	<u>19,560,637</u>	<u>6,500</u>	<u>19,567,137</u>
	At 30 September 2010		
	Securities broking \$	Commodities and futures broking \$	Total \$
Reportable segment assets	3,763,163,536	150,095,817	3,913,259,353
Reportable segment liabilities	<u>(3,409,565,629)</u>	<u>(91,392,091)</u>	<u>(3,500,957,720)</u>

	Six months ended 30 September 2009		
	Securities broking \$	Commodities and futures broking \$	Total \$
Revenue from external customers:			
— Brokerage commission	44,995,899	9,317,803	54,313,702
— Interest income from margin financing	4,312,800	—	4,312,800
— Interest income from IPO financing	5,402,527	—	5,402,527
Consolidated turnover	54,711,226	9,317,803	64,029,029
Handling and settlement fees	6,536,272	—	6,536,272
Reportable segment revenue	<u>61,247,498</u>	<u>9,317,803</u>	<u>70,565,301</u>
Reportable segment profit (EBIT)	<u>30,548,213</u>	<u>6,969,581</u>	<u>37,517,794</u>
Depreciation for the period	(1,719,200)	(11,304)	(1,730,504)
Other interest income	1,109,525	9,224	1,118,749
Finance costs	(3,817,289)	(187)	(3,817,476)
Additions to non-current segment assets during the period	<u>773,178</u>	<u>28,685</u>	<u>801,863</u>
	At 31 March 2010		
	Securities broking \$	Commodities and futures broking \$	Total \$
Reportable segment assets	831,975,174	109,883,352	941,858,526
Reportable segment liabilities	<u>(694,156,408)</u>	<u>(87,149,951)</u>	<u>(781,306,359)</u>

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

	Six months ended 30 September	
	2010	2009
	\$	\$
Profit		
Reportable segment profit (EBIT)	15,253,933	37,517,794
Finance costs	(2,734,467)	(3,817,476)
Other unallocated corporate expenses	<u>(396,609)</u>	<u>(17,472)</u>
Consolidated profit before taxation	<u>12,122,857</u>	<u>33,682,846</u>
	At	At
	30 September	31 March
	2010	2010
	\$	\$
Assets		
Reportable segment assets	3,913,259,353	941,858,526
Elimination of inter-segment receivable	(648,983)	—
Deferred tax assets	401,663	464,985
Unallocated corporate assets	<u>7,912,745</u>	<u>1,000</u>
Consolidated total assets	<u>3,920,924,778</u>	<u>942,324,511</u>
Liabilities		
Reportable segment liabilities	(3,500,957,720)	(781,306,359)
Elimination of inter-segment payable	648,983	—
Current taxation	(10,914,132)	(8,920,966)
Unallocated corporate liabilities	<u>(1,424,000)</u>	<u>(45,754)</u>
Consolidated total liabilities	<u>(3,512,646,869)</u>	<u>(790,273,079)</u>

12. Accounts receivable

	At 30 September 2010 \$	At 31 March 2010 \$
Accounts receivable from		
— Cash clients	78,946,529	55,447,328
— Margin clients	583,867,455	608,568,325
— IPO financing	2,770,873,467	—
— Clearing houses	94,731,435	91,775,026
— Brokers and dealers	15,202,165	7,342,786
	<u>3,543,621,051</u>	<u>763,133,465</u>

Accounts receivable from cash clients, including amounts that are not settled after settlement date as at 30 September 2010 of \$20,104,453 (31 March 2010: \$30,006,917), are current or aged within 30 days. These balances 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 2010 and 31 March 2010, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately \$1,725,811,208 and \$1,934,244,187 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 future contracts.

13. Accounts payable

	At 30 September 2010 \$	At 31 March 2010 \$
Accounts payable		
— Cash clients	109,993,008	68,825,766
— Margin clients	128,051,670	112,830,849
— Clearing houses	143,841,552	7,439,214
	<u>381,886,230</u>	<u>189,095,829</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Overview

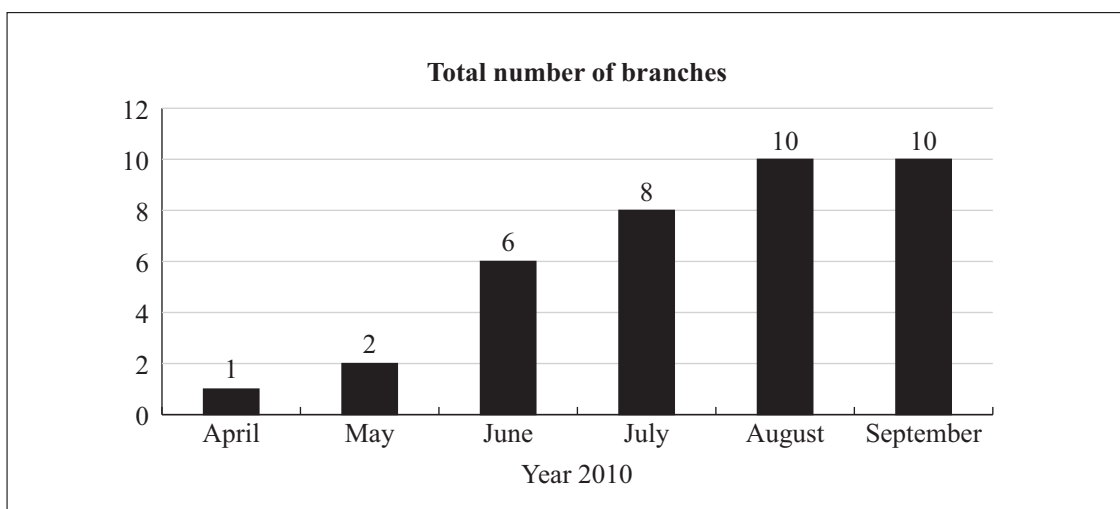
The Group is one of the leading online securities brokerage houses in Hong Kong with low brokerage commission rates, providing its clients with comprehensive financial services covering securities, futures and options brokerage. Turning a glorious page, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 25 August 2010.

