耀才證券
BRIGHT SMART SECURITIES
香港交易所上市公司(1428)

BRIGHT SMART SECURITIES & COMMODITIES GROUP LIMITED
耀才證券金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1428)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "Board") of directors (the "Directors" and each a "Director") of Bright Smart Securities & Commodities Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 (the "Year") together with the comparative figures for the year ended 31 March 2019 (the "Prior Year") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 $'000
Revenue	*4*	**864,017**	830,305
Other income	*5*	**239,503**	212,440
Other net loss	*6*	**(20,270)**	(4,684)
		1,083,250	1,038,061
Staff costs	*7(b)*	**(127,472)**	(136,333)
Amortisation and depreciation		**(89,635)**	(18,839)
Other operating expenses	*7(c)*	**(199,054)**	(243,104)

	Note	**2020**	2019
		$'000	*$'000*
Profit from operations		**667,089**	639,785
Finance costs	*7(a)*	**(138,178)**	(140,600)
Profit before taxation	*7*	**528,911**	499,185
Income tax	*8*	**(57,933)**	(58,257)
Profit for the year		**470,978**	440,928
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		**233**	250
Total comprehensive income attributable to equity shareholders for the year		**471,211**	441,178
Earnings per share			
Basic (cents)	*9*	**27.75**	25.98
Diluted (cents)	*9*	**27.75**	25.98

Note: The Group has initially applied HKFRS 16, *Leases,* at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 *$'000*
Non-current assets			
Property, plant and equipment		**159,826**	48,338
Intangible assets		**5,783**	6,283
Deferred tax assets		**122**	84
Other receivables, deposits and prepayments		**16,944**	21,109
Other non-current assets		**77,715**	50,084
Total non-current assets		**260,390**	125,898
Current assets			
Accounts receivable	*11*	**5,644,787**	7,276,782
Other receivables, deposits and prepayments		**26,441**	26,840
Financial assets at fair value through profit or loss		**48,539**	8,745
Tax recoverable		**1,321**	11,822
Cash and cash equivalents		**477,657**	401,254
Total current assets		**6,198,745**	7,725,443

	Note	2020 *$'000*	2019 *$'000*
Current liabilities			
Accounts payable	*12*	**1,301,268**	1,226,209
Accrued expenses and other payables		**65,071**	53,747
Amount due to a related company		**200,136**	200,076
Bank loans	*13*	**2,858,789**	3,445,515
Lease liabilities		**59,845**	—
Current taxation		**5,378**	2,487
Total current liabilities		**4,490,487**	4,928,034
Net current assets		**1,708,258**	2,797,409
Total assets less current liabilities		**1,968,648**	2,923,307
Non-current liability			
Accrued expenses and other payables		**7,238**	—
Lease liabilities		**59,104**	—
Deferred tax liabilities		**—**	17
Total non-current liabilities		**66,342**	17
NET ASSETS		**1,902,306**	2,923,290
EQUITY			
Share capital		**509,189**	509,189
Share premium		**738,020**	738,020
Exchange reserve		**498**	265
Merger reserve		**(20,000)**	(20,000)
Retained profits		**674,599**	1,695,816
TOTAL EQUITY		**1,902,306**	2,923,290

Note: The Group has initially applied HKFRS 16, *Leases,* at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

Notes:

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that certain financial instruments are stated at their fair value in accordance with the accounting policy set out below.

The preparation of financial statements in conformity with HKFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases,* and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases,* none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16, *Leases,* replaces HKAS 17, *Leases,* and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) Interpretation 4, *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) Interpretation 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases — i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets recognised on 1 April 2019 and 31 March 2020 are as below:

	Property, plant and equipment *$'000*
Balance at 1 April 2019	**35,939**
Balance at 31 March 2020	**122,292**

(i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office building. The leases typically run for a period of 1 to 4 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group' incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

— their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application — the Group applied this approach to its property leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) Impacts on financial statements

(i) Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained profits. The impact of transition on the Group's consolidated statement of financial position is summarised below:

	Carrying amount at 31 March 2019 *$'000*	**Capitalisation of operating lease contracts** *$'000*	**Carrying amount at 1 April 2019** *$'000*
Line items in the statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	48,338	35,939	84,277
Total non-current assets	**125,898**	**35,939**	**161,837**
Accrued expenses and other payables	(53,747)	113	(53,634)
Lease liabilities (current)	—	(19,521)	(19,521)
Current liabilities	**(4,928,034)**	**(19,408)**	**(4,947,442)**
Net current assets	**2,797,409**	**(19,408)**	**2,778,001**
Total assets less current liabilities	**2,923,307**	**16,531**	**2,939,838**
Accrued expenses and other payables	—	(1,762)	(1,762)
Lease liabilities (non-current)	—	(16,738)	(16,738)
Total non-current liabilities	**(17)**	**(18,500)**	**(18,517)**
Net assets	**2,923,290**	**(1,969)**	**2,921,321**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average incremental borrowing rate applied is 2.625%.

	1 April 2019 *$'000*
Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements	198,437
Commitments relating to leases not yet commenced	(160,541)
Discounted using the incremental borrowing rate at 1 April 2019	(1,132)
Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(80)
Leases of low-value assets	(425)
Lease liabilities recognised at 1 April 2019	36,259

(ii) ***Impacts for the period***

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Securities broking — provision of broking services in securities traded in Hong Kong and selected overseas markets, and margin financing services to those broking clients.

— Commodities and futures broking — provision of broking services in commodities and futures contracts traded in Hong Kong and overseas markets.

— Bullion trading — provision of trading services in bullion contracts traded in 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 unallocated corporate assets. Segment liabilities include liabilities 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

	2020			
	Securities broking *$'000*	Commodities and futures broking *$'000*	Bullion trading *$'000*	Total *$'000*
Revenue from customers:				
— Brokerage commission	**286,467**	**230,754**	**—**	**517,221**
— Dealing income	**—**	**—**	**10,423**	**10,423**
— Interest income from margin financing	**302,486**	**—**	**—**	**302,486**
— Interest income from IPO financing	**33,474**	**—**	**—**	**33,474**
Reportable segment revenue	**622,427**	**230,754**	**10,423**	**863,604**
Interest income from cash clients	**21,329**	**—**	**—**	**21,329**
Other interest income	**121,738**	**23,880**	**336**	**145,954**
Handling and settlement fees	**65,130**	**12**	**—**	**65,142**
Reportable segment profit (EBIT)	**557,626**	**98,268**	**7,163**	**663,057**
Amortisation and depreciation for the year	**(17,764)**	**(8)**	**—**	**(17,772)**
Finance costs	**(137,383)**	**(25)**	**—**	**(137,408)**
Additions to non-current segment assets during the year	**4,931**	**—**	**—**	**4,931**
Reportable segment assets	**5,761,546**	**706,429**	**43,693**	**6,511,668**
Reportable segment liabilities	**(4,069,128)**	**(363,944)**	**(24,789)**	**(4,457,861)**

	2019			
	Securities broking	Commodities and futures broking	Bullion trading	Total
	$'000	*$'000*	*$'000*	*$'000*
Revenue from customers:				
— Brokerage commission	284,890	213,381	—	498,271
— Dealing income	—	—	10,489	10,489
— Interest income from margin financing	301,323	139	—	301,462
— Interest income from IPO financing	21,411	—	—	21,411
Reportable segment revenue	607,624	213,520	10,489	831,633
Interest income from cash clients	23,752	—	—	23,752
Other interest income	100,454	17,009	593	118,056
Handling and settlement fees	63,839	9	1	63,849
Reportable segment profit (EBIT)	544,256	86,333	5,639	636,228
Amortisation and depreciation for the year	(18,429)	(35)	—	(18,464)
Finance costs	(149,696)	(11)	—	(149,707)
Additions to non-current segment assets during the year	41,975	—	—	41,975
Reportable segment assets	7,067,763	797,088	86,111	7,950,962
Reportable segment liabilities	(4,446,144)	(478,299)	(73,222)	(4,997,665)

