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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “Board”) of directors (the “Directors”) of Bright Smart Securities & Commodities Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2023 (the “Period”) together with the comparative figures for the six months ended 30 September 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023 — unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

		Six months ended	
		30 September	
		2023	2022
	Note	\$'000	\$'000
Revenue	4	440,016	436,239
Other income			
— Interest income calculated using effective interest rate method	5	147,056	46,745
— Interest income calculated using other method	5	19,960	19,082
— Others	5	45,099	54,588
Other net loss	6	(15,887)	(30,722)
		636,244	525,932

		Six months ended	
		30 September	
		2023	2022
	<i>Note</i>	\$'000	\$'000
Staff costs		(63,388)	(76,235)
Amortisation and depreciation		(34,834)	(37,531)
Net charges for expected credit losses		(1,029)	(1,149)
Other operating expenses	7(b)	(83,981)	(103,401)
Profit from operations		453,012	307,616
Finance costs	7(a)	(122,179)	(45,430)
Profit before taxation	7	330,833	262,186
Income tax	8	(27,206)	(31,102)
Profit for the period		303,627	231,084
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		(333)	409
Total comprehensive income attributable to equity shareholders for the period		<u>303,294</u>	<u>231,493</u>
Earnings per share			
Basic (<i>cents</i>)	9	<u>17.89</u>	<u>13.61</u>
Diluted (<i>cents</i>)	9	<u>17.89</u>	<u>13.61</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2023 \$'000	At 31 March 2023 \$'000
Non-current assets			
Property, plant and equipment		57,051	88,667
Intangible assets		5,783	5,783
Deferred tax assets		2,863	801
Other receivables, deposits and prepayments		3,073	2,941
Other assets		74,387	41,843
		<u>143,157</u>	<u>140,035</u>
Total non-current assets		143,157	140,035
Current assets			
Accounts receivable	11	7,410,558	6,971,713
Other receivables, deposits and prepayments		29,660	36,914
Financial assets at fair value through profit or loss		58,165	66,012
Financial assets at amortised cost		411	943
Tax recoverable		7,973	9,222
Cash and cash equivalents		400,866	504,531
		<u>7,907,633</u>	<u>7,589,335</u>
Total current assets		7,907,633	7,589,335
Current liabilities			
Accounts payable	12	1,576,449	1,464,115
Accrued expenses and other payables		54,071	51,648
Bank loans	13	5,181,000	4,409,000
Lease liabilities		31,090	54,322
Current taxation		11,613	6,718
		<u>6,854,223</u>	<u>5,985,803</u>
Total current liabilities		6,854,223	5,985,803

	At 30 September 2023 Note \$'000	At 31 March 2023 \$'000
Net current assets	<u>1,053,410</u>	<u>1,603,532</u>
Total assets less current liabilities	<u>1,196,567</u>	<u>1,743,567</u>
Non-current liabilities		
Accrued expenses and other payables	1,157	608
Lease liabilities	<u>6,350</u>	<u>8,545</u>
Total non-current liabilities	<u>7,507</u>	<u>9,153</u>
NET ASSETS	<u><u>1,189,060</u></u>	<u><u>1,734,414</u></u>
EQUITY		
Share capital	509,189	509,189
Share premium	388,020	738,020
Exchange reserve	—	333
Merger reserve	(20,000)	(20,000)
Retained profits	<u>311,851</u>	<u>506,872</u>
TOTAL EQUITY	<u><u>1,189,060</u></u>	<u><u>1,734,414</u></u>

NOTES:

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report for the six months period ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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.

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

- HKFRS 17, “*Insurance contracts*”
- Amendments to HKAS 8, “*Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*”
- Amendments to HKAS 12, “*Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*”
- Amendments to HKAS 12, “*Income taxes: International tax reform — Pillar Two model rules*”

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 March 2023.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 March 2024.

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

	Six months ended 30 September 2023					
	Securities broking \$'000	Commodities and futures broking \$'000		Bullion trading \$'000	Total \$'000	
Revenue from customers:						
— Brokerage commission	130,051	104,805	—	234,856		
— Dealing income	—	—	3,200	3,200		
— Interest income from margin financing	201,770	—	—	201,770		
— Interest income from IPO financing	22	—	—	22		
	<u>331,843</u>	<u>104,805</u>	<u>3,200</u>	<u>439,848</u>		
Reportable segment revenue						
Interest income from cash clients	19,960	—	—	19,960		
Other interest income	120,744	26,150	—	146,894		
Handling and settlement fees	<u>37,346</u>	<u>14</u>	<u>—</u>	<u>37,360</u>		
Reportable segment profit (EBIT)	<u>378,571</u>	<u>64,713</u>	<u>1,831</u>	<u>445,115</u>		
Amortisation and depreciation	(7,347)	—	—	(7,347)		
Finance costs	(135,987)	(13)	—	(136,000)		
Additions to non-current segment assets during the period	<u>1,220</u>	<u>—</u>	<u>—</u>	<u>1,220</u>		
	At 30 September 2023					
	Securities broking \$'000	Commodities and futures broking \$'000		Bullion trading \$'000	Total \$'000	
Reportable segment assets	7,571,029	996,644	20,003	8,587,676		
Reportable segment liabilities	<u>(6,186,658)</u>	<u>(721,364)</u>	<u>(9,813)</u>	<u>(6,917,835)</u>		