The business of the Group has been developing rapidly and expanding continuously with an aim to grow from strength to strength. We set out the business highlights of the Group for the Period below:

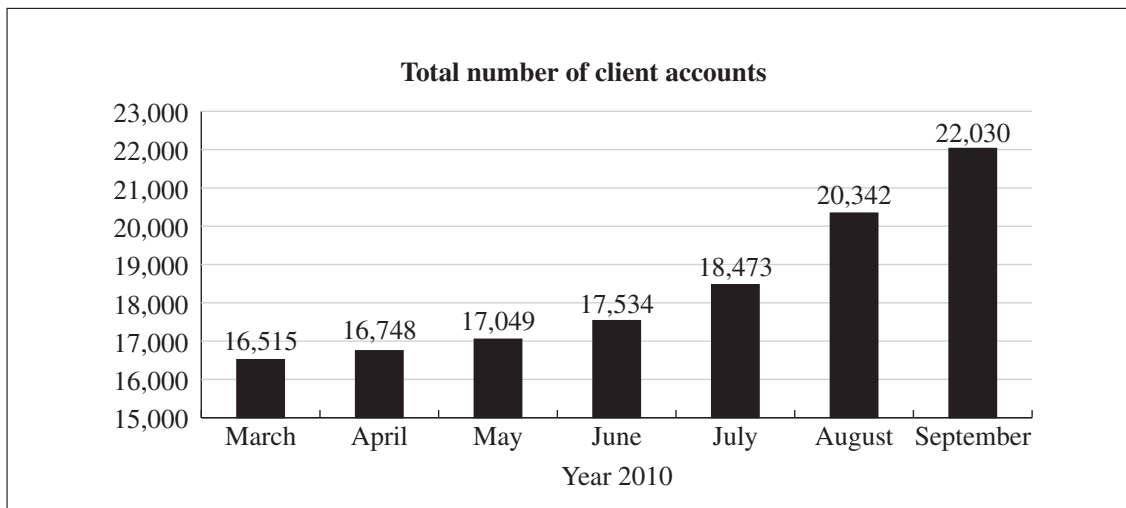
1. Successful listing on the Main Board of the Stock Exchange results in mounting popularity of the Group and confidence of its clients.
2. Further increase of its number of branches to 10 covering the major areas of Hong Kong, its huge branch network has successfully attracted large number of clients, generating brand effect.
3. Launching “Bright Smart Finance Channel” (“耀才財經台”), a new concept in the securities industry, which is greatly welcomed by clients for its instant feedback on investing queries.
4. Awarded the “Service Awards 2010” by the Capital Magazine.

Expansion of branches with substantial increase of client accounts

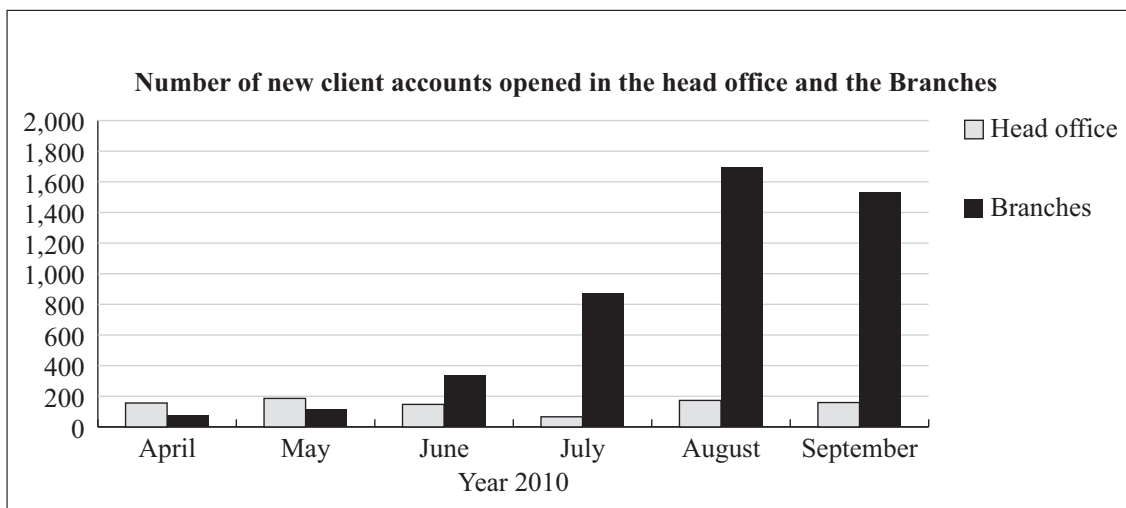
During the Period, the Group expanded the number of its branches (the “Branches”) to 10 (excluding the head office located in Central, Hong Kong) in the densely populated areas of Hong Kong Island, Kowloon and New Territories.