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

	2020	2019
	$'000	*$'000*
Revenue		
Reportable segment revenue	**863,604**	831,633
Elimination	**(972)**	(1,983)
Unallocated corporate revenue	**1,385**	655
Consolidated revenue	**864,017**	830,305
Profit		
Reportable segment profit (EBIT)	**663,057**	636,228
Finance costs	**(138,178)**	(140,600)
Unallocated corporate income	**107,446**	67,073
Unallocated corporate expenses	**(103,414)**	(63,516)
Consolidated profit before taxation	**528,911**	499,185
Assets		
Reportable segment assets	**6,511,668**	7,950,962
Elimination	**(226,695)**	(133,941)
Unallocated corporate assets	**174,162**	34,320
Consolidated total assets	**6,459,135**	7,851,341
Liabilities		
Reportable segment liabilities	**(4,457,861)**	(4,997,665)
Elimination	**562,213**	452,626
Unallocated corporate liabilities	**(661,181)**	(383,012)
Consolidated total liabilities	**(4,556,829)**	(4,928,051)

4 REVENUE

The principal activities of the Group are securities broking, margin financing, commodities and futures broking, bullion trading and leveraged foreign exchange trading.

The amount of each significant category of revenue is as follows:

	2020	2019
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Brokerage commission	**516,249**	496,288
Revenue from other sources		
Dealing income from bullion trading	**10,423**	10,489
Dealing income from leveraged foreign exchange trading	**1,385**	655
Interest income from margin financing	**302,486**	301,462
Interest income from IPO financing	**33,474**	21,411
	347,768	334,017
	864,017	830,305

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about the remaining performance obligation that have original expected durations of one year or less.

5 OTHER INCOME

	2020	2019
	$'000	*$'000*
Interest income from		
Financial assets carried at amortised cost		
— Authorised institutions	**141,933**	117,135
— Others	**4,064**	1,057
	145,997	118,192
Financial assets carried at FVPL		
— Cash clients	**21,329**	23,752
	167,326	141,944
Handling and settlement fees	**65,142**	63,849
Dividend income	**214**	1,641
Sundry income	**6,821**	5,006
	239,503	212,440

6 OTHER NET LOSS

	2020	2019
	$'000	*$'000*
Realised loss from		
— Financial assets at fair value through profit or loss	**(3,130)**	(4,124)
Unrealised gain/(loss) from		
— Financial assets at fair value through profit or loss	**1,059**	(889)
	(2,071)	(5,013)
Net foreign exchange (loss)/gain	**(10,033)**	4,473
(Loss)/gain on disposals of property, plant and equipment	**(385)**	102
Error trades arising from dealings	**(345)**	(55)
Others	**(7,436)**	(4,191)
	(20,270)	(4,684)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020	2019
	$'000	*$'000*
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	**28,565**	16,884
— Other bank loans	**93,788**	112,758
— Lease liabilities	**3,838**	—
— Loans from related companies	**11,014**	9,888
— Others	**973**	1,070
	138,178	140,600
(b) Staff costs		
Salaries, allowances and benefits in kind	**105,253**	102,756
Discretionary bonuses	**18,360**	29,676
Contributions to Mandatory Provident Fund	**3,859**	3,901
	127,472	136,333
(c) Other operating expenses		
Advertising and promotion expenses	**15,595**	7,983
Auditors' remuneration	**1,704**	1,657
Commission, handling and settlement expenses	**88,593**	83,103
Information and communication expenses	**46,740**	38,840
Legal and professional fees	**2,783**	3,921
Operating lease payments — property rentals	**98**	65,198
Rates and building management fees	**5,635**	5,918
Miscellaneous expenses	**37,906**	36,484
	199,054	243,104

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2020	2019
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**57,867**	54,776
Under/(Over)-provision in respect of prior years	**121**	(520)
	57,988	54,256
Deferred tax		
Origination and reversal of temporary differences	**(55)**	4,001
Total tax charge for the year	**57,933**	58,257

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

The provision for Hong Kong Profits Tax for 2020 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019–20 subject to a maximum reduction of $20,000 for each business (2019: a maximum reduction of $20,000 was granted for the year of assessment 2018–19 and was taken into account in calculating the provision for 2019).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020	2019
	$'000	*$'000*
Profit before taxation	**528,911**	499,185
Notional tax on profit before taxation calculated at the rates applicable to profits in the countries concerned	**87,105**	82,200
Tax effect of non-deductible expenses	**3,313**	3,129
Tax effect of non-taxable revenue	**(29,702)**	(24,573)
Tax effect of unused tax losses not recognised	**17**	63
Utilisation of tax loss carried forward	**—**	(19)
Under/(Over) provision in respect of prior years	**121**	(520)
Others	**(2,921)**	(2,023)
Total tax charge for the year	**57,933**	58,257

9 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
	$'000	*$'000*
Earnings		
Profit for the year attributable to owners of the Company *($'000)*	**470,978**	440,928
Number of shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**1,697,296**	1,697,296
Basic earnings per share *(cents)*	**27.75**	25.98

Diluted earnings per share

There was no dilutive potential ordinary share during the year (2019: nil) and diluted earnings per share is therefore equal to basic earnings per share.

10 DIVIDENDS

(i) Dividends payable to equity shareholders of the Group attributable to the year

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

	2020	2019
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of 28 cents per ordinary share (2019: 7.8 cents per ordinary share) (2019 and 2020: 1,697,296,308 shares)	**475,243**	132,389
Special dividend declared and paid of 80 cents per share on 1,697,296,308 shares	**1,357,837**	—

The final dividend proposed after the end of the reporting period is subject to approval of the shareholders at the forthcoming annual general meeting of the Company and has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Group attributable to the previous financial year, approved and paid during the year:

	2020	2019
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the year, of 7.8 cents per ordinary share (2019: 9.1 cents per ordinary share) (2019 and 2020: 1,697,296,308 shares)	**132,389**	154,454

11 ACCOUNTS RECEIVABLE

	2020	2019
	$'000	*$'000*
Accounts receivable from:		
— Clearing houses	**785,804**	741,019
— Brokers and dealers	**210,195**	240,356
Less: Loss allowance	**(505)**	(183)
Financial assets measured at amortised cost	**995,494**	981,192
Accounts receivable from:		
— Cash clients	**263,480**	225,351
— Margin clients	**4,385,813**	6,069,755
— Subscription of new shares in IPO	**—**	484
Financial assets measured at FVPL	**4,649,293**	6,295,590
	5,644,787	7,276,782

(a) Ageing analysis

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

	2020	2019
	$'000	*$'000*
Current	**65,283**	48,011
Less than 1 month	**141,064**	122,437
1 to 3 months	**34,543**	16,317
More than 3 months	**22,590**	38,586
	198,197	177,340
	263,480	225,351

Accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default. These receivables are secured by their portfolios of securities. Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. At 31 March 2020, the total market value of their portfolios of securities was $1,669,623,000 (2019: $1,420,498,000).

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 March 2020, margin loans due from margin clients were current and repayable on demand except for $90,000 (2019: $908,000) where the margin loans were past due. $18,000 (2019: $850,000) were past due for less than 1 month. $1,000 (2019: $Nil) were past due for 1 to 3 months. $5,000 (2019: $33,000) were past due for 3 months to 1 year. $66,000 (2019: $25,000) were past due for over 1 year following the trading suspension of the pledged securities. At 31 March 2020, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were $10,376,614,000 and $14,641,209,000 respectively (2019: $12,935,717,000 and $17,689,627,000 respectively). Margin loans that were past due relate to a number of independent customers that have a good track record with the Group.

For accounts receivable relating to subscriptions of new shares in IPO, no ageing analysis of subscriptions of new shares in IPO is disclosed as the ageing analysis does not give additional value in view of the nature of this business.

The fair value of accounts receivables from cash client, margin clients and subscription in new shares in IPO is determined by the fair value of collaterals, capped by the principal amount and accrued interest, without discounting.