Six months ended 30 September 2022

	Commodities			Total \$'000
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	
Revenue from customers:				
— Brokerage commission	175,516	124,262	—	299,778
— Dealing income	—	—	3,509	3,509
— Interest income from margin financing	132,300	—	—	132,300
— Interest income from IPO financing	236	—	—	236
	<u>308,052</u>	<u>124,262</u>	<u>3,509</u>	<u>435,823</u>
Reportable segment revenue				
Interest income from cash clients	19,082	—	—	19,082
Other interest income	39,988	6,756	—	46,744
Handling and settlement fees	43,108	6	—	43,114
	<u>43,108</u>	<u>6</u>	<u>—</u>	<u>43,114</u>
Reportable segment profit (EBIT)	<u>245,730</u>	<u>55,733</u>	<u>2,137</u>	<u>303,600</u>
Amortisation and depreciation	(8,575)	(2)	—	(8,577)
Finance costs	(49,228)	(1)	—	(49,229)
Additions to non-current segment assets during the period	<u>11,641</u>	<u>—</u>	<u>—</u>	<u>11,641</u>

At 31 March 2023

	Commodities			Total \$'000
	Securities broking \$'000	and futures broking \$'000	Bullion trading \$'000	
Reportable segment assets	6,986,752	992,403	29,152	8,008,307
Reportable segment liabilities	<u>(5,599,447)</u>	<u>(535,710)</u>	<u>(10,491)</u>	<u>(6,145,648)</u>

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

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
Revenue		
Reportable segment revenue	439,848	435,823
Elimination	(257)	(189)
Unallocated corporate revenue	425	605
	<hr/>	<hr/>
Consolidated revenue	440,016	436,239
	<hr/>	<hr/>
Profit		
Reportable segment profit (EBIT)	445,115	303,600
Finance costs	(122,179)	(45,430)
Unallocated corporate income	36,125	9,438
Unallocated corporate expenses	(28,228)	(5,422)
	<hr/>	<hr/>
Consolidated profit before taxation	330,833	262,186
	<hr/>	<hr/>
	At	At
	30 September	31 March
	2023	2023
	\$'000	\$'000
Assets		
Reportable segment assets	8,587,676	8,008,307
Elimination	(692,716)	(404,685)
Unallocated corporate assets	155,830	125,748
	<hr/>	<hr/>
Consolidated total assets	8,050,790	7,729,370
	<hr/>	<hr/>
Liabilities		
Reportable segment liabilities	(6,917,835)	(6,145,648)
Elimination	1,253,293	1,168,476
Unallocated corporate liabilities	(1,197,188)	(1,017,784)
	<hr/>	<hr/>
Consolidated total liabilities	(6,861,730)	(5,994,956)
	<hr/>	<hr/>

4 REVENUE

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

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

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Brokerage commission	234,599	299,589
Revenue from other sources		
Dealing income from bullion trading	3,200	3,509
Dealing income from leveraged foreign exchange trading	425	605
Interest income from margin financing	201,770	132,300
Interest income from IPO financing	22	236
	205,417	136,650
	440,016	436,239

5 OTHER INCOME

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
Interest income from		
Financial assets carried at amortised cost		
— Authorised institutions	138,079	45,244
— Others	8,977	1,501
	<hr/>	<hr/>
	147,056	46,745
Financial assets carried at fair value through profit or loss (“FVPL”)		
— Cash clients	19,960	19,082
	<hr/>	<hr/>
	167,016	65,827
Handling and settlement fees	37,360	43,114
Dividend income	1,860	2,075
Government grants	—	2,615
Sundry income	5,879	6,784
	<hr/>	<hr/>
	212,115	120,415
	<hr/> <hr/>	<hr/> <hr/>

6 OTHER NET LOSS

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
Realised (loss)/gain from financial assets at fair value through profit or loss	(797)	1,387
Unrealised loss from financial assets at fair value through profit or loss	(7,734)	(17,206)
	(8,531)	(15,819)
Net foreign exchange loss	(7,350)	(14,165)
Loss on disposals of property, plant and equipment	(9)	(67)
Error trades arising from dealings	(20)	(13)
Others	23	(658)
	(15,887)	(30,722)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
(a) Finance costs		
Interest expense on		
— Bank loans for IPO financing	—	106
— Other bank loans	116,525	41,340
— Lease liabilities	489	790
— Others	5,165	3,194
	<u>122,179</u>	<u>45,430</u>
(b) Other operating expenses		
Advertising and promotion expenses	5,983	7,233
Auditors' remuneration	726	800
Commission, handling and settlement expenses	38,911	51,948
Information and communication expenses	19,527	23,122
Legal and professional fees	906	856
Operating lease payments — property rentals	—	78
Rates and building management fees	2,972	2,187
Miscellaneous expenses	14,956	17,177
	<u>83,981</u>	<u>103,401</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	29,268	33,051
Deferred tax		
Origination and reversal of temporary differences	<u>(2,062)</u>	<u>(1,949)</u>
Total tax charge for the period	<u>27,206</u>	<u>31,102</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 September 2023, 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 2022.