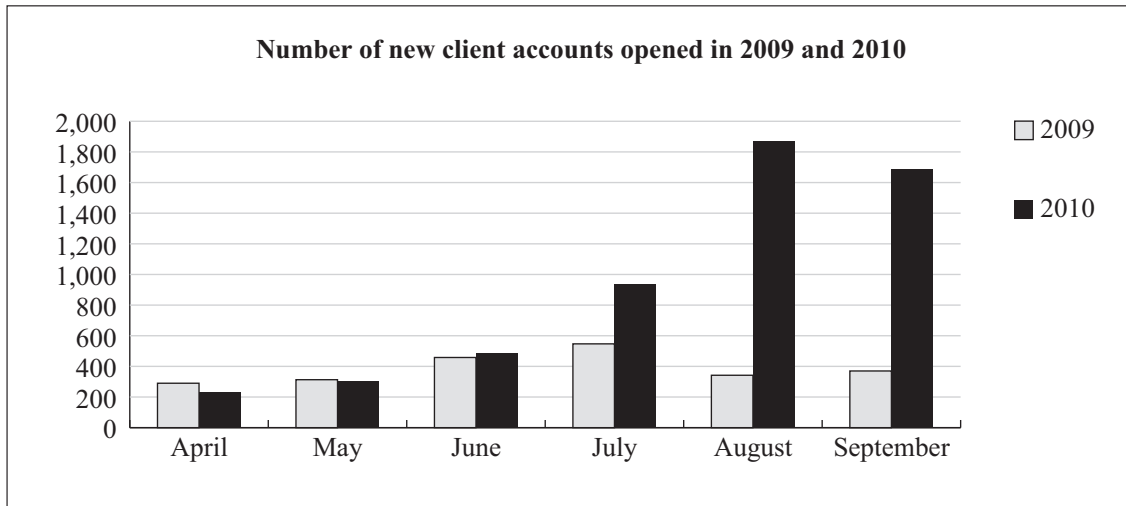
Benefited from the increasing number of client accounts of the Branches, the Group's total number of client accounts increased rapidly and broke through the figure of 20,000 by August 2010, building a glorious prospect and foundation for the future profits of the Group. During the Period, the total number of client accounts increased by approximately 5,515 from approximately 16,515 as at 31 March 2010 to approximately 22,030 as at 30 September 2010, representing an increase of approximately 33.4%.



During the Period, among the total increase of 5,515 new client accounts of the Group, 887 was attributed to the head office and 4,628 was attributed to the Branches. In other words, the number of new client accounts from the Branches was approximately 5.2 times of the number of new client accounts from the head office.

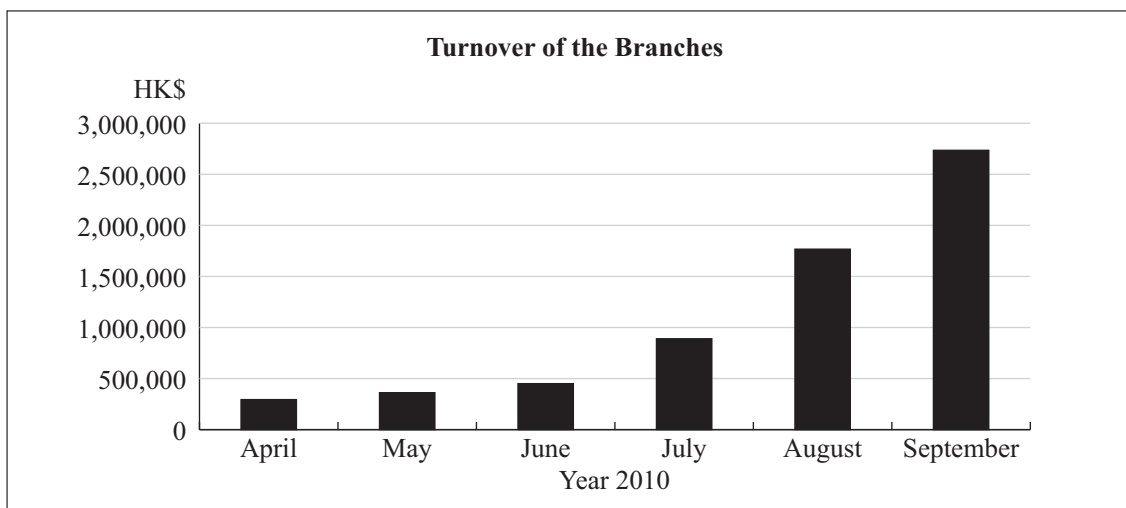


Benefited from the full operation of the Branches since August 2010, the number of new client accounts that opened in September 2010 was around 1,688, a significant increase of approximately 356.2% as compared to 370 new client accounts in the same month of 2009. This reflected the management’s discerning decision in opening new branches at the right time, thereby strengthening the client base rapidly within a short period of time.