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 and options contracts.

(b) Loss allowance of accounts receivable

Loss allowance in respect of accounts receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss is written off against the accounts receivable directly.

The movement in the loss allowance during the year is as follows:

	2020	2019
	$'000	*$'000*
At 1 April	**183**	331
Amounts written off as uncollectible	**—**	(331)
First adoption of HKFRS 9	**—**	183
Provision for impairment loss recognised	**322**	—
At 31 March	**505**	183

12 ACCOUNTS PAYABLE

	2020	2019
	$'000	*$'000*
Accounts payable		
— Cash clients	**343,920**	298,822
— Margin clients	**628,132**	750,347
— Clearing houses	**307,416**	139,275
— Brokers	**21,800**	37,765
	1,301,268	1,226,209

All of the accounts payable are expected to be settled within one year or are repayable on demand.

13 BANK LOANS

	2020	2019
	$'000	*$'000*
Secured loans		
— Bank loans	**2,423,789**	3,265,515
Unsecured loans		
— Bank loans	**435,000**	180,000
	2,858,789	3,445,515

All the bank loans are repayable within one year and classified as current liabilities. The carrying amounts of the bank borrowings approximate their fair value.

The bank loans as at 31 March 2020 are interest-bearing. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure loan facilities. Such banking facilities were utilised to the extent of $2,423,789,000 (2019: $3,265,515,000). The fair value of the collateral re-pledged to banks as at 31 March 2020 amounted to $5,918,574,000 (2019: $7,306,728,000).

FINAL DIVIDENDS

The worldwide spread of the unforeseen novel coronavirus epidemic during the Year has dragged the global economy to its trough with no recent recovery expected to be seen, and the situation is grimmer than that caused by the SARS outbreak in 2003 and the financial crisis in 2008. As such, the Company timely reviewed its dividend policy without affecting its foreseeable future cash flow, financial condition and sustainable operation, and decided to increase dividends this year to help shareholders resolve their urgent needs. Therefore, the Board recommended the payment of a final dividend of 28 HK cents per share for the year ended 31 March 2020, subject to the approval of the final dividend by the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on Thursday, 20 August 2020. If approved, the final dividend will be paid to the Company's shareholders on Wednesday, 9 September 2020. Shareholders whose names appear on the register of members of the Company on Monday, 31 August 2020 will be entitled to the proposed final dividend.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from Friday, 14 August 2020 to Thursday, 20 August 2020 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Thursday, 13 August 2020. The AGM will be held at 10:00 a.m. on Thursday, 20 August 2020.

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

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Thursday, 27 August 2020 to Monday, 31 August 2020 (both days inclusive), during this period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 26 August 2020. Shares of the Company will be traded ex-dividend as from Tuesday, 25 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

For the year under review, stock markets across the world had their ups and downs. Firstly, the market was dented by the resurrection of the US-China trade war as well as the grim global economic prospect. Afterwards, the stock market of Hong Kong was hard hit by continuous political and economic turmoil, which began in June 2019. Later on, at the start of 2020, the petrifying novel coronavirus swiftly spread from the mainland to the whole world within months. The epidemic, still being out of control, disrupted global production and supply chains, exposed the economic weaknesses of many countries and further crushed stock markets around the globe. The eruption of these "black swans" dragged global stock markets down and investors are increasingly pessimistic and cautious about the market. According to the statistics of Hong Kong Exchanges and Clearing Limited, average daily transaction volume for the Year was approximately HK$92.24 billion, representing a decrease of approximately 4.1% from that of approximately HK$96.23 billion for the Prior Year. Nevertheless, with total proceeds of HK$314 billion from initial public offerings (IPO) for 2019, Hong Kong ranked first amongst major stock exchanges across the world in terms of IPO fundraising proceeds for the fourth time in the last 5 years.

During the Year, HSI came in like a lion and went out like a lamb. Since May 2019, HSI started to retreat and plummeted by 9,141 points from its high of 30,280 points to its low of 21,139 points during the Year due to the resurrection of the US-China trade war coupled with the social movements in Hong Kong and the outbreak of COVID-19. Above and beyond the financial market, these uncertainties also had lasting impact on the Hong Kong economy. In particular, a number of sectors, such as the retail, physical store shopping, export, airline and travel industries, were the first to bear the brunt. Given weak internal and external demand as well as deteriorating business environment of the city, Hong Kong's real gross domestic product (GDP) decreased by 1.2% in 2019 as compared with that for 2018, marking the first negative annual growth in Hong Kong's economy since 2009. What is more, Hong Kong's GDP recorded a year-on-year decline of 8.9% in the first quarter this year. On the other hand, the seasonally adjusted unemployment rates in Hong Kong started to climb rapidly by 1.4 percentage points from 2.8% for the first quarter last year to 4.2% for the corresponding period of this year. All these data demonstrated that Hong Kong's economy is shrank faster over the year and its future is alarming.

The securities industry unavoidably faced a challenging business environment due to deteriorating market sentiment caused by the host of "black swans", the transformation of the industry by the emergence of financial technologies, as well as the tightening policies implemented by Hong Kong's regulators. Given the declining operating environment, 37 securities firms have ceased operation between 1 March last year and 1 April this year. Only large and established firms with superior competitiveness can survive in the fierce consolidation of the securities industry.

After plunging into a technical decline in 2019, the Hong Kong economy has not only remained depressed, but also slid further in tandem with the world economy and overseas financial markets, which were impacted by the global COVID-19 pandemic. As the epidemic is still out of control, investors are losing confidence, thus inducing turbulences in financial and capital markets. In particular, Dow Jones Industrial Average tumbled by 38.4% in just one and a half months from its peak of 29,568 points to the yearly low of 18,213 points. Its circuit breaker was triggered four times within less than 2 weeks between 9 and 18 March. The Chicago Board Options Exchange (CBOE) Volatility Index (VIX), often referred to as the fear index, shot up to 85.47 points, demonstrating widespread uncertainty and pessimistic market sentiment. In contrast, the A-share market adjusted by 15.4% from its high of 3,127 points in January to a low of 2,646 points in March, exhibiting relatively lower volatility as compared with other markets around the world in spite of the epidemic.

To control the epidemic, many countries has shut their borders, strictly enforced social distancing and implemented other measures that have disrupted the movement of people and goods and therefore innumerable business activities as well as the economy as a whole. In particular, the GDP of mainland China for the first quarter this year dipped exceptionally by 6.8%; the initial value of Eurozone's Purchasing Managers' Index (PMI) dropped unprecedentedly to 13.5 in April 2020; approximately 26.5 million people in the US lost their jobs between mid-March and 18 April this year, offsetting all new jobs created since the financial crisis in 2008; and US GDP for the first quarter shrank by 4.8%. All these data point to the severe blow of the epidemic to business activities. The resultant drastic decline in consumption and production demand, the stoppage of business and production activities, the rupture of capital chain, and the subsequent bankruptcy crisis will have a grave impact on the global economy.

The chain effect of COVID-19 must not be underestimated. Many governments and central banks have already undertaken bailouts with a series of monetary and fiscal policies, such as interest rate cut, tax reduction, subsidies and refinancing in order to stimulate their economies and boost liquidity. For instance, the US Congress passed a US$4 trillion bailout in March this year while the Federal Reserve lowered its interest rate to nearly zero and launched unlimited quantitative easing in an emergency with the aim of stabilising the financial market.

As for the IPO market, despite the impact of the epidemic since the start of this year, the number of IPOs in Hong Kong increased in the first quarter as market sentiment was boosted by the encouraging negotiation progress of the "phase one" trade deal between the US and China while the preparation work of several projects had been completed by the end of last year. Nonetheless, the lack of sizeable IPO projects has cut the amount of proceeds to HK$14.1 billion, representing a significant drop of about one-third as compared to that for the corresponding period of last year. As such, Hong Kong only held on to the fourth runner-up position across the globe in terms of IPO proceeds for the first quarter. In comparison, the IPO market in the mainland grew by 209% in the first quarter as compared with the corresponding period of last year to RMB78.6 billion and ranked first in the world in terms of IPO proceeds, thanks to the support of mega listing projects and the introduction of SSE STAR Market.