9 EARNINGS PER SHARE

Basic earnings per share

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

	Six months ended 30 September	
	2023	2022
Earnings		
Profit for the period attributable to equity shareholders of the Company (\$'000)	<u>303,627</u>	<u>231,084</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	<u>1,697,296</u>	<u>1,697,296</u>
Basic earnings per share (cents)	<u><u>17.89</u></u>	<u><u>13.61</u></u>

Diluted earnings per share

There was no dilutive potential ordinary share during the period (six months ended 30 September 2022: nil) and diluted earnings per share is therefore equal to basic 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 2023 (six months ended 30 September 2022: nil).

11 ACCOUNTS RECEIVABLE

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Accounts receivable		
Accounts receivable from:		
— Clearing houses	1,121,497	857,424
— Brokers and dealers	369,983	267,855
Less: Loss allowance	(2,171)	(2,011)
	<u>1,489,309</u>	<u>1,123,268</u>
Financial assets measured at amortised cost		
Accounts receivable from:		
— Cash clients	381,121	382,430
— Margin clients	5,531,798	5,466,015
— Subscription of new shares in IPO	8,330	—
	<u>5,921,249</u>	<u>5,848,445</u>
Financial assets measured at FVPL		
	<u>7,410,558</u>	<u>6,971,713</u>

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

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Current	18,569	47,804
Less than 1 month	139,755	142,317
1 to 3 months	107,989	118,071
More than 3 months	114,808	74,238
	<u>362,552</u>	<u>334,626</u>
	<u>381,121</u>	<u>382,430</u>

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 30 September 2023, the total market value of their portfolios of securities was \$1,811,518,000 (31 March 2023: \$2,176,486,000). Based on past experience and current assessment, management believes that the balances are fully recoverable.

Margin clients are required to pledge securities collateral to the Group in order to obtain margin loans. When determining the fair value of the accounts receivable at the reporting date, management evaluate the margin loan portfolios on a fair value basis by primarily considering the value of collateral, which principally comprised listed securities, with reference to the quoted prices, to the extent of the outstanding loan amounts. At 30 September 2023, margin loans due from margin clients were current and repayable on demand except for \$660,000 (31 March 2023: \$166,000) where the margin loans were past due. \$497,000 (31 March 2023: \$5,000) were past due for less than 1 month. \$21,000 (31 March 2023: \$7,000) were past due for 1 to 3 months. \$29,000 (31 March 2023: \$34,000) were past due for 3 months to 1 year. \$113,000 (31 March 2023: \$120,000) were past due for over 1 year following the trading suspension of the pledged securities. At 30 September 2023, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were \$12,178,205,000 and \$20,883,017,000 respectively (31 March 2023: \$13,431,769,000 and \$22,710,446,000 respectively). Margin loans that were past due were considered immaterial by management.

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.

Loss allowance in respect of accounts receivable measured at amortised cost 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.

12 ACCOUNTS PAYABLE

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Accounts payable		
— Cash clients	261,283	447,948
— Margin clients	936,234	892,294
— Clearing houses	131,265	1,288
— Brokers	247,667	122,585
	<u>1,576,449</u>	<u>1,464,115</u>

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

No ageing analysis in respect of accounts payable is disclosed as the ageing analysis does not give additional value in view of the business nature.

13 BANK LOANS

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Secured loans		
— Bank loans	4,106,000	3,465,000
Unsecured loans		
— Bank loans	1,075,000	944,000
	<u>5,181,000</u>	<u>4,409,000</u>

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

The bank loans as at 30 September 2023 and 31 March 2023 were interest-bearing. Securities collateral deposited by the Group's margin clients was re-pledged to banks to secure these loan facilities. Such banking facilities were utilised to the extent of \$4,106,000,000 (31 March 2023: \$3,465,000,000). The fair value of the collateral repledged to banks as at 30 September 2023 amounted to \$7,286,576,000 (31 March 2023: \$7,155,583,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Stepping into the second half of 2023, the world has been going through troubled times. Trade issues between China and the United States have yet resolved, on the contrary, the tension between China and the United States has been intensifying and the sanctions against each other were nothing new, and in this instance, Hong Kong's commerce and trade has thus suffered and the volume of import and export continued to decline. With the continuation of the Russo-Ukrainian War and the spread of the war between Israelis and Palestinians, the energy crisis in Europe was imminent, which had a direct or indirect impact on investors' investment sentiment and therefore slowed down the global economic recovery. While the continuous three-year global COVID-19 pandemic has subsided, global life has also returned to normal, and all countries have reopened their borders. With the official resumption of the economic exchanges between mainland China and Hong Kong after the long-awaited reopening of borders between each other, many investors believed that Hong Kong's economy would surely make some progress after it embarked on the road to recovery. Unfortunately, Hong Kong's recovery has not been as smooth as expected and the recovery has not accelerated as expected. In the first half of this year, the number of visitors to Hong Kong was only 13 million, being less than 40% of the pre-pandemic level of almost 35 million visitors in the first half of 2019. Hong Kong's GDP grew by 1.5% year-on-year in the second quarter of this year, which was significantly slower than the 2.9% year-on-year growth in the first quarter and significantly lower than the 3.5% expected by the market. The weak consumption power of Hong Kong and citizens' travel to mainland China for spending as well as overseas travelling were the "fatal injuries" of the lower-than-expected GDP growth of Hong Kong. Coupled with the sluggish external economic environment, GDP growth was expected to be only 2.5% to 3% this year. As Hong Kong continued to be plagued by a myriad of unfavorable factors, the performance of various industries has retrogressed. Under the influence of the United States' measures to curb inflation by persistently maintaining high interest rates, with the cumulative increase of 1% in interest rates from January to September, the banks in Hong Kong were pressured to raise the prime rate following its pace. The prices of residential and commercial properties continued to be dragged down by the continuing high interest rates, and the price of many blue-chip estates and quality properties fell. The continuing high interest rates in the United States have even triggered off global inflation and depreciation of the currencies of various countries. The exchange rate of Renminbi, which had a great impact on the economy of Hong Kong, has also suffered a sharp decline, with the exchange rate against the US dollar continually hovering at a low level, resulting in the depreciation of assets denominated in Renminbi and the decrease in the sources of capital from mainland China for investment and spending in Hong Kong, thereby dealing a severe blow to the economy of Hong Kong. Moreover, misfortunes never come single. While the external problems have not been solved, Hong Kong's internal problems have also emerged one after another and failed to be solved in a short time. In recent years, various countries in the world have been beckoning