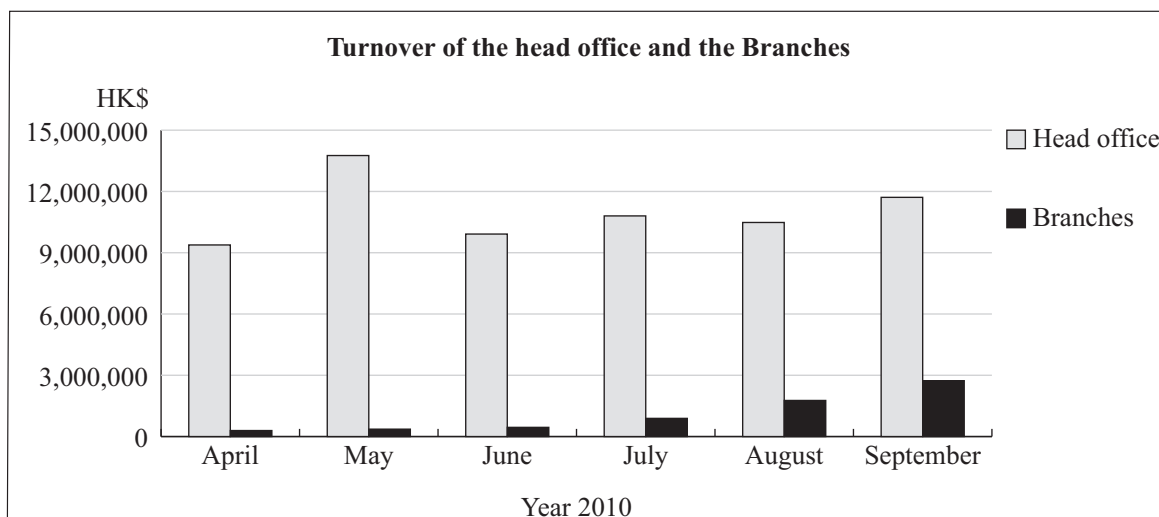


Significant increase in turnover from the Branches

Since the opening of the Branches, their turnover increased significantly. During the three months from July 2010 to September 2010, the increase in the monthly turnover of the Branches was booming. While the Branches are still in an initial stage, it is expected their contribution to the Group will grow substantially with times.

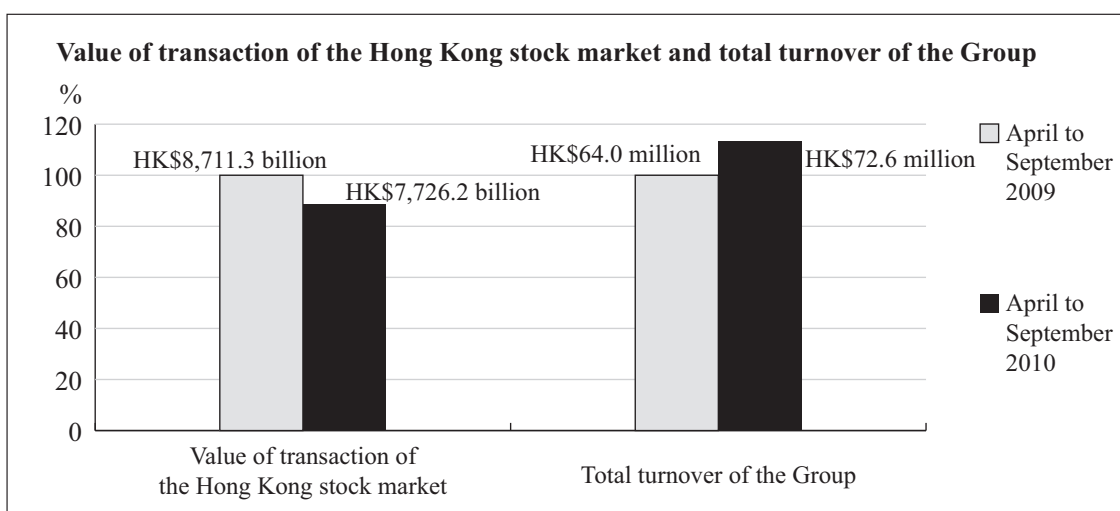


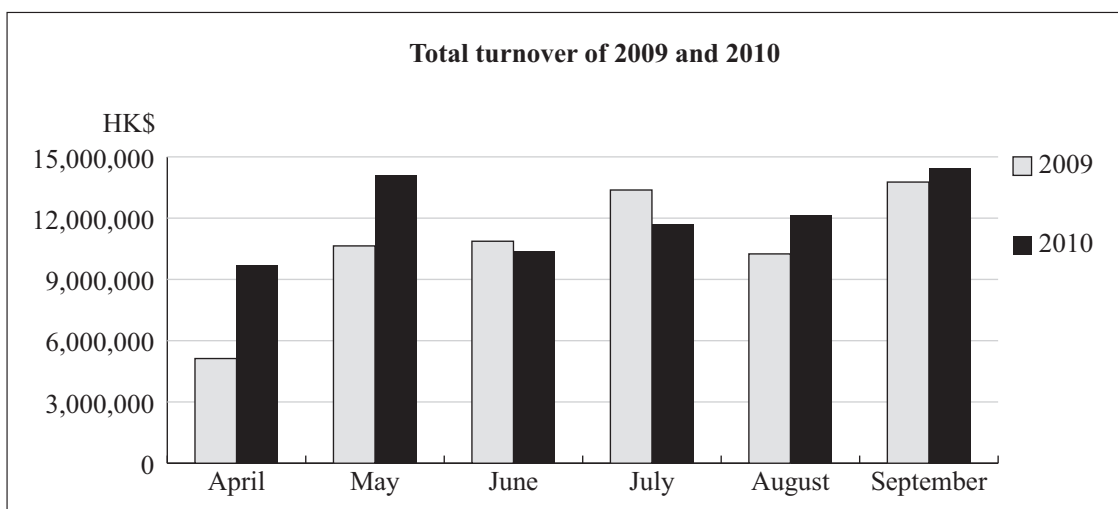
The turnover of the Branches rose continuously, increasing its proportion in the total turnover of the Group from month to month, and there was a significant increase from approximately 3.1% in April 2010 to approximately 18.9% in September 2010. During the Period, the turnover of the head office also grew steadily.