The stoppage of people and goods movement during the epidemic has disrupted the approval of listing projects and delayed the listing of several applicants. However, as the epidemic in Hong Kong and the mainland is gradually coming under control and businesses are progressively resuming production and operation, the IPO market in Hong Kong may be able to recover lost ground in the second half of this year. HKEx is also striving to improve its competitiveness and market standard by amending the Listing Rules in respect of back door listings and the activities of shell companies' stocks. It is also studying how to refine its IPO mechanism, such as simplifying IPO procedures and shortening the settlement time of IPO. Early this year, HKEx began consultation on the proposed expansion of the weighted voting right (WVR) regime subsequent to the introduction thereof and the secondary listing of Alibaba (9988) in Hong Kong last year with the aim of attracting more companies with WVR from different sectors to the capital market in Hong Kong. It is hoped that the proposed expansion will attract sizeable China-related stocks to the Hong Kong capital market, thereby giving new impetus to the local IPO market.

Meanwhile, the mainland economy faces downward pressure brought by the US-China trade war and COVID-19. To help private enterprises overcome their operating and financing difficulties and to boost market sentiment, the mainland government has rolled out a series of bailout measures such as lowering the reserve requirement ratio multiple times to increase liquidity, cutting taxes and surcharges in an amount of RMB2 trillion, and stimulating night-time economy in order to boost domestic consumption. It is also reforming and opening up the capital market further with a number of measures such as luring the listing of high-tech and emerging enterprises by the introduction of the SSE STAR Market, lowering market barriers, lifting shareholding restrictions and facilitating investment. In particular, the mainland will formally abolish the shareholding restrictions on foreign investors in Chinese financial institutions such as futures and securities firms as well as mutual funds this year. It is believed that this move will bring mutual benefits by increasing the globalisation and diversification levels of the mainland capital market while providing Hong Kong and foreign investors with a golden opportunity to expand into the mainland market.

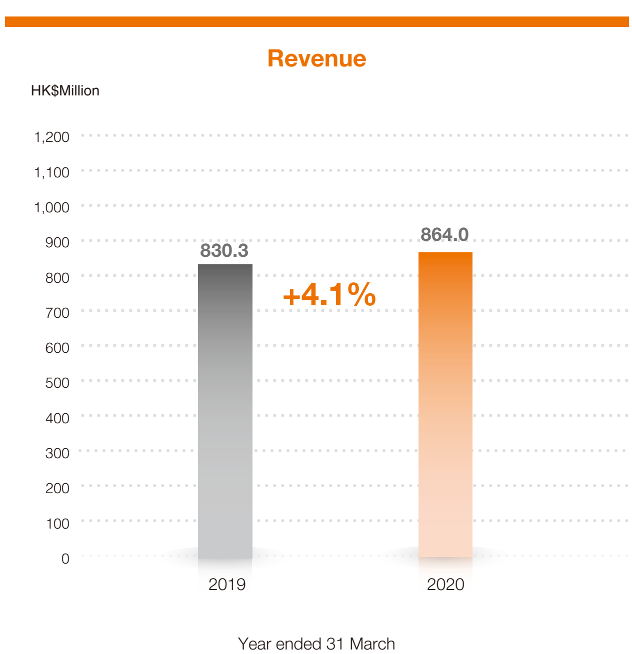
The spread of the epidemic has caused unrecoverable losses to the world and come as a devastating blow to the real economy spanning from the retail, food and beverage, hospitality and travel, transportation, cultural and entertainment to manufacturing, real estate and construction industries. However, an optimist sees opportunity in every difficulty. The epidemic is stimulating the internet, knowledge-based and digital industries, and triggers the growth of the stay-at-home economy by boosting electronic transactions. Online businesses are boosting their online sales aggressively to grasp opportunities during the epidemic. According to the statistics of the National Bureau of Statistics of China, retail e-commerce sales of goods in China for the first quarter this year recorded a year-on-year growth of 5.9%, representing a rise of 5.4 percentage points as compared with the corresponding period of last year. Total mobile internet usage in China for the first quarter this year also grew by almost 40% year-on-year to 35.7 billion GB.

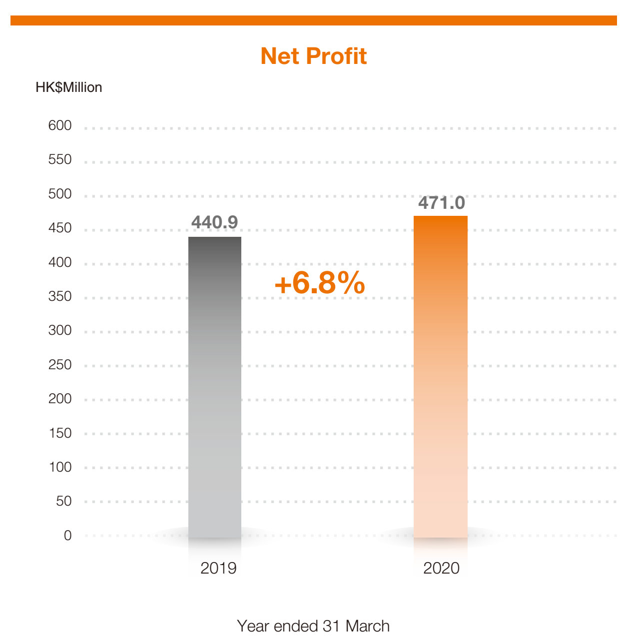
In Hong Kong, online transaction channels are also being used by more and more people. According to the information of the Hong Kong Monetary Authority, the usage of the Faster Payment System (FPS) is surging at an average rate of 100,000 additional transactions each day during the first quarter this year. The Group also noticed an increasing usage of its digital channels by its clients to conduct remittance and securities trading and to set up accounts online as compared with the last quarter. In particular, the number of transactions conducted via the BS Securities (Baobao) application (app(s)) during the first quarter this year jumped by over 90% as compared with the last quarter. The number of new accounts opened via both BS Securities (Baobao) and BS Futures (Doudou) online trading apps rose by 64.4% as compared with the last period while the total number of orders made amounted to nearly 4 million, representing an upsurge of almost 50% as compared with the last quarter. Being streets ahead of its peers, the Group noted the rapid development of financial technologies and invested heavily on its online business at a very early time. As such, it has successfully seized the opportunities during the epidemic by maintaining steady operation, attaining business growth and delivering outstanding results against market contraction.

OPERATING RESULTS

For the Year, the Group recorded revenue of HK$864.0 million (2019: HK$830.3 million), representing an increase of 4.1% as compared to that for the Prior Year. Profit for the Year was HK$471.0 million (2019: HK$440.9 million), representing an increase of 6.8% as compared to that for the Prior Year. Total comprehensive income attributable to equity shareholders amounted to HK$471.2 million (2019: HK$441.1 million), representing an increase of 6.8% as compared to that for the Prior Year. Basic and diluted earnings per share were 27.75 HK cents (2019: 25.98 HK cents). In celebration of the tenth anniversary of its listing, the Group distributed a one-time special dividend of 80 HK cents per ordinary share. The worldwide spread of the unforeseen novel coronavirus epidemic during the Year has dragged the global economy to its trough with no recent recovery expected to be seen, and the situation is grimmer than that caused by the SARS outbreak in 2003 and the financial crisis in 2008. As such, the Company timely reviewed its dividend policy without affecting its foreseeable future cash flow, financial condition and sustainable operation, and decided to increase dividends this year to help shareholders resolve their urgent needs. Therefore, the Board recommended the payment of a final dividend of 28 HK cents (2019: 7.80 HK cents) per share for the Year.