talents from Hong Kong and deliberately lowered the threshold of their emigration to induce Hong Kong people to emigrate to their own countries. The migration wave has lasted for two years, and the number of emigrants from Hong Kong was unprecedented. Hong Kong has been experiencing a continuous brain drain in various industries, which has in turn affected productivity and competitiveness of Hong Kong. Attacked from numerous internal and external problems, Hong Kong is facing unprecedented impacts and challenges.

Fortunately, the local inflation has not deteriorated yet. In September, the consumer price index rose by 2% year-on-year, which was higher than the increase of 1.8% in August. If the one-off government bailouts were excluded, the basic inflation rate in September would be 1.8%. With the successful convening of the 20th National Congress of the Communist Party of China in mainland China and the election of a new leadership lineup, the National Bureau of Statistics immediately announced that the GDP of mainland China grew by 4.9% year-on-year in the third quarter, which was higher than 4.5% as expected by the market and represented an increase as compared with 0.8% in the previous quarter, and the Bureau indicated that the economy recovered well in the third quarter and there was a general recovering trend, but the external environment was more complicated and severe with insufficient domestic demand. Although the economy showed a recovering trend, it was necessary to consolidate the base by fostering growth in effective domestic demand and stimulating the vitality of operating entities and ensure the implementation of existing policies to constantly promote the recovery of the economy, strengthen the endogenous driving force, improve the social expectation, and solve the hidden risks, so as to achieve social and economic development goals for the full year.

Yet Hong Kong stock market had unsatisfactory and disappointing performance during the first three quarters. In the first half of this year, among the global major stock markets, Hong Kong stock market delivered the worst performance, and also was the only market with sustained drops among the global major stock markets, represented by all jaw-dropping data. According to the data of the Stock Exchange, the weaken trend for Hong Kong stock market continued with the daily average trading amount falling to HK\$90.3 billion in September, representing a decrease of nearly 36% compared with that of January. In October 2023, Hang Seng Index dropped below 17,000 points, hitting this year's low, which seriously disappointed all investors. The IPO market also went into eclipse during the year. According to the statistics of a large accounting firm, during the first three quarters of the year, in the Hong Kong IPO market, the number of companies successfully listed was only 44, and the amount of fundraising totaled HK\$24.6 billion, representing a decrease of 65% and 15% compared with the same period of last year, respectively. As a result, Hong Kong fell to the eighth place in the global IPO markets. There was no recovery momentum in all industries, let alone the securities industry which was in a worse situation, with Hong Kong stocks under-performing, leading to the outflow of funds. With the strong momentum of the United States dollar and the linked exchange rate system, the aggregate balance in the banking sector in Hong Kong fell below HK\$100 billion, depressing the trading and investment in Hong Kong stocks. Under the circumstances of weaken trend and continuous shrinking

trading volume of Hong Kong stock market, some small and medium-sized securities dealers with lack of capital, technology, labor force and limited strengths were unable to withstand the impact of the recession, thus worsening the wave of closing down. In the first three quarters of the year, 26 securities firms shut down, making the future uncertain. As a leader in the securities industry rooting in Hong Kong for nearly three decades, the Group has undergone the success and failure of Hong Kong finance industry, and even weathered the global financial storms of all sizes. The Group stood firmly in the face of any impacts from financial market and has always kept pace with the times and made unremitting efforts to improve itself; the Group strongly believed that opportunities arise from adversity, and continuously optimised its trading platforms, products and services, and maintained services of physical stores across Hong Kong Island, Kowloon and New Territories. The Group provided all-round, one-stop and 24-hour services to investors online and offline, so as to retain customers with the “most considerate and professional” service quality. As a result, the Group has been able to continuously achieve excellent results despite the adverse market conditions, which came from the reliance on the long-term support and trust of customers.