Total turnover of the Group

During the Period, the trading volume remained thin in the market, the Stock Exchange recorded a total value of transaction of approximately HK\$7,726.2 billion during the Period, as compared to approximately HK\$8,711.3 billion of the same period in 2009, down by approximately 11.3%. Outperforming the market, the Group recorded a total turnover for the Period of approximately HK\$72.6 million, as compared to approximately HK\$64.0 million of the same period in 2009, increasing approximately 13.3%.





Decrease in net profit

The expenses involved in the successful listing of the Company were approximately HK\$46.2 million, of which approximately HK\$41.3 million was offset against the share premium, while the remaining HK\$4.9 million was recognised in the consolidated statement of comprehensive income for the Period. As the listing expenses were only one-off expenses, they would not recur in the second half of the year, nor will they have any impact on the second half-year results. To cope with the fast-growing business, costs for manpower and advertising and promotion fees in the Period were also correspondingly increased by approximately HK\$10.2 million in total, as compared to the same period of the last year. Further, the operating expenses for the Branches during the Period was around HK\$12.0 million. The aforesaid expenses should be regarded as an investment to the Group's future development, as these will in return generate more profits to the Group in future.

Notwithstanding above, the Group still recorded a net profit of approximately HK\$10.1 million for the Period, as compared to approximately HK\$28.1 million of the same period in 2009, drop by approximately 64.2%. The management believes that the contribution of the Branches to the profits of the Group has not been fully reflected in the results of the Period. With the maturity of the operation of the Branches, the turnover and profits brought by the Branches will be reflected in the results of the second half of the year and the management expects that the profits in the second half of the year will increase significantly. The management firmly believes that the business of the Group in the Period was in the sowing stage, and just after which would bring abundant harvest to the Group in future.

Prospect

Overall, the management believes that the newly opened branches will be able to contribute to the profits of the Group. The Group will focus on enhancing the base of clients and the volume of turnover, and is planning to set up representative offices in Shenzhen, Guangzhou, Shanghai and Macau in order to promote its brand name and understand the PRC stock market. It is anticipated that the above plan will be attributable greatly to the promotion of its brand name and the growth of clientele.

Having pursued its proactive and innovative spirit, the Group is going to introduce a platform for trading US stocks, and recently we are engaging client introducers (licensed representatives), in which the management believes that it will further contribute to the increase of client base and the Group's profits.

MARKET REVIEW

The total value of transaction of the Hong Kong stock market for the Period was approximately HK\$7,726.2 billion, as compared to approximately HK\$8,711.3 billion of the same period in 2009, down by approximately 11.3%. The unsatisfactory performance of the stock market might be attributable to the occurrence of the debt crisis in the European and US markets, and the staggering economic recovery of various major overseas markets, inducing the worry of a double dip recession. For the PRC market, the performance of A stocks was not good neither, as a result of the implementation of policies of liquidity and property finance contraction and other austerity measures in light of possible inflation and economic overheat, giving rise to a risk-averse atmosphere in the market, and causing investors more cautious.

Looking ahead to the next half year, the fund in the market should be abundant, interest rate shall remain low, and asset and commodity prices be expected to rise with the onset of the second phase of the quantitative easing by US. Further, as economic conditions will regain momentum and the chance of recession will lessen, the market will revive its activeness and the value of transaction is expected to have a better increment as compared with the Period.

In mid-2010, the People's Bank of China and the Bank of China (Hong Kong) Limited as the clearing bank for Renminbi ("RMB") banking business in Hong Kong signed a revised "Settlement Agreement on the Clearing of RMB Businesses" (the "Settlement Agreement"). The revised Settlement Agreement relaxed a few policies on the RMB business in Hong Kong. Among others, financial institutions and corporations including brokers are now able to open RMB accounts and obtain RMB credit facilities from banks, and funds in RMB can now be transferred between bank accounts under different names. The new policies have removed the major impediments to the trading and settlement of RMB denominated products to be listed on the Stock Exchange.

Hong Kong Interbank Clearing Limited (“HKICL”) recently announced the launch of RMB clearing service for the Central Clearing and Settlement System (“CCASS”) items so as to prepare for potential listing of RMB denominated bonds and stocks on the Stock Exchange and to provide the listed companies with the flexibility of distributing dividend payments in RMB. The Group’s operation is under review to leverage on these valuable business opportunities.