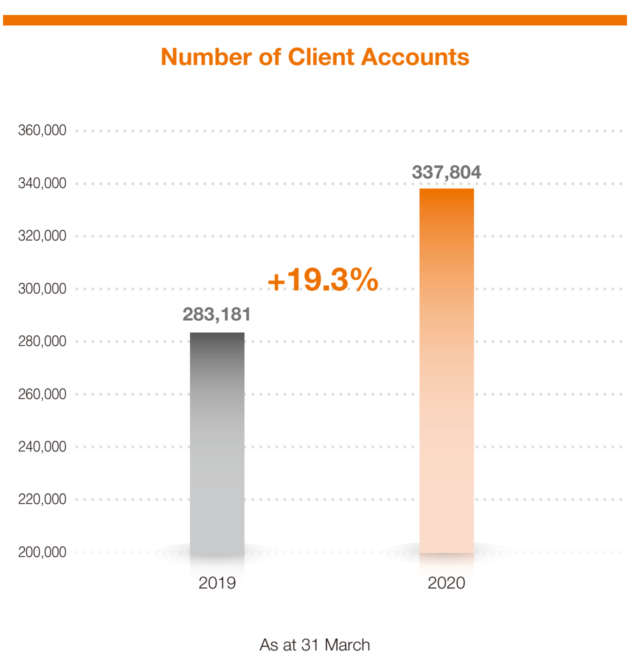
Notwithstanding a decrease in the annual transaction volume of HKEx, the Group recorded a growth in revenue for the Year. According to the statistics of Hong Kong Exchanges and Clearing Limited, average daily transaction volume of the Stock Exchange for the Year was approximately HK$92.24 billion, representing a decrease of 4.1% from that of approximately HK$96.23 billion for the Prior Year. In view of the market conditions, the Group adjusted its marketing and operating strategies in a timely and appropriate manner. In addition, BS Securities (Baobao) and BS Futures (Doudou), being one-stop mobile trading apps developed by the Group in the Prior Year with substantial investments, successfully drew nearly 300,000 downloads by mainland and Hong Kong investors. They raised the proportion of mainland clients in the Group's clientele, thus marking a significant step in its expansion in the mainland market. The Group will continue to improve its trading platforms and services while upgrading its network security infrastructure in order to strengthen the protection of its clients' interests, be well-prepared for market fluctuations, overcome challenges and seize opportunities.





TOTAL NUMBER OF CLIENT ACCOUNTS AND ASSETS

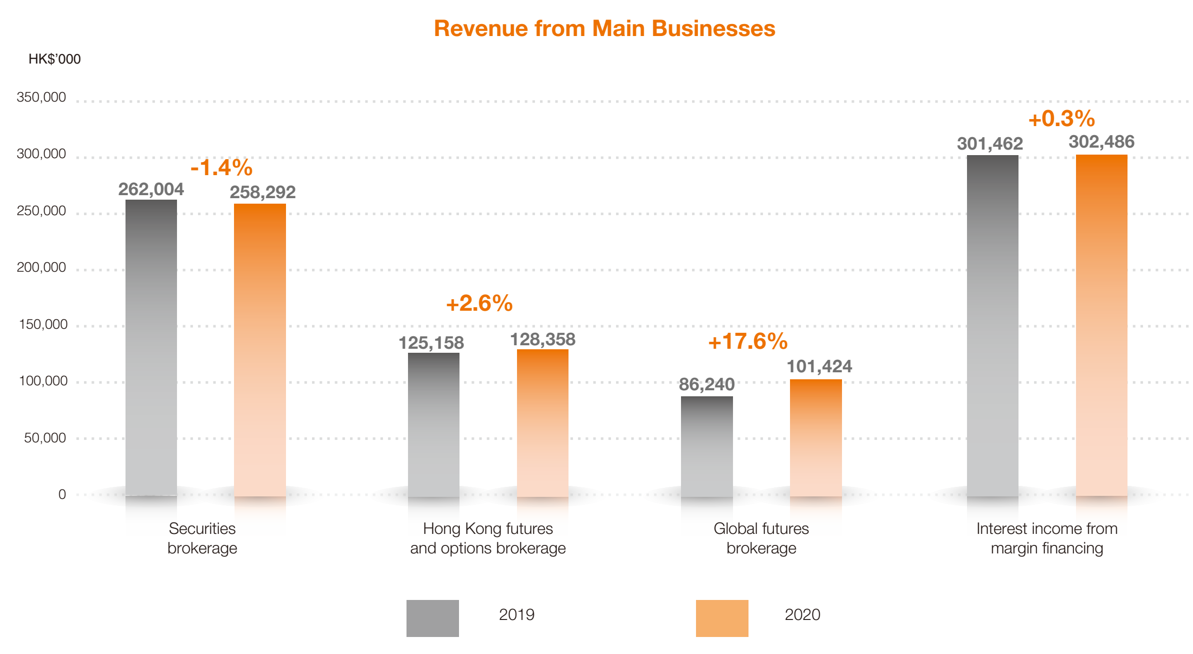
Given the downward pressure faced by the world economy during the COVID-19 epidemic as well as the impact of social movements, the US-China trade war and other uncertainties on Hong Kong, productivity, consumption power and enthusiasm for investment of the public have been waning, which put a great deal of stress on the market. Nevertheless, having gone through thick and thin all these years, the Group has maintained its strategy of active expansion regardless of bull or bear markets and endeavoured to deliver more comprehensive, quality and professional services to the clients. The Group had various branches covering all of the core districts in Hong Kong and most of them open seven days a week, which is a breakthrough in the industry. Moreover, adhering to the customer-oriented principle as always, the Group is the first mover in the securities industry by launching a Bright Smart Mobile Teaching Centre that travels around Hong Kong Island, Kowloon and New Territories. This centre improved customer service quality and offered convenience to all customers. The Group's proactive expansion successfully led to a steady growth in the total number of client accounts. During the Year, the number of new accounts (after deducting the number of client accounts closed) reached 54,623. As a result, the total number of client accounts increased to 337,804, representing an increase of 19.3% as compared to 283,181 as at 31 March 2019. As at 31 March 2020, client assets (including cash, stocks and margin deposits) under management decreased by 9.1% to approximately HK$41.9 billion (31 March 2019: approximately HK$46.1 billion).



REVENUE

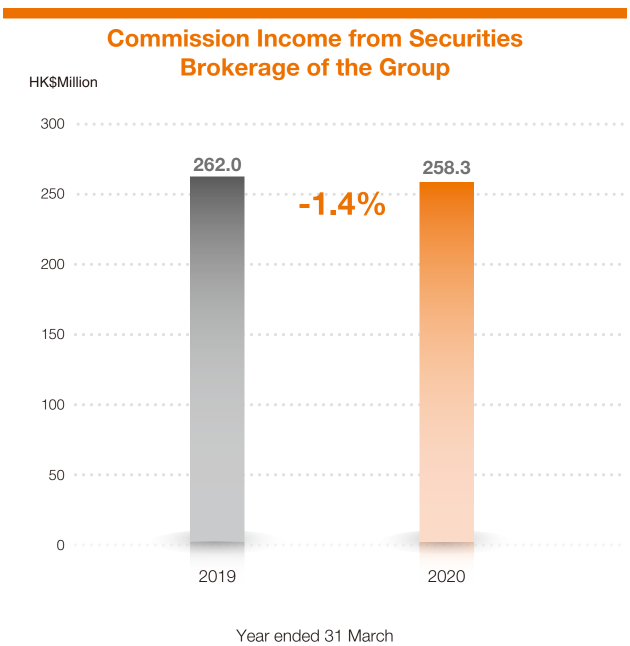
During the Year, the Group recorded revenue of HK$864.0 million (2019: HK$830.3 million), representing an increase of 4.1% as compared to that for the Prior Year. A summary of revenue from the business segments of the Group is set out below:

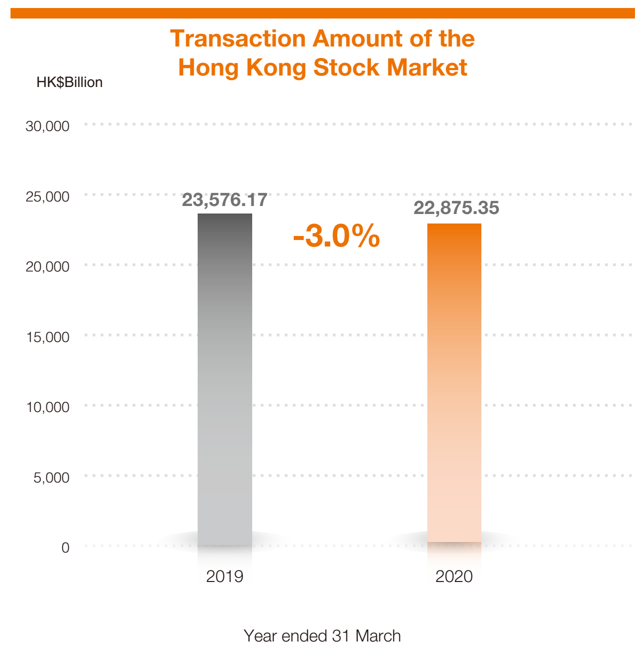
	Year ended 31 March				
	2020		2019		
		Proportion of total revenue		Proportion of total revenue	Increment/ (decrement)
	HK$'000	**%**	*HK$'000*	%	%
Revenue from:					
— Securities brokerage	**258,292**	**29.9%**	262,004	31.5%	(1.4%)
— Hong Kong futures and options brokerage	**128,358**	**14.9%**	125,158	15.1%	2.6%
— Global futures brokerage	**101,424**	**11.7%**	86,240	10.4%	17.6%
— Bullion trading	**10,423**	**1.2%**	10,489	1.3%	(0.6%)
— Leveraged foreign exchange trading	**1,385**	**0.2%**	655	0.1%	111.5%
— Stock option brokerage	**12,445**	**1.4%**	12,520	1.5%	(0.6%)
— IPO brokerage	**15,730**	**1.8%**	10,366	1.2%	51.7%
Interest income from IPO financing	**33,474**	**3.9%**	21,411	2.6%	56.3%
Interest income from margin financing	**302,486**	**35.0%**	301,462	36.3%	0.3%
	864,017	**100.0%**	830,305	100.0%	4.1%



I. Securities brokerage

HKEx recorded a total transaction volume for the Year of HK$22,875.3 billion (2019: HK$23,576.2 billion), representing a year-on-year decrease of 3.0%. The decrease in HKEx's transaction volume affected the performance of the Group's securities brokerage business. Commission income from the Group's securities brokerage business amounted to HK$258.3 million (2019: HK$262.0 million) and accounted for 29.9% (2019: 31.5%) of the total revenue, a drop of 1.4% as compared with the Prior Year.

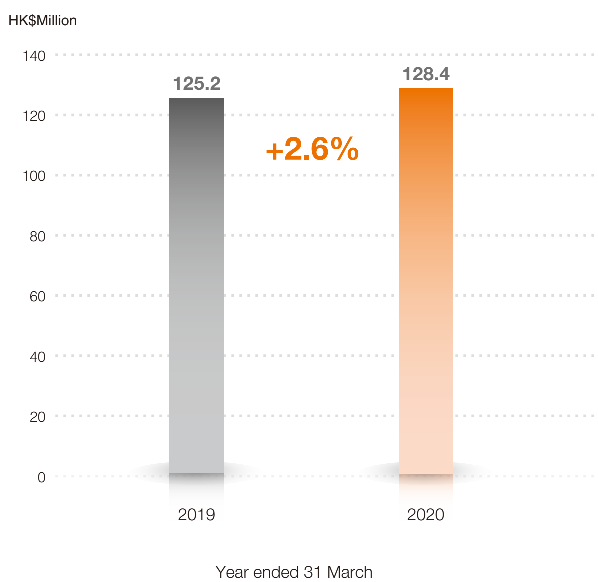




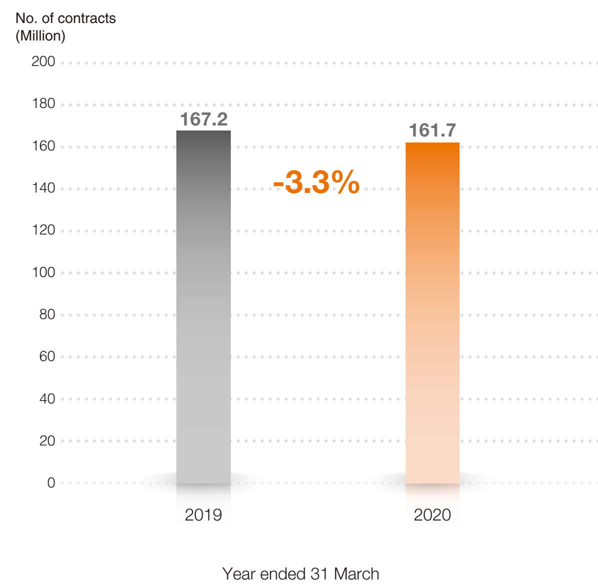
II. Hong Kong futures and options brokerage

In view of the fluctuations in the market, clients of the Group used futures increasingly as hedging instruments. Although the number of derivative contracts traded on Hong Kong Futures Exchange Limited (the "HKFE") for the Year decreased by 3.3% to 161.7 million (2019: 167.2 million), commission income from the Group's Hong Kong futures and options brokerage business increased by 2.6% to HK$128.4 million for the Year as compared to that for the Prior Year (2019: HK$125.2 million) and accounted for 14.9% (2019: 15.1%) of the total revenue.

Commission Income from Hong Kong Futures and Options Brokerage of the Group



Transaction Volume of Derivative Contracts at the HKFE



III. Global futures brokerage

Hong Kong's investment market continued to be active and diversified, driving investors' interests in investing in the global market. What is more, in view of the increasingly volatile global market caused by the US-China trade war and COVID-19, investors are flocking to the futures market. Commission income from global futures brokerage for the Year increased by 17.6% to HK$101.4 million as compared to that for the Prior Year (2019: HK$86.2 million) and accounted for 11.7% (2019: 10.4%) of the total revenue.

IV. Bullion trading

Income from the Group's bullion trading business for the Year decreased by 0.6% to HK$10.4 million as compared to that for the Prior Year (2019: HK$10.5 million) and accounted for 1.2% (2019: 1.3%) of the total revenue.

V. Leveraged foreign exchange trading

Income from the Group's leveraged foreign exchange trading business for the Year increased by 111.5% to HK$1.4 million as compared to that for the Prior Year (2019: HK$0.7 million) and accounted for 0.2% (2019: 0.1%) of the total revenue. The Group believes that the interest of investors in diversified financial investment products is growing. Therefore, the Group will actively identify business opportunities to expand into more business lines and provide more comprehensive investment instruments to investors.

VI. Stock options brokerage

Commission income from the Group's stock options brokerage business for the Year decreased slightly by 0.6% to HK$12.4 million as compared to that for the Prior Year (2019: HK$12.5 million) and accounted for 1.4% (2019: 1.5%) of the total revenue. Stock options are highly leveraged investment products. The Group closely monitors the margin levels maintained in stock option accounts and adjusts them according to market conditions in order to ensure proper risk control.

VII. IPO brokerage and IPO financing

Commission income from the Group's IPO brokerage business for the Year increased substantially by 51.7% to HK$15.7 million as compared to that for the Prior Year (2019: HK$10.4 million) and accounted for 1.8% (2019: 1.2%) of the total revenue. Interest income from IPO financing also surged by 56.3% correspondingly to HK$33.5 million (2019: HK$21.4 million) and accounted for 3.9% (2019: 2.6%) of the total revenue.