OPERATING RESULTS

For the six months ended 30 September 2023 (the “Period”), Bright Smart Securities & Commodities Group Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) recorded revenue of HK\$440.0 million (2022: HK\$436.2 million), a year-on-year increase of 0.9%. Profit for the Period was HK\$303.6 million (2022: HK\$231.1 million), a year-on-year increase of 31.4%. Its total comprehensive income attributable to equity shareholders amounted to HK\$303.3 million (2022: HK\$231.5 million), a year-on-year increase of 31.0%. Basic and diluted earnings per share were 17.89 HK cents (2022: 13.61 HK cents). The board of directors of the Company (the “Board”) does not recommend the payment of any interim dividend for the Period (2022: Nil).

According to the statistics of Hong Kong Exchanges and Clearing Limited (“HKEX”), the average daily turnover for the Period was approximately HK\$100.58 billion, representing a decrease of approximately 11.0% as compared with approximately HK\$113.01 billion for the same period of last year.

In view of changes in market conditions, the Group adjusted its marketing and operating strategies in a timely and appropriate manner, when in the midst of the continuous downturn of Hong Kong stock market, we will cease to “stick to conventions” in promotion, we need to diversify our products and broaden our promotional horizons. Recognising that global stocks and futures will be more popular among investors, we have launched a series of shocking promotions on U.S. stocks, U.S. futures and Nikkei futures, and due to the appropriate promotions, the number of customers has increased in spite of the downturn of the market. In anticipation of the rising demand for financial technology from investors, the Group has invested heavily in optimising, improving and upgrading the speed, performance and stability of various online trading channels, and our two major mobile applications, BS Securities (Baobao) and BS Futures (Doudou), have kept pace with the times with continuous enhancement of functions in order to achieve outstanding results, which successfully attracted hundreds of thousands of investors to download and use them. The Group will continuously improve its trading platforms and service quality while upgrading its network security devices 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

Regardless of market conditions, the Group has always been dedicated to providing clients with more comprehensive, better quality and more professional services. As at the end of September 2023, the Group, together with the Central Head Office, all branches and “Bright Smart Mobile Teaching Centre” travelling around the Hong Kong Island, Kowloon and New Territories, had a total of 13 outlets covering the core areas of Hong Kong, with some branches operating seven days a week, breaking the industry tradition. The Group is committed to improving client service quality. Together with online client services, it allows investors to stay in touch with us at anytime and anywhere, regardless of time and geographical constraints. Together with the 24-hour account opening, depositing, trading, information browsing and enquiry functions in our two mobile applications, BS Securities (Baobao) and BS Futures (Doudou), customers can stay close to the world’s major financial markets 24 hours a day for trading, without having to leave their homes, bringing great convenience to clients. The Group’s proactive expansion successfully led to a steady growth in the total number of client accounts. During the Period, the number of new accounts reached 7,826 (after deducting the number of client accounts closed), increasing the total number of client accounts to 555,568, a growth of 1.4% as compared to 547,742 as at 30 September 2022. Client assets (including cash, stocks and margins) as at 30 September 2023 increased by 0.6% to approximately HK\$53.3 billion (30 September 2022: approximately HK\$53.0 billion).

REVENUE

During the Period, the Group recorded revenue of HK\$440.0 million (2022: HK\$436.2 million), a year-on-year increase of 0.9%. A summary of the Group's revenue by business divisions is set out below:

	Six months ended 30 September				Increment/ (decrement)
	2023	Proportion of total revenue	2022	Proportion of total revenue	
	HK\$'000		HK\$'000		
Revenue from:					
— Securities brokerage	123,612	28.1%	166,273	38.1%	(25.7%)
— Hong Kong futures and options brokerage	61,911	14.1%	63,969	14.7%	(3.2%)
— Global futures brokerage	42,636	9.7%	60,104	13.8%	(29.1%)
— Bullion trading	3,200	0.7%	3,509	0.8%	(8.8%)
— Leveraged foreign exchange trading	425	0.1%	605	0.1%	(29.8%)
— Stock option brokerage	6,252	1.4%	7,147	1.6%	(12.5%)
— IPO brokerage	188	0.0%	2,096	0.5%	(91.0%)
Interest income from IPO financing	22	0.0%	236	0.1%	(90.7%)
Interest income from margin financing	201,770	45.9%	132,300	30.3%	52.5%
	440,016	100.0%	436,239	100.0%	0.9%

Securities brokerage

The total turnover of securities on HKEX for the Period was HK\$12,170.4 billion, a year-on-year drop of 12.4% (2022: HK\$13,899.8 billion). The Group's commission income from securities brokerage was HK\$123.6 million (2022: HK\$166.3 million), a year-on-year decrease of 25.7%, and accounted for 28.1% (2022: 38.1%) of its total revenue.

Hong Kong futures and options brokerage

The trading volume of derivative contracts at the Hong Kong Futures Exchange Limited (“HKFE”) was 90.8 million (2022: 80.7 million) during the Period, representing an increase of 12.5%. The Group posted commission income of HK\$61.9 million (2022: HK\$64.0 million) from Hong Kong futures and options brokerage for the Period, a year-on-year decrease of 3.2%, accounting for 14.1% (2022: 14.7%) of its total revenue.

