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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023 (the “Year”) together with the comparative figures for the year ended 31 March 2022 (the “Prior Year”) as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 \$'000	2022 \$'000
<b>Revenue</b>	4	<b>881,733</b>	1,068,012
Other income			
— Interest income calculated using effective interest rate method	5	<b>196,721</b>	26,816
— Interest income calculated using other method	5	<b>36,481</b>	51,906
— Others	5	<b>92,955</b>	111,558
Other net loss	6	<b>(8,674)</b>	(8,521)
		<b>1,199,216</b>	1,249,771
Staff costs	7(b)	<b>(120,120)</b>	(160,616)
Amortisation and depreciation		<b>(74,488)</b>	(77,541)
Net charges for expected credit losses		<b>(752)</b>	(7,429)
Other operating expenses	7(c)	<b>(197,459)</b>	(223,459)

	<i>Note</i>	<b>2023</b> <b>\$'000</b>	2022 \$'000
<b>Profit from operations</b>		<b>806,397</b>	780,726
Finance costs	7(a)	<u>(114,202)</u>	<u>(124,512)</u>
<b>Profit before taxation</b>	7	<b>692,195</b>	656,214
Income tax	8	<u>(71,600)</u>	<u>(94,712)</u>
<b>Profit for the year</b>		<b>620,595</b>	561,502
<b>Other comprehensive income for the year:</b>			
Items that may be reclassified subsequently to profit or loss			
— Exchange reserve		<u>285</u>	<u>(157)</u>
<b>Total comprehensive income attributable to equity shareholders for the year</b>		<u><b>620,880</b></u>	<u>561,345</u>
<b>Earnings per share</b>			
Basic (cents)	9	<u><b>36.56</b></u>	<u>33.08</u>
Diluted (cents)	9	<u><b>36.56</b></u>	<u>33.08</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>2023</b> <b>\$'000</b>	2022 \$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>88,667</b>	136,198
Intangible assets		<b>5,783</b>	5,783
Deferred tax assets		<b>801</b>	1,820
Financial assets at amortised cost		<b>—</b>	1,443
Other receivables, deposits and prepayments		<b>2,941</b>	1,981
Other assets		<b>41,843</b>	79,978
<b>Total non-current assets</b>		<b>140,035</b>	227,203
<b>Current assets</b>			
Accounts receivable	<i>11</i>	<b>6,971,713</b>	8,915,867
Other receivables, deposits and prepayments		<b>36,914</b>	29,446
Financial assets at fair value through profit or loss		<b>66,012</b>	49,575
Financial assets at amortised cost		<b>943</b>	—
Tax recoverable		<b>9,222</b>	21,707
Cash and cash equivalents		<b>504,531</b>	524,716
<b>Total current assets</b>		<b>7,589,335</b>	9,541,311

	<i>Note</i>	<b>2023</b> \$'000	2022 \$'000
<b>Current liabilities</b>			
Accounts payable	12	<b>1,464,115</b>	1,939,351
Accrued expenses and other payables		<b>51,648</b>	85,881
Bank loans	13	<b>4,409,000</b>	5,162,165
Lease liabilities		<b>54,322</b>	54,186
Current taxation		<b>6,718</b>	3,462
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>5,985,803</b>	7,245,045
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets</b>		<b>1,603,532</b>	2,296,266
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets less current liabilities</b>		<b>1,743,567</b>	2,523,469
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<b>Non-current liabilities</b>			
Accrued expenses and other payables		<b>608</b>	794
Lease liabilities		<b>8,545</b>	51,304
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>9,153</b>	52,098
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,734,414</b>	2,471,371
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>EQUITY</b>			
Share capital		<b>509,189</b>	509,189
Share premium		<b>738,020</b>	738,020
Exchange reserve		<b>333</b>	48
Merger reserve		<b>(20,000)</b>	(20,000)
Retained profits		<b>506,872</b>	1,244,114
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>1,734,414</b>	2,471,371
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*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 amendments to 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 accounting period 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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

- Amendments to HKAS 16, “*Property, plant and equipment: Proceeds before intended use*”
- Amendments to HKAS 37, “*Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*”

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 annual report.

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

### 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 overseas markets, margin and IPO 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**

	2023			
	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Revenue from customers:				
— Brokerage commission	348,578	250,032	—	598,610
— Dealing income	—	—	4,876	4,876
— Interest income from margin financing	276,863	—	—	276,863
— Interest income from IPO financing	777	—	—	777
Reportable segment revenue	<u>626,218</u>	<u>250,032</u>	<u>4,876</u>	<u>881,126</u>
Interest income from cash clients	36,481	—	—	36,481
Other interest income	168,229	28,468	—	196,697
Handling and settlement fees	<u>76,169</u>	<u>23</u>	<u>—</u>	<u>76,192</u>
Reportable segment profit (EBIT)	<u>655,117</u>	<u>141,301</u>	<u>2,355</u>	<u>798,773</u>
Amortisation and depreciation				
for the year	(17,229)	(2)	—	(17,231)
Finance costs	(132,927)	(1)	—	(132,928)
Additions to non-current segment assets				
during the year	<u>15,306</u>	<u>—</u>	<u>—</u>	<u>15,306</u>
Reportable segment assets	<u>6,986,752</u>	<u>992,403</u>	<u>29,152</u>	<u>8,008,307</u>
Reportable segment liabilities	<u>(5,599,447)</u>	<u>(535,710)</u>	<u>(10,491)</u>	<u>(6,145,648)</u>