VIII. Margin financing

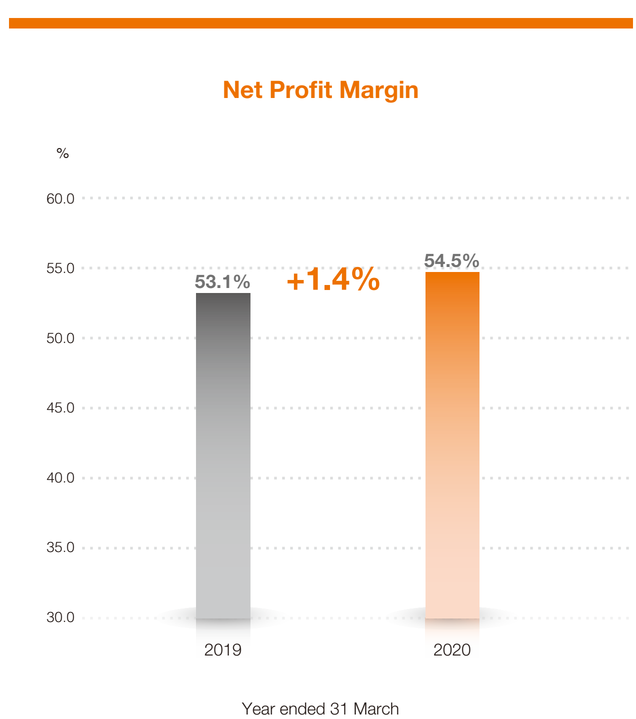
The average daily margin financing provided by the Group during the Year decreased by 15.3% to HK$5.85 billion (2019: HK$6.91 billion). Driven by the rise in Hong Kong Interbank Offered Rate, interest income from margin financing provided by the Group for the Year increased slightly by 0.3% to HK$302.5 million as compared to that for the Prior Year (2019: HK$301.5 million) and accounted for 35.0% (2019: 36.3%) of the total revenue. The Group implements effective credit control procedures and did not have any bad debts in the last few years.

LOSS FROM INVESTMENT

To enhance its financial performance, the Group held Hong Kong-listed securities and futures contracts as investment during the Year. As at 31 March 2020, the carrying amount of the Group's investment in stocks was HK$48.5 million (2019: HK$8.7 million). During the Year, loss from investment in financial assets at fair value through profit or loss amounted to HK$2.1 million (2019: loss of HK$5.0 million).

OPERATING EXPENSES AND NET PROFIT MARGIN

Operating expenses of the Group for the Year increased by 2.9% to HK$554.3 million as compared to that for the Prior Year (2019: HK$538.9 million). Nevertheless, net profit margin of the Group rose to 54.5% (2019: 53.1%).



A breakdown of operating expenses is as follows:

	2020	2019	Increment/ (decrement)
	HK$'000	*HK$'000*	%
Staff cost	**127,472**	136,333	(6.5%)
Amortisation and depreciation	**89,635**	18,839	375.8%
Finance costs	**138,178**	140,600	(1.7%)
Advertising and promotion expenses	**15,595**	7,983	95.4%
Auditors' remuneration	**1,704**	1,657	2.8%
Commission, handling and settlement expenses	**88,593**	83,103	6.6%
Information and communication expenses	**46,740**	38,840	20.3%
Rental, rates and building management fees	**5,733**	71,116	(91.9%)
Legal and professional fee	**2,783**	3,921	(29.0%)
Miscellaneous expenses	**37,906**	36,484	3.9%
	554,339	538,876	2.9%

FUTURE PLANS

In view of the downward pressure faced by the world economy, coupled with the never-ending US-China trade war and worldwide spread of COVID-19, every industry is gradually feeling the impact, the global financial market is fluctuating violently, investors are increasingly cautious in making investment and market sentiment is more and more wary. Governments and central banks across the globe are doing everything possible to stabilise the economy and market confidence. What is more, as Donald Trump, the President of the US, plans to claim for damages for COVID-19 from China, the US-China relationship is clouded by uncertainty and may continue to dominate market development. Nevertheless, the Group has maintained its strategy of active expansion regardless of bull or bear markets. It has been constantly expanding its team of elites in order to enhance its network and service of 15 branches at prime locations across Hong Kong. It will continue to identify sites at prime locations with heavy traffic for new branches, and will also hold regular job fairs to attract talent with the aim of securing high quality human resources to meet its needs during business expansion as well as taking up the responsibility to nurture the next generation of elites for the industry.

At the same time, the Group believes that investors' education should be open for all, easy to understand and diversified so as to enhance wealth management knowledge and ability and foster responsible wealth management habit, behaviour and decision-making amongst the public. To take up an important role in investors' education, the Group actively organises all kinds of investment seminars and investment simulation competitions free of charge. For example, the Group partnered with renowned overseas stock exchanges, financial institutions and leading experts to provide investors with comprehensive, reliable and free wealth management information so as to enhance their knowledge about financial products and economic trends across the world and broaden their investment choices. Looking forward, the Group will continue to adopt different promotional and marketing strategies with a view to grasping all valuable business opportunities and building up itself.

DEVELOP DIVERSIFIED GLOBAL FINANCIAL PRODUCTS

The Group has thoroughly studied consumers' behaviour and investment trend and analysed them according to customer data and survey. In view of the rising attention to and concern about global financial products and the growing interest in investment therein, the Group has connected its online securities and futures trading platforms as well as mobile trading apps to markets around the world, provides comprehensive and professional brokerage services, and brings together Hong Kong stocks, US stocks, Shanghai-Hong Kong Stock Connect A shares, Shenzhen-Hong Kong Stock Connect A shares, China B shares, Japanese stocks, Taiwanese stocks, Singaporean stocks, Australian stocks, UK stocks, Hong Kong futures, Hang Seng Index options, Hong Kong stock options, Dow Jones Futures, A50 Futures, foreign exchange futures, gold futures, oil futures, copper futures, HKEx's CNH Gold Futures, HKEx's USD Gold Futures, leveraged foreign exchange products, iron ore futures, IPO share subscription and margin financing, so as to cater to the needs of different clients. The Group believes that investors' interest in global financial products is growing. Therefore, it will continue to develop more global financial products to meet market demand.

PROMOTE DIGITALISED AND SMART TRADING SERVICES AMONGST CLIENTS

The Group is fully aware of investors' need for financial technologies and therefore actively engages in digitalising investment services in the Prior Year by making substantial investments in half a year of time to develop two mobile trading apps, namely BS Securities (Baobao) and BS Futures (Doudou). They are equipped with AI3.0 features (such as behavioural authentication, news tracking and personalised portfolio monitoring). The Group's mobile trading platforms can fulfil all the investment needs of our clients, enabling them to open accounts, trade global financial products and read global financial news right away at anytime and anywhere. Since the Group always strives for excellence and invests substantially in financial technologies and software and hardware support, new features were developed and added to the Baobao and Doudou apps with a view to satisfying market's need. For examples, the Baobao app now allows users to check the gain or loss of their positions, sell odd lots automatically, browse trading records within a month, search for warrants and Callable Bull/Bear Contracts (CBBC), check the amount of CBBC in public hand, and obtain AI stock recommendations. In recognition of the Group's outstanding results in the development of the Baobao and Doudou apps, the Group's trading systems have won the trust of the clients and praises from the industry and media such as the Outstanding Securities Trading Mobile APP award by the Chamber of Hong Kong Computer Industry and Metro Broadcast, the Best Securities Mobile Apps in Greater China Award by Metro Daily/METRO PROSPERITY, the award for outstanding securities and futures trading app by Sky Post and the Outstanding Stock and Futures Trading App Development Award in the 19th Capital Outstanding Enterprise Awards granted by CAPITAL, demonstrating the popularity of the Group's online trading system amongst the clients, the industry and the media for its speed, stability, security and reliability

As the application of financial technologies in the wealth management industry matures, the Group plans to promote digitalised and smart trading services amongst its clients, combine online and offline marketing and operating strategies, reduce costs, enhance its efficiency, expand its clientele and enhance users' experience using financial technologies in order to strengthen its core competitiveness and leadership position in the industry.