Global futures brokerage

As investment sentiment has declined due to the unstable external environment, the commission income from global futures brokerage decreased by 29.1% year-on-year to HK\$42.6 million (2022: HK\$60.1 million) during the Period, accounting for 9.7% (2022: 13.8%) of its total revenue.

IPO brokerage and IPO financing

Due to the significant contraction of the IPO financing market in Hong Kong this year, commission income from the Group’s IPO brokerage business for the Period decreased by 91.0% year-on-year to HK\$190,000 (2022: HK\$2.1 million). Interest income from IPO financing also decreased by 90.7% correspondingly to HK\$22,000 (2022: HK\$240,000).

Margin financing

During the Period, the Group’s average daily margin borrowings decreased by 16.1% to HK\$5.74 billion (2022: HK\$6.84 billion). Driven by the rise in Hong Kong Interbank Offered Rate (“HIBOR”), the Group’s interest income from margin financing amounted to HK\$201.8 million (2022: HK\$132.3 million), a year-on-year increase of 52.5%, and accounted for 45.9% (2022: 30.3%) of the total revenue. The Group is committed to implementing effective credit control procedures to avoid any bad debts.

PERFORMANCE OF PROPRIETARY INVESTMENTS

As at 30 September 2023, the Group held Hong Kong-listed securities, bonds and futures contracts as investments and the book value of investment portfolio stood at HK\$58.6 million (31 March 2023: HK\$67.0 million), including HK\$58.2 million (31 March 2023: HK\$66.0 million) of Hong Kong-listed securities. During the Period, the investment losses from financial assets at fair value through profit or loss were HK\$8.5 million (2022: loss of HK\$15.8 million).

OPERATING EXPENSES AND NET PROFIT MARGIN

The Group's operating expenses for the Period increased by 15.8% year-on-year to HK\$305.4 million (2022: HK\$263.7 million), and its net profit margin increased to 69.0% (2022: 53.0%).

A breakdown of operating expenses is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Increment/ (decrement)
Staff cost	63,388	76,235	(16.9%)
Amortisation and depreciation	34,834	37,531	(7.2%)
Net charges for expected credit losses	1,029	1,149	(10.4%)
Finance costs	122,179	45,430	168.9%
Advertising and promotion expenses	5,983	7,233	(17.3%)
Auditors' remuneration	726	800	(9.3%)
Commission, handling and settlement expenses	38,911	51,948	(25.1%)
Information and communication expenses	19,527	23,122	(15.5%)
Rental, rates and building management fees	2,972	2,265	31.2%
Legal and professional fees	906	856	5.8%
Miscellaneous expenses	14,956	17,177	(12.9%)
	<u>305,411</u>	<u>263,746</u>	<u>15.8%</u>

FUTURE PLANS

The Group expects that the aftereffects of the Federal Reserve's interest rate hikes, changes in the geopolitics, changes in the RMB exchange rate, the fluctuated relationship between China and the United States, and debt defaults triggered by the property market in mainland China will continue to have a direct impact on Hong Kong's economy in the fourth quarter of the year and next year. These problems cannot be solved in a short time. It is not easy for Hong Kong to navigate a path when it is in the midst of these difficulties. It is inevitable that Hong Kong's economy is backed by the Motherland since its return. The economy of mainland China is at the recovery stage after the pandemic. The government of mainland China has successively introduced policies to rescue the economy and programmes to stimulate the flexibility of the capital market, and it also took pragmatic and positive actions to rescue the property market in the mainland China. However, as the effectiveness of the various measures introduced to rescue the market has to be tested over time, the effectiveness not only has a great impact on China's economy, but also is crucial for Hong Kong's economy to rebound from the rock bottom. Apart from external factors, Hong Kong also hopes to be self-strengthening and unrelenting. If Hong Kong continues to stand still, its status as an international financial center, which has been painstakingly established for many years, will be given away. Meanwhile, with the weak performance of Hong Kong stock market in the year, Hong Kong lagged behind global active stock markets, stunning Hong Kong stock investors around the world. How to regain the lost ground? How to rebuild investors' confidence? Undoubtedly, it is necessary for government to work in hands with the Stock Exchange to come up with strategies to attract investors from all over the world to return to the Hong Kong stock market. In the face of the wastage of talents, it is hoped that the various programmes launched by the Hong Kong Government to attract talents will yield positive results, thereby greatly enhancing Hong Kong's competitive edge in the economy. In the securities industry, competing for "talents, technology and capital" is the key to success. With a strong capital strength, the Group will definitely continue to be "people-oriented" in the future, strengthen its core financial technology and properly provide one-stop investment services online and offline, with an aim to become the best investment partner for global investors.

For many years, as a pioneer in financial technology in Hong Kong, the Group has long been aware that online trading of investors will certainly become the main trading method in the future, and saw the trend of investors' demand for transactions via mobile phones and information, as well as the concern of investors about cyber security. Therefore, each year, the Group invests huge resources to expand various online trading channels. The Group fully understands that investors must have stable and reliable trading channels to avoid "crash" during trading. Therefore, the Group has developed its trading system with an anti-disruption function. After opening an account, a customer will have access to four major trading systems, namely BS Securities (Baobao), Bright Smart Securities (MH), computer trading system (web version) and computer trading system (PC version). Customers can trade at any time via any of such trading systems. The above functions are pioneering in Hong Kong.