	2022			
	Securities	Commodities	Bullion	Total
	broking	and futures	trading	
	\$'000	broking	\$'000	\$'000
		\$'000		
Revenue from customers:				
— Brokerage commission	465,974	225,369	—	691,343
— Dealing income	—	—	10,791	10,791
— Interest income from margin financing	326,135	—	—	326,135
— Interest income from IPO financing	37,737	—	—	37,737
	<u>829,846</u>	<u>225,369</u>	<u>10,791</u>	<u>1,066,006</u>
Reportable segment revenue				
Interest income from cash clients	51,906	—	—	51,906
Other interest income	24,420	2,395	—	26,815
Handling and settlement fees	96,560	12	—	96,572
	<u>672,580</u>	<u>93,184</u>	<u>7,860</u>	<u>773,624</u>
Reportable segment profit (EBIT)				
Amortisation and depreciation				
for the year	(17,089)	(8)	—	(17,097)
Finance costs	(132,865)	(3)	—	(132,868)
Additions to non-current segment assets				
during the year	<u>7,958</u>	<u>—</u>	<u>—</u>	<u>7,958</u>
Reportable segment assets	8,703,165	1,085,483	29,304	9,817,952
Reportable segment liabilities	<u>(6,562,238)</u>	<u>(636,323)</u>	<u>(12,615)</u>	<u>(7,211,176)</u>

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>881,126</b>	1,066,006
Elimination	<b>(341)</b>	(542)
Unallocated corporate revenue	<b>948</b>	2,548
	<hr/>	<hr/>
Consolidated revenue	<b>881,733</b>	1,068,012
	<hr/>	<hr/>
<b>Profit</b>		
Reportable segment profit (EBIT)	<b>798,773</b>	773,624
Finance costs	<b>(114,202)</b>	(124,512)
Unallocated corporate income	<b>117,481</b>	115,812
Unallocated corporate expenses	<b>(109,857)</b>	(108,710)
	<hr/>	<hr/>
Consolidated profit before taxation	<b>692,195</b>	656,214
	<hr/>	<hr/>
<b>Assets</b>		
Reportable segment assets	<b>8,008,307</b>	9,817,952
Elimination	<b>(404,685)</b>	(223,715)
Unallocated corporate assets	<b>125,748</b>	174,277
	<hr/>	<hr/>
Consolidated total assets	<b>7,729,370</b>	9,768,514
	<hr/>	<hr/>
<b>Liabilities</b>		
Reportable segment liabilities	<b>(6,145,648)</b>	(7,211,176)
Elimination	<b>1,168,476</b>	1,151,688
Unallocated corporate liabilities	<b>(1,017,784)</b>	(1,237,655)
	<hr/>	<hr/>
Consolidated total liabilities	<b>(5,994,956)</b>	(7,297,143)
	<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:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Brokerage commission	<b>598,269</b>	690,801
<b>Revenue from other sources</b>		
Dealing income from bullion trading	<b>4,876</b>	10,791
Dealing income from leveraged foreign exchange trading	<b>948</b>	2,548
Interest income from margin financing	<b>276,863</b>	326,135
Interest income from IPO financing	<b>777</b>	37,737
	<b>283,464</b>	377,211
	<b>881,733</b>	1,068,012

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

	2023 \$'000	2022 \$'000
Interest income from		
<b>Financial assets carried at amortised cost</b>		
— Authorised institutions	188,762	25,586
— Others	7,959	1,230
	<u>196,721</u>	<u>26,816</u>
<b>Financial assets carried at fair value through profit or loss (“FVPL”)</b>		
— Cash clients	36,481	51,906
	<u>233,202</u>	<u>78,722</u>
Handling and settlement fees	76,192	96,572
Dividend income	2,083	1,607
Government grants	2,585	1,131
Sundry income	12,095	12,248
	<u>326,157</u>	<u>190,280</u>

## 6 OTHER NET LOSS

	2023 \$'000	2022 \$'000
Realised gain/(loss) from		
— Financial assets at fair value through profit or loss	1,466	(3,373)
Unrealised loss from		
— Financial assets at fair value through profit or loss	(4,755)	(23,386)
	<u>(3,289)</u>	<u>(26,759)</u>
Net foreign exchange (loss)/gain	(4,356)	19,600
Loss on disposals of property, plant and equipment	(69)	(36)
Error trades arising from dealings	(12)	(180)
Others	(948)	(1,146)
	<u>(8,674)</u>	<u>(8,521)</u>