BUSINESS REVIEW

Turnover

The Group’s total turnover for the Period was approximately HK\$72.6 million, as compared to approximately HK\$64.0 million of the same period in 2009, increasing approximately HK\$8.5 million or 13.3%. A summary of the revenue from different business segments of the Group is set out below:

	2010		2009		Increase/ (decrease) %
	<i>HK\$’000</i>	Proportion in total turnover %	<i>HK\$’000</i>	Proportion in total turnover %	
Commission income from					
— Securities brokerage	39,487	54.4%	42,102	65.8%	(6.2%)
— Hong Kong futures and options brokerage	13,167	18.2%	7,897	12.3%	66.7%
— Global futures brokerage	3,371	4.6%	1,421	2.2%	137.2%
— IPO brokerage	2,214	3.1%	2,894	4.5%	(23.5%)
Interest income from margin financing	12,322	17.0%	4,313	6.7%	185.7%
Interest income from IPO financing	1,993	2.7%	5,402	8.5%	(63.1%)
	<u>72,554</u>	<u>100%</u>	<u>64,029</u>	<u>100%</u>	<u>13.3%</u>

Securities brokerage

The Group’s commission income from securities brokerage for the Period was approximately HK\$39.5 million, as compared to approximately HK\$42.1 million of the same period in 2009, decreasing approximately HK\$2.6 million or 6.2%. Comparing ours with the Hong Kong stock market, the latter’s total value of transaction dropped by approximately 11.3% from HK\$8,711.3 billion in 2009 to HK\$7,726.2 billion in 2010, it is therefore apparent that we have done better than the market. In the second quarter of 2010, the rising momentum on equities in Hong Kong started to slow down due to uncertainty over the recovery of the US economy and concern of persistent

high unemployment rate in the US, as well as the Chinese government's tightening policy towards liquidity supply and property investment which led to underperformance of the Chinese equity markets. The performance of the Hong Kong stock market has been adversely affected by the global market volatility, while the investors were still remained cautious.

Notwithstanding the market risk of the securities industry, the Group is, as always, active in product diversification in order to variegate its income stream and increase its revenue. The Group has recently launched its brokerage service for stock options traded in the Stock Exchange. The Group is planning to further extend its brokerage service coverage to securities traded in US exchange or other overseas exchange markets in the second half of the year.

The Group provides research materials and investment seminars for its clients in order to complement the Group's securities brokerage business. In August 2010, the Group launched its "Bright Smart Finance Channel" ("耀才財經台") through the Group's website and branches' televisions to broadcast the most updated market movement analysis done by Mr. Kwok Sze Chi, who is the marketing director of the Group with in-depth knowledge and extensive experience in the stockbroking and financial services industry, listed companies news and warrant issuers' reports so as to assist the public in making more informed decisions in investment. The Group's "Bright Smart Finance Channel" is a new concept in the securities industry, which is unthinkable to its competitors and it improves the Group's services to a brand new level and left its competitors far behind. Such unprecedented move definitely helps promote the brandname of the Group throughout the territory and far beyond. The "Bright Smart Finance Channel" also provides a platform for enterprises to place advertisements which in return will bring advertising income to the Group. In addition, the Group still emphasises on its sales and promotion activities in order to promote its brand name. The Group has continued to advertise its services through different media during the Period.

Hong Kong futures and options brokerage

Our Hong Kong futures and options brokerage segment delivered a satisfactory result. During the Period, the Group's commission income generated from Hong Kong futures and options brokerage business was approximately HK\$13.2 million in the Period, as compared to approximately HK\$7.9 million of the same period in 2009, increasing approximately HK\$5.3 million or 66.7%.

Global futures brokerage

Except for providing brokerage services for futures and options traded in Hong Kong, the Group also provides brokerage services covering futures products traded in the US and Singapore markets. In 2009, the Group first introduced its online global futures trading service to allow clients to get access to futures products traded on the Exchanges in the US and Singapore. The Group recorded a commission income generated from the global futures brokerage of approximately HK\$3.4 million for the Period, as compared to approximately HK\$1.4 million of the same period in 2009, increasing approximately HK\$2.0 million or 137.2%. As the Group's global futures business is still in an initial stage, there are huge rooms for growth. The Group will continuously diversify its products to increase its revenue.

Margin financing

The Group offers margin financing to its clients who prefer more funding flexibility by trading securities on a margin basis.

For the Period, the interest income generated from margin financing was approximately HK\$12.3 million, as compared to approximately HK\$4.3 million of the same period in 2009, increasing approximately HK\$8.0 million or 185.7%. The increase was mainly due to the prevailing low interest rate in market and the Group's vision to offer competitive interest rates to its clients, resulting in more clients to trade on a margin basis. The average monthly accounts receivable due from margin clients over the Period was approximately HK\$555.6 million, which represented an increase of approximately 105.6% as compared to approximately HK\$270.2 million of the same period in the last year.

With the implementation of effective credit control procedures, the Group has no record of bad debt during the Period, though the amount of margin financing increased significantly.

IPO financing

The Group also offers competitive margin financing to clients for initial public offerings application. For the Period, the interest income generated from IPO financing was approximately HK\$2.0 million, as compared to approximately HK\$5.4 million of the same period in 2009, down by approximately HK\$3.4 million or 63.1%.