Moreover, the Group has spared no expense and invested a lot of resources to regularly improve the functions of various trading platforms, the speed of placing an order and the network security, so that customers feel safe, fast and reliable when trading. Meanwhile, the Group will continuously optimise and improve the branch network and provide investors with professional and considerate investment services with the existing 13 outlets including Bright Smart Mobile Teaching Centre that travels across Hong Kong, covering all over Hong Kong Island, Kowloon and the New Territories. The Group will continue to identify sites at prime locations with high pedestrian traffic to set up new branches for sales network expansion. The Group also understands the principle of “sow in the off season, and harvest in the boom season”, therefore, regardless of adverse or favorable circumstances, the Group will hold regular job fairs to attract talents with potential, facilitating the enhancement of service quality as well as taking up the responsibility to nurture the next generation of elites for the industry.

In addition, to take up an important role in investors’ education, the Group became the first to launch a live streaming channel “Bright Smart Finance Channel”, through which it produces financial programmes on each trading day to provide investors with real-time information and answer their questions. Besides, various complimentary investment seminars and stock and futures investment simulation competitions will be organised. For instance, the Group partnered with HKEX, the Chicago Mercantile Exchange, the Singapore Exchange and other world-renowned stock exchanges, as well as renowned financial institutions and top industry experts to provide all investors in Hong Kong with comprehensive, reliable, latest and free wealth management information, online and offline, so as to enhance their knowledge about financial products and economic trends across the world and broaden their investment choices. The Group believes that investors’ education opportunities should be open for all. So there is a need to enhance the financial literacy of the public via different channels and assist them in developing good wealth management habits and investment behaviours.

Developing diversified global financial products

The Group has found that investors have growing interest in global financial products by regularly conducting public opinion surveys and client data analysis. In view of this, it constantly innovates to provide more diversified investment products. The Group has connected its online securities and futures trading platforms as well as mobile APPs to markets around the world, providing comprehensive and professional brokerage services and bringing 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. It will continuously seek and broaden the scope of global investment products so as to cater to the needs of different clients. In the year, the market conditions of Hong Kong stocks continuously fluctuated with unclear prospects and the continuously sluggish turnover. However, futures trading was very popular, with increasing turnover. In light of this, Bright Smart expanded its achievements by launching "one for five" account for futures, allowing investors to trade in Hong Kong futures products with a margin of 20%, which is a piece of great news for futures investors. Since the launch in June, it has been gaining popularity among investors with enthusiastic response.

Promoting 24-hour deposit services, a pioneer in the industry

The Group saw clients have increasing interest in and more understanding of the US stocks, leading to a significant increase in trading volume in the US stock market, it added the function of "pre-market trading of the US stocks" to "BS Securities (Baobao)" APP to enable clients to trade the US stocks earlier than 4:00 p.m., Hong Kong time. Moreover, global futures is also a popular product among customers in recent years. As a result, in order to bring investors closer to the global market, the Group launched "24-hour Electronic Direct Debit Authorisation (eDDA) Service" approved by the Hong Kong Monetary Authority with renowned banks in Hong Kong. This service allows clients to deposit money and trade stocks and futures anytime and anywhere regardless of time differences and Hong Kong holidays restrictions after going through a simple registration procedure with any bank account on Baobao and Doudou APPs, showcasing a breakthrough from the industry tradition.

The Group kept pace with the times and invested a substantial amount of money to constantly upgrade existing hardware and software. This enhanced clients' confidence in the brands, services and trading systems of the Group. It has won the praises from the industry and media. The Group has won numerous awards over the years. In the year, the Group won four "tops" rated by HKEX. Specifically, the Group once again won two "Top Broker" awards, including "Top Broker – Stock Futures & Options, Top Broker – Weekly Index Options". The Group has gained a lot in the above awards ceremonies for three consecutive years, reflecting its extraordinary strength. Meanwhile, the Group was awarded the "Outstanding Listed Enterprise Award (Securities and Futures)" by East Week, being the only securities trader to win such award, which is solid proof of the painstaking efforts of the Group over the years and which we can absolutely take pride in. In the year, Baobao and Doudou APPs, two popular mobile APPs of the Group, once again won the "Outstanding One-Stop Mobile Application for Securities and Futures Trading" by The Chamber of Hong Kong Computer Industry and Metro Broadcast, in recognition of their outstanding performance, fully proving that the Group's online trading systems are fast, stable, safe and reliable, and has been widely trusted and welcomed by customers.

Enhancing online trading security

As the application of fintech in the wealth management industry matures, the Group plans to promote digital and smart trading services amongst its clients, combine online and offline marketing and operating strategies to reduce costs, enhance its efficiency, expand its clientele and enhance their experience using fintech, in order to strengthen its core competitiveness and consolidate the Group's leading position in the industry.