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023 \$'000	2022 \$'000
<b>(a) Finance costs</b>		
Interest expenses on		
— Bank loans for IPO financing	106	26,514
— Other bank loans	104,608	93,561
— Lease liabilities	1,444	1,122
— Others	8,044	3,315
	<u>114,202</u>	<u>124,512</u>
<b>(b) Staff costs</b>		
Salaries, allowances and benefits in kind	103,317	111,430
Discretionary bonuses	13,454	45,402
Contributions to Mandatory Provident Fund	3,349	3,784
	<u>120,120</u>	<u>160,616</u>
<b>(c) Other operating expenses</b>		
Advertising and promotion expenses	15,057	19,488
Auditors' remuneration	1,768	1,733
Commission, handling and settlement expenses	97,239	114,566
Information and communication expenses	44,721	44,435
Legal and professional fees	1,785	1,891
Operating lease payments — property rentals	87	278
Rates and building management fees	4,946	4,340
Miscellaneous expenses	31,856	36,728
	<u>197,459</u>	<u>223,459</u>

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2023 \$'000	2022 \$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	70,598	96,153
(Over)/under-provision in respect of prior years	(17)	111
	<u>70,581</u>	<u>96,264</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,019	(1,552)
	<u>71,600</u>	<u>94,712</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022–23 subject to a maximum reduction of \$6,000 for each business (2022: a maximum reduction of \$10,000 was granted for the year of assessment 2021–22 and was taken into account in calculating the provision for 2022).

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

	<b>2023</b>	2022
	<b><i>\$'000</i></b>	<i>\$'000</i>
Profit before taxation	<b>692,195</b>	656,214
Notional tax on profit before taxation calculated at the rates applicable to profits in the countries concerned	<b>114,058</b>	108,110
Tax effect of non-deductible expenses	<b>2,246</b>	3,656
Tax effect of non-taxable revenue	<b>(43,617)</b>	(13,498)
Tax effect of unused tax losses not recognised	<b>272</b>	3
Utilisation of tax loss previously not recognised	<b>(25)</b>	(41)
(Over)/under-provision in respect of prior years	<b>(17)</b>	111
Others	<b>(1,317)</b>	(3,629)
Total tax charge for the year	<b>71,600</b>	94,712

**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.

	<b>2023</b>	2022
Earnings		
Profit for the year attributable to owners of the Company ( <i>\$'000</i> )	<b>620,595</b>	561,502
Number of shares		
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<b>1,697,296</b>	1,697,296
Basic earnings per share ( <i>cents</i> )	<b>36.56</b>	33.08

## Diluted earnings per share

There was no dilutive potential ordinary share during the year (2022: 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:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Final dividend proposed of 50.0 cents (2022: 10.0 cents) per ordinary share for a total of 1,697,296,308 issued shares in 2023 (2022: 1,697,296,308 issued shares) by the Group	<b>848,648</b>	169,730
Special dividend paid of 70.0 cents per ordinary share for a total of 1,697,296,308 issued shares in 2023 (2022: 1,697,296,308 issued shares) during the year	<b><u>1,188,107</u></b>	<u>—</u>

The final dividend (partly paid out of the share premium account) 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:**

	<b>2023</b>	2022
	<b><i>\$'000</i></b>	<i>\$'000</i>
Final dividend in respect of previous financial year, approved and paid during the year, of 10.0 cents (2022: 13.0 cents) per ordinary share for a total of 1,697,296,308 issued shares in 2023 (2022: 1,697,296,308 issued shares)	<b><u>169,730</u></b>	<u>220,649</u>

**11 ACCOUNTS RECEIVABLE**

	<b>2023</b>	2022
	<b><i>\$'000</i></b>	<i>\$'000</i>
Accounts receivable from:		
— Clearing houses	<b>857,424</b>	1,043,642
— Brokers and dealers	<b>267,855</b>	402,179
Less: Loss allowance	<b><u>(2,011)</u></b>	<u>(2,539)</u>
Financial assets measured at amortised cost	<b><u>1,123,268</u></b>	<u>1,443,282</u>
Accounts receivable from:		
— Cash clients	<b>382,430</b>	410,185
— Margin clients	<b><u>5,466,015</u></b>	<u>7,062,400</u>
Financial assets measured at FVPL	<b><u>5,848,445</u></b>	<u>7,472,585</u>
	<b><u>6,971,713</u></b>	<u>8,915,867</u>

(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:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Current	<b>47,804</b>	73,861
Less than 1 month	<b>142,317</b>	166,477
1 to 3 months	<b>118,071</b>	79,541
More than 3 months	<b>74,238</b>	90,306
	<b>334,626</b>	336,324
	<b>382,430</b>	410,185

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 2023, the total market value of their portfolios of securities was \$2,176,486,000 (2022: \$2,430,129,000).

Margin clients are required to pledge securities as 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 31 March 2023, margin loans due from margin clients were current and repayable on demand except for \$166,000 (2022: \$146,000) where the margin loans were past due. \$5,000 (2022: \$14,000) were past due for less than 1 month. \$7,000 (2022: \$3,000) were past due for 1 to 3 months. \$34,000 (2022: \$11,000) were past due for 3 months to 1 year. \$120,000 (2022: \$118,000) were past due for over 1 year following the trading suspension of the pledged securities. At 31 March 2023, the total market value of securities pledged as collateral in respect of the loans to borrowing margin clients and all margin clients were \$13,431,769,000 and \$22,710,446,000 respectively (2022: \$16,880,241,000 and \$25,630,574,000 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.