Operating expenses

Total operating expenses for the six months ended 30 September 2010 was approximately HK\$68.0 million (2009: approximately HK\$38.2 million). An analysis of the operating expenses is as follows:

	Six months ended 30 September		
	2010	2009	Increase/ (decrease)
	HK\$'000	HK\$'000	%
Staff costs	25,008	15,461	61.8%
Depreciation	3,121	1,731	80.3%
Finance costs	2,734	3,817	(28.4%)
Other operating expenses	37,159	17,159	116.6%
	<u>68,022</u>	<u>38,168</u>	<u>78.2%</u>

Staff costs

The Group's total staff costs for the Period increased by approximately 61.8% as compared to the same period of the last year, resulting from an increase in both number of staff and the recruitment of more senior staff in 2010. To cope with the operation of the Branches and expansion of the Group's business over the Period, the Group recruited more frontline and back office staff, especially expanding the Customers Services Department to provide better customer services to its clients. The average number of staff for the Period was about 185 (2009: 87). As at 30 September 2010, the Group has 198 staff in total.

Depreciation

Depreciation for the Period increased by approximately 80.3% as compared to the same period in the last year. It was due to additions in fixed assets following the expansion of 10 branches during the Period.

Finance costs

Finance costs for the Period decreased by approximately 28.4% as compared to the same period of the last year, which was mainly attributable to the net effect of a decrease in interest expense on bank loans for IPO financing because of less demand for bank loans on IPO financing, and an increase in interest on bank borrowings as a result of increased margin financing provided to its clients during the Period.

Other operating expenses

The breakdown of other operating expenses is shown as below:

	Six months ended 30 September		
	2010	2009	Increase/ (decrease)
	HK\$'000	HK\$'000	%
Advertising and promotion expenses	5,015	1,265	296.4%
Handling and settlement expenses	6,022	5,995	0.5%
Information and communication expenses	6,117	4,612	32.6%
Legal and professional fees	4,592	71	6,367.6%
Rent, rates and building management fees	9,311	2,927	218.1%
Miscellaneous expenses	6,102	2,289	166.6%
	<u>37,159</u>	<u>17,159</u>	<u>116.6%</u>

Advertising and promotion expenses increased by approximately 296.4% as compared to the same period of the last year. The Group emphasises on its sales and promotion activities. During the Period, the Group put more resources in promoting its brandname and the Branches. Thanks to the successful marketing strategy, the Group attracted approximately 5,515 new client accounts during the Period (2009: approximately 2,320). The number of client accounts increased from approximately 16,515 as at 31 March 2010 to approximately 22,030 as at 30 September 2010, representing an increase of approximately 33.4%

Handling and settlement expenses represent the CCASS fees mainly for securities, futures and options settlement. These expenses were stable for both periods (1 April to 30 September 2009 and 1 April to 30 September 2010).

Information and communication expenses mainly represent fees for the securities and futures trading systems, and subscription fees for real-time price quotation service. Such expenses increased by approximately 32.6% mainly for providing real-time price quotation services to the Group's clients in the Branches.

Legal and professional fees comprised of one-off listing expenses of approximately HK\$3.6 million.

Rent, rates and building management fees increased by approximately 218.1%, which were mainly attributable to the opening of the branches. During the Period, the rent, rates and building management fees for the Branches amounted to approximately HK\$5.1 million.

Given about 90% of its clients are using on-line trading system, the increasing number of clients and execution of clients' orders will however not pressurise its operating cost significantly.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

	At 30 September 2010 <i>HK\$'000</i>	At 31 March 2010 <i>HK\$'000</i>
Cash and cash equivalents comprise:		
Deposit with banks	150,252	63,573
Cash at bank and in hand	185,290	93,959
	<u>335,542</u>	<u>157,532</u>
Bank and other borrowings and short-term loans comprise:		
Secured short-term bank loans	366,000	441,000
Unsecured short-term bank loans	2,734,770	—
	<u>3,100,770</u>	<u>441,000</u>
Current ratio	<u>1.11</u>	<u>1.18</u>

The Group financed its operations by shareholders' equity, cash generated from operations, and short-term bank borrowings.

The Group continued to maintain a strong cash position. Its short-term bank deposits, bank balances and cash amounting to approximately HK\$335.5 million as at 30 September 2010 (31 March 2010: approximately HK\$157.5 million). Most of the Group's cash and bank balances were denominated in HK dollars.

The Group's total bank and other borrowings as at 30 September 2010 amounted to approximately HK\$3,100.8 million, including unsecured short term bank loans for IPO financing of approximately HK\$2,734.8 million and secured short term bank loans of approximately HK\$366.0 million (31 March 2010: approximately HK\$441.0 million). The bank loans as at 30 September 2010 were based on fixed interest rate and denominated in HK dollars. As at 30 September 2010, undrawn facilities amounted to approximately HK\$750.0 million.

The Group's liquidity as demonstrated by the current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.11 as at 30 September 2010 (31 March 2010: 1.18). The current ratio of 1.11 as at 30 September 2010 decreased as compared to 1.18 as at 31 March 2010, which was primarily attributable to significant increase in unsecured short term bank loans for IPO financing.