Therefore, the Group has invested plentiful resources in improving the efficiency and capacity of its online trading systems to meet clients' needs. In order to offer more convenient and stable online trading platforms, 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. Moreover, in terms of network security, the Group has used the "two-factor authentication" as a security measure in all trading systems. The move is in response to regulatory requirements and therefore, it has been recognised in network security and enables clients to feel safe and secured when trading.

Furthermore, when clients log into the trading systems via different electronic channels for the first time each day, or once the placed orders are completed, the Group will automatically send an email through its computer system or deliver a push message on Baobao and Doudou APPs to notify the clients, so as to ensure that clients clearly understand the status of their personal accounts and trading systems. 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 of its trading systems. It will also strengthen client education on online trading security and enhance their awareness and skills of risk prevention.

Conclusion

The Group, with the “client-oriented and service-first” philosophy and the “value-for-money and fast” market positioning, adopted both competitive and conservative strategies at the moment. On the one hand, it will constantly optimise the performance of various trading platforms to improve user experience. On the other hand, it allocated more resources on various online and offline platforms for publicity and promotion and keep brand exposure, attracting more investors to open accounts and trade products through the Group. As the Group will continuously optimise all kinds of online order placement channels and always pay attention to clients’ needs for trading systems, some of its branches cover an area that can be regarded as comprehensive. In the future, the Group will further optimise its branch network, actively look for potential locations to establish new footholds, and reach a wider range of target clients, in order to expand its market share and strengthen its brand competitiveness.

The Group’s present achievements depend on the long-standing support, trust, recognition and loyalty of its clients. The Group will be dedicated to providing clients with better services and developing safer, more stable, faster and more convenient trading platforms in the future, so as to reward clients for their care and support and make them feel at home. The Group will meanwhile develop more diversified businesses, recruit talents from different sectors and seize every valuable opportunity, so as to enhance its operation efficiency and seek higher returns for shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintained a strong cash position with total bank deposits, bank balances and cash amounted to HK\$400.9 million as at 30 September 2023 (31 March 2023: HK\$504.5 million). The Group had total bank borrowings of HK\$5,181.0 million as at 30 September 2023 (31 March 2023: HK\$4,409.0 million) which bore interest primarily at floating rates. The bank borrowings were primarily collateralised by its margin clients' securities pledged to the Group. As at 30 September 2023, unutilised banking facilities amounted to HK\$16,455.9 million (31 March 2023: HK\$17,637.2 million). The Group's gearing ratio (total bank borrowings excluding IPO financing divided by the total shareholders' equity) was 435.7% (31 March 2023: 254.2%). As at 30 September 2023, the net current assets of the Group decreased by 34.3% to HK\$1,053.4 million (31 March 2023: HK\$1,603.5 million). As at 30 September 2023, the Group's current ratio (current assets divided by current liabilities) was 1.2 times (31 March 2023: 1.3 times).

CAPITAL MANAGEMENT

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 each of the subsidiaries maintains liquidity adequate to support the level of activities with a sufficient buffer to accommodate potential increases in the level of business activities. During the Period, all the licensed subsidiaries have complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules ("FRR").

CHARGES ON ASSETS

None of the Group's assets were subject to any charges as at 30 September 2023 and 31 March 2023.

CONTINGENT LIABILITIES

As at the end of the Period, corporate guarantees provided by the Company in respect of banking facilities granted by authorised institutions to its subsidiaries engaging in securities and futures brokerage amounted to HK\$16,485.1 million (31 March 2023: HK\$16,494.2 million). As at 30 September 2023, the subsidiaries of the Company have utilised HK\$3,805.0 million of these aggregate banking facilities (31 March 2023: HK\$3,579.0 million).

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 credit risk is monitored on an ongoing basis.

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients) based on the underlying collaterals. Cash clients are required to place deposits as prescribed in the Group's credit 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 recoverable, and in view of 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 accounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and have sound reputation in the industry.

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

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

Liquidity risk

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

Interest rate risk

The Group charges interest to its margin clients 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 bank deposits, and financial liabilities, such as bank loans and amount due to a related company, bear interest primarily at floating rates. The interest-bearing assets and liabilities, such as margin loans and bank loans, are mainly priced based on HIBOR rate. The Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of bank borrowings, margin loans receivable and interest-bearing bank deposits.

Foreign currency risk

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

Price risk

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

The Group's equity investments are listed on HKEX while its investment in futures contracts are traded on HKFE. Listed investments held in the portfolio of financial assets at fair value through profit or loss 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group had a work force of 198 employees (31 March 2023: 206 employees). The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes the remuneration packages are reasonable, competitive, and in line with market trends. The Group has put in place a bonus scheme for its executives and employees in order to provide competitive remuneration packages 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 skills and personal effectiveness.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to ensuring high standards of corporate governance practices. During the Period, the Company fully complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry with each Director and has confirmed that all the Directors have fully complied with the required standard set out in the Model Code during the Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The principal duties of the Audit Committee of the Company include the review and supervision of the financial reporting processes and internal control procedures of the Company. The Audit Committee, together with the external auditor of the Group, KPMG, had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 30 September 2023 and the review of this interim report.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and the website of the Company at <https://www.bsgroup.com.hk>. The Interim Report 2023/24 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, 27 November 2023

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