**(b) Loss allowance of accounts receivable**

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**

	<b>2023</b>	2022
	<b><i>\$'000</i></b>	<i>\$'000</i>
Accounts payable		
— Cash clients	<b>447,948</b>	450,682
— Margin clients	<b>892,294</b>	1,017,756
— Clearing houses	<b>1,288</b>	143,022
— Brokers	<b>122,585</b>	327,891
	<b><u>1,464,115</u></b>	<u>1,939,351</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

	<b>2023</b> <b>\$'000</b>	2022 \$'000
Secured loans		
— Bank loans	<b>3,465,000</b>	4,042,165
Unsecured loans		
— Bank loans	<b>944,000</b>	1,120,000
	<b><u>4,409,000</u></b>	<b><u>5,162,165</u></b>

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 2023 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 \$3,465,000,000 (2022: \$4,042,165,000). The fair value of the collateral re-pledged to banks as at 31 March 2023 amounted to \$7,155,583,000 (2022: \$9,093,292,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

The global market was an ever-changing landscape when looking back on this year. The three-year COVID-19 epidemic has finally come to an end, but its aftermath, hidden worries and unforeseen effects have really worried the governments of various countries. The supply chains of many countries were broken during the epidemic, causing costs to rise in all sectors and resources to be stretched thin, resulting in soaring prices and worsening the inflation problem. In order to suppress the unprecedented inflation, the U.S. had no alternatives but to raise interest rates continuously to curb it. The persistently high interest rates did, on the surface, alleviate the inflation, but behind the scenes, there was an impact on banks' lending business due to the high interest rates and therefore a significant adjustment in the prices of various types of bonds. Bank failures occurred in the affected business environment, and governments became cautious about the economic outlook as they worried about a repeat of the Lehman Brothers incident in 2008. On the other hand, the war between Russia and Ukraine, which has been raging for more than a year, seems to have no sign of a ceasefire, and energy prices remain high, adding to the headwinds of a recovering global economy.

The Hong Kong economy is expected to recover gradually in 2023 given that the Hong Kong government has officially announced the full lifting of the epidemic prevention measures and the resumption of more business and economic activities. However, with the uncertain global economic and geopolitical outlook, the risk appetite for corporate investment, business expansion and personal consumption is expected to remain conservative in the near term.

The relationship between China and the U.S. has always been the biggest global concern. Since Donald Trump took office as President of the U.S. in 2017, the relationship between the two countries has often faced fierce clashes. On many issues such as policies, economy and geopolitics, there are serious differences between China and the U.S.. Joe Biden, the current President of the U.S., has not improved relations between the two countries during his term of office. He has been more assertive than his predecessor on trade and technology issues, and has even repeatedly signed executive orders restricting U.S. companies from investing in key areas of the Chinese economy, creating unnecessary friction and disputes between the two sides. As for geopolitics, the Taiwan Question, the Indo-Pacific strategy, and the Korean Peninsula all have been highly controversial issues in recent years. However, the U.S. side has not changed its provocative behavior, as evidenced by the Douyin, chip and balloon issues, showing that it is a trouble maker. Given these problems, if any should go wrong, the global economy will be affected, and Hong Kong is not immune.

For the Year, Hong Kong has experienced volatility. Under the economic downturn, the property market has returned to the level of 2018, while the stock market has even returned to the level of 1997, hitting a low of 14,597 points. The rapid decline in the share prices of many major blue-chip stocks has shrunk investors' assets and their desire to invest has been greatly diminished, resulting in a continuous decline of turnover. The overall market sentiment has been affected, and Hong Kong stocks have repeatedly plunged during the year. According to the statistics of the Hong Kong Exchanges and Clearing Limited ("HKEX"), the average daily turnover of HKEX for the Year was approximately HK\$120.3 billion, representing a drop of approximately 18.4% from the average daily turnover of approximately HK\$147.5 billion in the Prior Year. The total market value of Hong Kong listed companies at the end of 2022 was about HK\$35.7 trillion, representing a year-on-year decline of 15.8% compared to HK\$42.4 trillion at the end of 2021. In 2023, the situation seems to improve, as the HSI reached a high of 22,700 points on 27 January, but the improvement cannot sustain and the HSI only closed at 20,400 points at the end of the Year (i.e. 31 March).

## **OPERATIONAL RESULTS**

The Board announces that the Group's revenue for the Year was HK\$881.7 million (2022: HK\$1,068.0 million), a decrease of 17.4% compared to the Prior Year, despite due to the continuous contraction of Hong Kong stocks trading volume. Nevertheless, the profit for the Year was HK\$620.6 million (2022: HK\$561.5 million), representing an increase of 10.5% as compared to that for the Prior Year. Total comprehensive income attributable to equity shareholders amounted to HK\$620.9 million (2022: HK\$561.3 million), representing an increase of 10.5% as compared to that for the Prior Year. Basic and diluted earnings per share was 36.56 HK cents (2022: 33.08 HK cents). In contrast, according to the statistics of HKEX, the average daily turnover of the market for the Year was approximately HK\$120.3 billion, representing a drop of approximately 18.5% from the average daily turnover of approximately HK\$147.5 billion in the Prior Year, demonstrating that the Group's profits outperformed the market.