With the Group's sufficient bank balances and cash as well as its existing banking facilities, the Board considers that the Group has sufficient working capital for its operation and the future development of the Group.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Pursuant to the announcements of the Company date 24 August 2010 and 16 September 2010 respectively, it was reported that the net proceeds from the listing of the shares of the Company, after deduction of related expenses and assuming no exercise of the Over-allotment Option, as defined in the Company's prospectus date 12 August 2010 (the "Prospectus"), was estimated to be approximately HK\$237.0 million, and the additional net proceeds raised as a result of the issue and allotment of 12,882,000 Over-allotment Shares by the Company pursuant to the exercise of the Over-allotment Option amounted to approximately HK\$13.7 million. In other words, the total net proceeds from the listing was estimated to be approximately HK\$250.7 million.

However, the actual fund raised from the listing of the shares of the Company was approximately HK\$241.3 million. The decrease of approximately HK\$9.4 million was mainly attributable to the additional costs related to the listing of the Company, which were somewhat beyond its best estimation before the listing, including (1) the printing cost for the Prospectus of approximately HK\$3.0 million; (2) advertising costs for eIPO and formal notices of approximately HK\$2.3 million and (3) bonus of HK\$2.4 million paid to professional parties involved in the IPO project as a reward for the success of the listing of the Company.

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 furtherance of the Group's existing businesses and also pave the way for the Group's future development.

FUTURE PLANS

Further development of the Group's business

Given that the European and US economies have been deteriorating and become volatile, abundant funds have been flooding into Asia markets including Hong Kong. Assets and commodity prices are thus expected to rise. Further, the economic conditions in PRC is strengthening and we anticipate that the PRC securities market will be opened to Hong Kong. Benefited from these favourable market conditions, the management foresees that there will be a significant growth in the Group's business. To cope with the fast-growing business, it is a good time to have its business further expanded, following which the management has resolved to ride on those positive factors and prepared for the followings:

(a) Enlarge IPO financing market share

The Group is now seeking new sources of funding including bank loans or subordinated loans or even from the controlling shareholders at normal commercial terms so as to further enlarge its liquid capital and thereby boosting up its capability of providing IPO and margin financings to its clients.

As the Group's IPO financing business depends on the prevailing market conditions and the demand for IPO financing by our clients from time to time, it would be desirable for the Group to obtain liquid capital on a temporary basis for IPO financing purpose. To satisfy the liquid capital requirement of the Securities and Futures (Financial Resources) Rules ("FRR"), it can be either a direct injection of share capital, or the use of a subordinated loan on a temporary basis and in a form agreed by the Securities and Futures Commission of Hong Kong ("SFC") which will be treated as part of the capital base (with features such as last right of repayment). As the support for the Group's IPO financing business is only required on a temporary basis, the management considers it undesirable to have a direct injection of share capital which is permanent in nature and requires cumbersome steps in reducing capital of a company. Taking into account the advantages, the management is considering to enter into subordinated loan arrangements with the controlling shareholders at normal commercial terms to meet the IPO financing needs.

(b) Enlarge branch network and working space of the Group

In line with the business needs, the Group eyes on suitable locations for expanding its operation and branch network so as to enlarge the Group's client base and market share, which, the management believes, will ultimately increase the Group's revenue.

The PRC market

Following the approval granted under the CEPA for the Hong Kong brokerage houses to set up investment advisory joint ventures with qualified Chinese brokerage companies in the Guangdong Province, the PRC and the launch of the "Mini QFII" (Qualified Foreign Institutional Investor) scheme, the Group has been studying the detailed requirements and assessing the opportunities. The Group will set up representative offices in Shenzhen, Guangzhou, Shanghai and Macau in order to understand the PRC stock market and promote the Group's brandname. At the time when the PRC securities market opens to Hong Kong, the Group shall grasp the first-mover advantage to bring in new business further from the PRC market.

Client introducers

In order to absorb new clients, the Group decides to enhance its client base by engaging client introducers (licensed representatives) to introduce more new clients to the Group. The management believes that it will further expand the Group's client base and hence its profits.

Products variety

The Group consistently keeps track on market trends. It has set up its product development team to allow its clients to gain access to overseas markets and a wider variety of financial products. The Group has recently launched its brokerage service for stock options traded in the Hong Kong Stock Exchange. Online US stock trading will be launched in the second half of the year. The Group will further extend its service coverage to financial products traded in overseas market. The management believes it would bring in a new source of income and will further enhance profitability of the Group.

Establishment of asset management and financial advisory division

The Group is prepared to establish an asset management and financial advisory division to further diversify its businesses. It is anticipated to bring in new sources of income and will further increase its profitability.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2010, the Group had a workforce of approximately 198 staff. Competitive remuneration packages are offered to employees by reference to the prevailing market rate and individual merits. Salaries are reviewed annually and discretionary bonus is to be paid with reference to the Group's performance and individual achievement. The Group offers training and development opportunities to enhance and motivate staff's performance.

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 from the Company's listing date of 25 August 2010 up to 30 September 2010, other than as an agent for clients of the Company or its subsidiaries.

SIGNIFICANT ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Period, the Company had not made any significant acquisition and disposal of subsidiaries.

CHARGES ON ASSETS

None of the Group's assets were pledged at the end of the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance. Since its listing on 25 August 2010, the Company has fully complied 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 (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding securities transactions by its 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 since 25 August 2010 up to the end of 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 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 6 months ended 30 September 2010 of the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim 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 will be dispatched to the shareholders 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, 26 November 2010

As at the date of this announcement, the executive Directors are Mr. Yip Mow Lum, Mr. Chan Kai Fung, 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.