ENHANCE ONLINE TRADING SECURITY

At the same time, the Group has invested substantial resources to enhance the speed and capacity of our online trading systems in order to meet clients' needs and improve service quality. In order to offer a more convenient and stable online trading platform, the Group has also made huge investment in improving its trading systems, relocated its central computer system to the centralised data centre of HKEx in Tseung Kwan O, and conducted large-scale tests on all transaction systems, including regular simulated tests involving a trading volume exceeding five times of the existing peak volume on HKEx, so as to continuously enhance the efficiency and stability of the existing securities and futures trading platforms. As for network security, the Group has implemented the "dual password" security measure and authentication by which two different passwords are required for logging into the trading systems and conducting transactions in order to provide adequate security to online transactions. Furthermore, email notifications are delivered instantly to notify the clients of any login or any transaction conducted electronically through their accounts in accordance with the regulatory requirements. In addition, the Group also closely monitors and counteracts any unrelated fake website. If any such website is identified, the Group will notify the clients and take legal actions against the website in order to prevent its clients from suffering unnecessary loss. The Group will keep abreast of the latest market developments and study the need and room for capacity expansion. It will also step up client education on online trading security and enhance their awareness and skills of risk prevention.

TAP INTO MAINLAND MARKET

The mainland has been actively reforming and opening up its capital market and attempting globalisation in recent years. This year, the mainland will formally abolish the shareholding restrictions on foreign investors in Chinese financial institutions such as futures and securities firms as well as mutual funds. It means that Hong Kong investors can also wholly-own mainland securities firms. With a huge population, the mainland enjoys enormous potential in terms of consumption power, productivity and investment capacity. Furthermore, by maintaining a GDP growth rate of over 6% last year, the mainland is poised to surpass the US and become the largest economy in the world, thereby exhibiting room for economic growth. Therefore, the Group is determined to tap into the mainland market which has great potential and prospects. To do so, the Group will not only recruit talents interested in working in the securities market, but also further raise its brand awareness and establish a unique brand image in the mainland based on its high quality and cost-performance ratio supported by its online and offline hardware and software support, professional and caring customer service team and up-to-date promotional and marketing strategies.

CONCLUSION

The Group firmly believes that its success in the fierce competition hinges on thorough understanding of its clients' needs and rapid response to market changes. During the Year, the Group remained customer-oriented, strove for excellence, upheld "Best Value for Money" as its business philosophy, demonstrated its ability to expand and consolidate at the same time, enhanced the features and user experience of the Baobao and Doudou apps, and invested additional resources to conduct promotional campaigns on a number of platforms with the aim of attracting more investors in the mainland and Hong Kong to open accounts and trade via Bright Smart. As some of its branches face saturation of demand in the area they serve, the Group has already closed down some of the branches and optimised its network while actively identifying neighourhoods with potential for new branches in order to expand its market share and strengthen its brand competitiveness. In celebration of its silver jubilee and the tenth anniversary of its listing, the Group attributes its growth and accomplishments to the continuous support, trust and recognition of its clients, who have been supporting the Group as they have always done. In the future, the Group will provide more high quality customer services with a homely atmosphere and develop more highly secured and convenient trading platforms so as to appreciate the long-term support from its clients. At the same time, the Group will strengthen its existing competitive edges, diversify its businesses, identify professional talents and seize every opportunity in order to increase the Group's operational efficiency and bring better returns to the shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations were financed by shareholders' equity, cash generated from operation and bank borrowings.

The Group maintains sufficient liquidity with total bank deposits, bank balances and cash amounting to HK$477.7 million as at 31 March 2020 (2019: HK$401.3 million). The Group had bank borrowings of HK$2,858.8 million as at 31 March 2020 (2019: HK$3,445.5 million) which bore interest primarily at floating rate. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 31 March 2020, unutilised banking facilities amounted to HK$18,049.6 million (2019: HK$17,277.3 million). The Group's gearing ratio (total bank borrowings divided by the total shareholders' equity) was 150.3% (2019: 117.9%). As at 31 March 2020, the Group had net current assets of HK$1,708.3 million (2019: HK$2,797.4 million) and a current ratio (current assets divided by current liabilities) of 1.4 times (2019: 1.6 times).

The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures that each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules ("FRR").

CHARGES ON ASSETS

No asset of the Group was subject to any charge as at 31 March 2020 and 2019.

CONTINGENT LIABILITIES

As at the end of the reporting period, corporate guarantees provided by the Company in respect of banking facilities granted by authorised institutions to its subsidiaries engaging in securities and futures broking amounted to HK$15,947.5 million (2019: HK$15,953.3 million). As at 31 March 2020, the subsidiaries of the Company have utilised HK$2,334.0 million of these aggregate banking facilities (2019: HK$3,040.5 million).

As at the end of the reporting period, the Directors did not consider that any claim would be made against the Group under any of the guarantees.

CAPITAL COMMITMENTS

The capital commitments as at 31 March 2020 were approximately HK$2.7 million (2019: HK$3.4 million).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a work force of 263 employees (2019: 283 employees). Staff costs, excluding Directors' emoluments, amounted to approximately HK$112.7 million for the Year (2019: HK$120.1 million). The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes that the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share option scheme and a bonus scheme for its executives and employees as a measure to provide a competitive remuneration package for the Group's long-term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's work ability and personal efficiency.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Year, the Group did not make any significant acquisitions or disposals of subsidiaries.

LITIGATION

As at 31 March 2020 and up to the date of this announcement, the Group has not been involved in any litigation of significance.

RISK MANAGEMENT

Credit risk

The Group's credit risk is primarily attributable to amounts due from clients, brokers and clearing houses. The management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

In respect of amounts due from clients, individual evaluations are performed on all clients (including cash and margin clients) based on the underlying collateral. Cash clients are required to place deposits as prescribed in the Group's policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default, there has not been a significant change in credit quality and the balances are considered fully recoverable, and the prescribed deposit requirements and the short settlement period involved, the credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash and margin clients and has policy to manage these exposures on a fair value basis. Margin loans due from margin clients are repayable on demand. For commodities and futures brokerage, an initial margin is required prior to opening transaction. Market conditions and adequacy of securities collateral and margin deposits of each cash account, 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 amounts 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 enjoy sound reputation in the industry.

The Group has no significant concentration of credit risk as credits are granted to a large population of clients.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Interest rate risk

The Group charges interest on its margin clients and cash clients with outstanding loan amounts 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) are primarily at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

Foreign exchange risk

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars ("USD"), Renminbi ("RMB"), Singapore dollars ("SGD"), Japanese Yen ("JPY"), Australian dollars ("AUD") and British pound ("GBP"). As the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD as insignificant. In respect of financial instruments denominated in other currencies, the Group ensures that the net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The management monitors all the foreign currency positions on a daily basis.

Price risk

The Group is exposed to price changes arising from listed equity investments, futures contracts and accounts receivable classified as financial assets at fair value through profit or loss.

The Group's equity investments are listed on HKEx while investment in futures contracts are traded on HKFE. Listed investments held in the financial assets at fair value through profit or loss portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Accounts receivable from margin, cash and IPO clients expose the Group to price risk as their fair value is made with reference to the fair value of collaterals.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2020.

REVIEW OF ANNUAL RESULTS

The annual results for the Year had been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 had been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on Thursday, 20 August 2020. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.bsgroup.com.hk). The Annual Report 2019/20 and the notice of AGM will be despatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Bright Smart Securities & Commodities Group Limited
Hui Yik Bun
Executive Director and Chief Executive Officer

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises Mr. Yip Mow Lum (Chairman), Mr. Hui Yik Bun (Chief Executive Officer) and Mr. Chan Wing Shing, Wilson as Executive Directors; and Mr. Yu Yun Kong, Mr. Szeto Wai Sun and Mr. Ling Kwok Fai, Joseph as Independent Non-executive Directors.