Despite the pressure in the stock market for the Year, the Group's earnings have been able to emerge from adversity and remain resilient, which is believed to be due to the fact that in adversity, the Group is able to introduce products and offers that meet the needs of the market and attract a wide range of customers, and besides, the Group continues to develop different types of financial products around the world, allowing customers to trade products of global interest in real time, thus maintaining an advantageous market share; coupled with effective cost control measures, the Group's resilience in adverse markets has led to an increase in earnings.

Despite the fact that after suffering from the incessant ravages of the pandemic in the past three years, the Hong Kong economy finally started to recover last year. With the successful reopening of the border between Hong Kong and mainland China and the relaunch of the global economy, the market is generally expected to bring unlimited opportunities to Hong Kong and stimulate the Hong Kong economy to bottom out quickly. However, the overall economic environment in Hong Kong has not recovered as ideal as expected by the market. Hong Kong's economy is suffering from internal worries and external problems under the context of political instability due to the stalemate in the tensions between China and the U.S.. Fortunately, under the long-term support and trust of our shareholders and the loyalty and dedication of our staff at all levels, the Group's results for the Year have achieved growth. All the members of the Board would like to take this opportunity to express their gratitude to each and every one of our shareholders, bring about more money of necessity under the uncertainty of the economic prospect and to bring a little warmth to our shareholders in this fluctuating economy, and therefore, recommend the payment of a final dividend per share of 50.00 HK cents (2022: 10.00 HK cents). The Board believes that the payment of the final dividend will not have any adverse effect on the underlying assets, business, operations or financial position of the Group.

## **TOTAL NUMBER OF CLIENT ACCOUNTS AND ASSETS**

In view of changes in the market conditions, the Group adjusted its marketing and operating strategies in a timely and appropriate manner. Besides, the Group invested heavily in the research and development of one-stop mobile trading apps, BS Securities (Baobao) and BS Futures (Doudou), as it anticipated the rapid increase in investor demand for financial technology. With continuous improvement of their performance and remarkable results, the apps successfully drew hundreds of thousands of downloads by investors. The Group will continuously improve its trading platforms and services 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.

The Group has made constant progress over the years, and has invested a lot of resources regardless of market conditions to provide clients with more comprehensive, high-quality and more professional services. As at the end of March 2023, the Group, together with the Central Head Office and all branches and "Bright Smart Mobile Teaching Centre", had a total of 13 outlets, covering the core areas of Hong Kong, some of which operate 7 days a week, breaking the industry tradition, to improve the quality of client service and bring convenience to our clients. 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 20,893, increasing the total number of client accounts to 547,742, representing a growth of 4.0% as compared to 526,849 as at 31 March 2022. As at 31 March 2023, client assets (including cash, stocks and margin deposits) amounted to approximately HK\$58.5 billion (31 March 2022: approximately HK\$64.5 billion).

## REVENUE

During the Year, the Group recorded revenue of HK\$881.7 million (2022: HK\$1,068.0 million), representing a decrease of 17.4% as compared to that for the Prior Year. A summary of the Group's revenue by business divisions is set out below:

	Year ended 31 March				
	2023		2022		
	<i>HK\$'000</i>	Proportion of total revenue %	<i>HK\$'000</i>	Proportion of total revenue %	Increment/ (decrement) %
Revenue from:					
— Securities brokerage	331,551	37.6%	437,221	40.9%	(24.2%)
— Hong Kong futures and options brokerage	135,206	15.3%	125,030	11.7%	8.1%
— Global futures brokerage	114,485	13.0%	99,797	9.4%	14.7%
— Bullion trading	4,876	0.5%	10,791	1.0%	(54.8%)
— Leveraged foreign exchange trading	948	0.1%	2,548	0.2%	(62.8%)
— Stock option brokerage	14,641	1.7%	15,463	1.5%	(5.3%)
— IPO brokerage	2,386	0.3%	13,290	1.3%	(82.0%)
Interest income from IPO financing	777	0.1%	37,737	3.5%	(97.9%)
Interest income from margin financing	276,863	31.4%	326,135	30.5%	(15.1%)
	<b>881,733</b>	<b>100.0%</b>	<b>1,068,012</b>	<b>100.0%</b>	<b>(17.4%)</b>

### Securities brokerage

The total turnover of securities on HKEX for the Year was HK\$29,586.1 billion, representing a year-on-year decrease of 18.8% (2022: HK\$36,431.7 billion). Commission income from the Group's securities brokerage business amounted to HK\$331.6 million (2022: HK\$437.2 million) and accounted for 37.6% (2022: 40.9%) of the total revenue, representing a decrease of 24.2% as compared with the Prior Year.

### Hong Kong futures and options brokerage

Hong Kong stocks fluctuated significantly, and the trading volume of futures market in Hong Kong has increased, benefiting the Group's commission income from Hong Kong futures and options brokerage. The number of derivative contracts traded on the Hong Kong Futures Exchange Limited ("HKFE") for the Year increased by 30.2% to 179.0 million (2022: 137.5 million), commission income from the Group's Hong Kong futures and options brokerage went up by 8.1% to HK\$135.2 million for the Year as compared to that for the Prior Year (2022: HK\$125.0 million), accounting for 15.3% (2022: 11.7%) of the total revenue.



## **Global futures brokerage**

During the year, the trading in the global futures market was active due to the significant volatility in market conditions. Commission income from global futures brokerage for the Year increased by 14.7% to HK\$114.5 million as compared to that for the Prior Year (2022: HK\$99.8 million), accounting for 13.0% (2022: 9.4%) of the total revenue.

## **Stock options brokerage**

Commission income from the Group's stock options brokerage for the Year decreased by 5.3% to HK\$14.6 million as compared to that for the Prior Year (2022: HK\$15.5 million), accounting for 1.7% (2022: 1.5%) of the total revenue. As stock options are highly leveraged investment products, the Group carefully monitors the margin level of stock option accounts and makes adjustments according to market conditions in order to properly control risks.

## **IPO brokerage and IPO financing**

As the market sentiment has turned cautious amidst the lingering effect of the COVID-19 pandemic and U.S. interest rate hikes, and the market reaction to the new stock market has become muted. According to HKEX statistics, the number of new listings in Hong Kong stock market continued to decline in 2022, with 89 companies successfully listed in Hong Kong for the year, hitting a record low since 2014 and a decrease of more than 50% compared to the peak number of IPOs in 2018; the total amount of IPO proceeds raised in 2022 was approximately HK\$104.57 billion, representing a sharp decrease of nearly 70% year-on-year and reaching a record low since 2013, with a dramatic drop. It is not uncommon for the IPO price to fall through on the first day of listing, and overall investor sentiment towards IPO subscriptions has fallen to a low point. Commission income from the Group's IPO brokerage business for the Year decreased by 82.0% to HK\$2.4 million as compared to that for the Prior Year (2022: HK\$13.3 million). Interest income from IPO financing decreased by 97.9% correspondingly to HK\$0.8 million (2022: HK\$37.7 million).

## **Margin financing**

During the Year, the Group's average daily margin lending decreased by 38.5% to HK\$6.02 billion (2022: HK\$9.79 billion) and the Group's interest income from margin financing amounted to HK\$276.9 million (2022: HK\$326.1 million), representing a year-on-year decrease of 15.1%, and accounting for 31.4% (2022: 30.5%) of the total revenue. The Group implements effective credit control procedures and recorded no bad debts in the past few years.

## PERFORMANCE OF PROPRIETARY INVESTMENTS

The Group held Hong Kong-listed securities, bonds and futures contracts as investments during the Year. As at 31 March 2023, the book value of investment portfolio stood at HK\$67.0 million (2022: HK\$51.0 million), which included Hong Kong-listed securities amounted to HK\$66.0 million (2022: HK\$49.4 million). During the Year, the investment loss from financial assets at fair value through profit or loss was HK\$3.3 million (2022: loss of HK\$26.8 million).

## OPERATING EXPENSES AND NET PROFIT MARGIN

With effective cost control, the operating expenses of the Group for the Year decreased by 14.6% to HK\$507.0 million as compared to that for the Prior Year (2022: HK\$593.6 million), and net profit margin of the Group increased to 70.4% (2022: 52.6%).

A breakdown of operating expenses is as follows:

	<b>2023</b>	2022	Increment/ (decrement)
	<b>HK\$'000</b>	HK\$'000	%
Staff cost	<b>120,120</b>	160,616	(25.2%)
Amortisation and depreciation	<b>74,488</b>	77,541	(3.9%)
Net charges for expected credit losses	<b>752</b>	7,429	(89.9%)
Finance costs	<b>114,202</b>	124,512	(8.3%)
Advertising and promotion expenses	<b>15,057</b>	19,488	(22.7%)
Auditors' remuneration	<b>1,768</b>	1,733	2.0%
Commission, handling and settlement expenses	<b>97,239</b>	114,566	(15.1%)
Information and communication expenses	<b>44,721</b>	44,435	0.6%
Rental, rates and building management fees	<b>5,033</b>	4,618	9.0%
Legal and professional fees	<b>1,785</b>	1,891	(5.6%)
Miscellaneous expenses	<b>31,856</b>	36,728	(13.3%)
	<b>507,021</b>	593,557	(14.6%)

## OUTLOOK

It is undeniable that Hong Kong has always been backed by its motherland, both economically and geographically, and has been able to get out of its predicament many times over the years thanks to its motherland's aids. China's economy showed an obvious recovery in the first 3 months of 2023 after Chinese government suddenly lifted the stringent zero-COVID policy in early December last year. National Bureau of Statistics of China reported that China's gross domestic product grew by 4.5% in the first quarter compared to the same period last year, exceeding market expectations. As the inflationary pressures in the U.S. continued to ease, the Federal Reserve began to slow down the pace of interest rate hikes in December last year, raising rates by 50 basis points at a time. It is expected that the Federal Reserve will continue to slow down its interest rate hikes in 2023, raising rates by 25 basis points at a time and there will be no interest hikes after June. Inflation in Europe continues to run at high levels, and the European economy is expected to inevitably fall into recession in 2023. China-US trade and China-Europe trade contribute more than 80% of China's trade surplus. China's services trade deficit is expected to widen significantly in the new year as China opens up travel outside its borders. All these factors have caused China decision makers to focus on domestic demand.

The year 2023 marks the 10th anniversary of the Belt and Road Initiative. In the aftermath of the pandemic, it is believed that the country will promote economic and trade exchanges and development between China and the countries along the route in 2023 and begin to develop mutual enhancement and linkages with regional economic cooperation mechanisms. This combination may frequently occur between China and the Gulf States, China and Africa, and China and Latin America. It is likely that the Shanghai Cooperation Organisation will shift from a pure security cooperation mechanism to a dual security and economic cooperation mechanism. The Belt and Road Initiative will create some kind of economic interaction, thus enabling the Belt and Road project to be implemented as a multilateral cooperation to counteract the impact of geopolitical tension. It will also speed up the progress of RMB digitisation, which will better stabilise China's financial system and bolster the Hong Kong economy.

The Stock Connect is a mechanism that links the stock markets of Shanghai, Shenzhen and Hong Kong, allowing Mainland investors to directly trade Hong Kong stocks and Hong Kong investors to directly trade Shanghai and Shenzhen A-shares. The southbound channel is Hong Kong Stock Connect, while the northbound channels are Shanghai Stock Connect and Shenzhen Stock Connect, respectively. With the introduction of these measures, Hong Kong's stock market has enjoyed tremendous opportunities, and the results are clear to all. With the southward flow of capital from the north, it brings unlimited impetus to the turnover of HKEX. As the Mainland continues to deepen its financial reforms and establish more ties with other markets, Hong Kong will continue to be an important gateway to the Mainland market for international companies and investors. The further expansion of the market connect plans (including the implementation of Cross-Boundary Wealth

Management Connect, the inclusion of ETFs in the Stock Connect mechanism, and the rapid development of the Greater Bay Area) will bring about tremendous new opportunities for investors and the industry.

The scope of the underlying stocks of the Stock Connect will be further expanded from 13 March 2023, when the stocks of major foreign companies listed in Hong Kong meeting the relevant criteria will be included in the underlying stocks of the Hong Kong Stock Connect. At the same time, the scope of the Shanghai Stock Connect and Shenzhen Stock Connect will also be expanded to include stocks that meet certain criteria as constituents of the Shanghai Stock Exchange A-Share Index or Shenzhen Stock Exchange Composite Index. It is believed that this will further stimulate the turnover of Hong Kong stocks and bring unlimited business opportunities to the Group.

### **Developing diversified global financial products**

The Group has always seized every opportunity in the market and adopted an aggressive and unafraid business philosophy. Over the past nearly 30 years since its inception, the Group has always been committed to working alongside Hong Kong people to provide quality services to our customers. As the application of financial technology in wealth management business becomes more mature, the Group has been promoting the digitalisation and intelligence of clients' trading services by combining online and offline marketing and business operating strategies, utilising financial technology towards the objectives of reducing costs, increasing efficiency, expanding client base and enhancing client experience, so as to further strengthen its core competitiveness. It will continuously seek and expand global investment products 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 continuously develop more global financial products to meet market demands, thus consolidating our leading position in the industry.

### **Promoting digital investment services**

The Group has always adopted a proactive business model and all of its trading systems are already connected to major financial markets around the world, allowing customers to trade anytime and anywhere through BS Baobao and Doudou APPs and all online trading channels, and the Group also regularly optimises and improves all online trading functions and the speed to place an order; and continuously promotes 24-hour Electronic Direct Debit Authorisation service approved by the Hong Kong Monetary Authority. This service allows clients to deposit money and trade financial products anytime, anywhere regardless of time differences and Hong Kong holidays after going through a simple registration procedure with any bank account.

## **Laying a solid foundation and strengthening the sales network**

The Group perpetuated the expansion of its offline network by operating a total of 13 outlets including Bright Smart Mobile Teaching Centre, traveling across Hong Kong, in a bid to provide clients with considerate services. This year, to further refine this branch network and improve its customised service coverage, the Group will consider any site with low rent, prime location and high pedestrian flow.

To play an important role in investors' education over years, the Group launched the first broadcasting channel "Bright Smart Finance Channel", through which it makes a financial programme on each trading day to provide investors with instant information and answer their questions. Besides, it organised various investment seminars and stock and futures investment simulation competitions free of charge. For instance, the Group partnered with world-renowned stock exchanges, financial institutions and top industry 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. It believes that investors' education should be open for all, easy to understand and diversified so as to enhance the financial literacy and abilities of the public via different channels and assist them in developing responsible financial habits, behaviours and decisions.

## **Enhancing online trading security**

The Group has invested substantial resources in improving the efficiency and capacity of its online trading systems to meet clients' needs. In order to offer a more convenient and stable online trading platform, the Group has previously 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.

Internet technology and mobile communication technology have become an indispensable part of our daily lives, and with the rapid development of online financing, the issue of online trading security has also arisen. Investors are becoming increasingly risk-averse and are paying more and more attention to the safety of online trading. The Group understands that the online trading security is a top concern of investors and is committed to ensuring sound and secured trading. The Group has developed an anti-disruption system, with four trading platforms for trading global stocks, namely BS Securities (Baobao), Bright Smart Securities (MH), computer (web version) and computer (professional version). The platforms can support and complement each other to provide clients with four-fold protection. Furthermore, the Group has set up three futures and two leveraged foreign exchange trading platforms, on which global futures and leveraged foreign exchange

products can be traded. The platforms can complement each other to avoid disruptions, which ensure unimpeded and convenient investments without crashes. Nine-fold protection measures aim at significantly improving security.

In addition, customers will receive SMS or email alerts from the Group once trading is completed. The Group will continue to enhance the capacity and speed of the trading system, conduct regular tests and invest in improving the security level of online trading in order to provide the most secure and reliable trading platform for our customers to invest worrylessly.

## **Conclusion**

The Hong Kong market has shown strong resilience in the face of unprecedented challenges. The Group firmly believes that Hong Kong remains as a top international financial centre. During the past period of adversity, the Group is particularly grateful for the long-term support and trust of our shareholders and the dedication of our staff, which have brought many important results to the Group. All of our employees have not only shown perseverance but have also been able to adapt to rapid change, so as to carry out the Group's missions with determination, and to meet and exceed exacting standards in the process. This will continue to be the Group's top priority as it strives to maintain strict compliance with the regulatory regime in Hong Kong and to build market and public confidence through the performance of its daily duties. The Group would also like to express its gratitude to the members of the Board for their continued guidance and support to the Group.

The Group firmly believes that only by keeping close to the needs of clients can it stand out in the fierce competition. For the Year, the Group, with the "client-oriented and service-first" philosophy, adopted both aggressive and defensive strategies at the moment when the real economy went downhill. On one hand, it has been committed to optimising the performance of Baobao and Doudou apps to improve user experience. On the other hand, it allocated more resources on various online and offline platforms for publicity and promotion and increasing brand exposure, attracting more investors to open accounts and trade products through Bright Smart Securities. The Group plans to 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 achievements today depend on the long-standing support and trust 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 love 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 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\$504.5 million as at 31 March 2023 (2022: HK\$524.7 million). The Group had bank borrowings of HK\$4,409.0 million as at 31 March 2023 (2022: HK\$5,162.2 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 2023, unutilised banking facilities amounted to HK\$17,637.2 million (2022: HK\$16,048.8 million). The Group's gearing ratio (total bank borrowings excluding IPO financing divided by the total shareholders' equity) was 254.2% (2022: 208.9%). As at 31 March 2023, the Group had net current assets of HK\$1,603.5 million (2022: HK\$2,296.3 million) and a current ratio (current assets divided by current liabilities) of 1.3 times (2022: 1.3 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 (Cap. 571N of the Laws of Hong Kong "FRR").

### **CHARGES ON ASSETS**

No asset of the Group was subject to any charge as at 31 March 2023 and 2022.

### **CONTINGENT LIABILITIES**

As at 31 March 2023, 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\$16,494.2 million (2022: HK\$15,724.5 million). As at 31 March 2023, the subsidiaries of the Company have utilised HK\$3,579.0 million of these aggregate banking facilities (2022: HK\$4,063.7 million).

As at 31 March 2023, 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 2023 were approximately HK\$0.6 million (2022: HK\$5.4 million).

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 31 March 2023, the Group had a work force of 206 employees (2022: 262 employees). Staff costs, excluding directors' emoluments, amounted to approximately HK\$94.7 million for the Year (2022: HK\$128.7 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 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 2023 and up to the date of this report, 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 credit 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 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 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 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 terms.

### **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, 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 exchange risk**

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars (“USD”), Renminbi, Singapore dollars, Japanese Yen, Australian dollars 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 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 the Stock Exchange of Hong Kong 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, capped by the principal amount and accrued interest, without discounting.

## **FINAL DIVIDEND**

To reward all shareholders of the Company for their continued support over the years, the Board recommended the payment of a final dividend of 50.0 HK cents per share, subject to the approval of the proposed final dividend by the Company’s shareholders at the forthcoming annual general meeting (“AGM”) to be held on Monday, 21 August 2023. If approved, the final dividend will be paid to the Company’s shareholders on Monday, 11 September 2023. Shareholders whose names appear on the register of members of the Company on Monday, 28 August 2023 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 Tuesday, 15 August 2023 to Monday, 21 August 2023 (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 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration, not later than 4:30 p.m. on Monday, 14 August 2023. The AGM will be held on Monday, 21 August 2023.

## **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 Friday, 25 August 2023 to Monday, 28 August 2023 (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 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration, not later than 4:30 p.m. on Thursday, 24 August 2023.

## **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 (the "Listing Rules") throughout the Year.

## **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. Having made specific enquiries of each Director, all the Directors have confirmed that they have complied with the Model Code throughout the Year.

## **REVIEW OF ANNUAL RESULTS**

The annual results for the Year had been reviewed by the audit committee of the Company, which comprises the four 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 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.

## **PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of the HKEX (<https://www.hkexnews.hk>) and the website of the Company (<https://www.bsgroup.com.hk>). The Annual Report 2022/23 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, 26 June 2023

*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, Mr. Ling Kwok Fai, Joseph and Ms. Wong Ting Ting, Priscilla as Independent Non-executive Directors.*