

TARGET

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BRIGHT SMART SECURITIES AND COMMODITIES GROUP LTD: TIMES ARE TOUGH FOR CHAIRMAN YIP MOW LUM ... AND THEY COULD GET EVEN TOUGHER

One might be tempted to suggest that, all things considered, Bright Smart Securities and Commodities Group Ltd (耀才證券金融集團有限公司) (Code: 1428, Main Board, The Stock Exchange of Hongkong Ltd), during the Financial Year, ended March 31, 2022, had performed reasonably well ... while the managements of many other companies of this company's ilk have been forced to pull down their shutters – forever!

The above statement is despite the fact that Bright Smart Securities and Commodities Group Ltd suffered, alongside its many competitors, operating in the 416 square miles that constitute the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**, during the 2021-2022 Financial Year.

The above is not to infer, amongst other things, taking into account known evidence and logical reasoning, that all is well in terms of the financials of this Company, because, inter alia, present matters are quite likely, in the months to come, to cause the financials of the Company to take a turn for the worst.

It is, almost, inevitable.

According to Page 232 of the 2021-2022 Annual Report of the Company, Senior Management accepted that, in respect of the 2021-2022 Financial Year, the Company had to partake of more than a small bite of a rather bitter plum.

The following are just four of the financial statistics, obtained from the Five Year Financial Summary of the Company with regard to the 2021-2022 Year:

	For The Financial Year, Ended March 31		Percentage Increase/(Decrease)*
	2022	2021	
	All Figures Are Denominated In Hongkong Dollars'000		
Revenue	1,068,012	1,285,201	(16.90)
Profit Before Taxation	656,117	817,188	(19.71)
Profit For The Year	561,405	703,905	(20.24)
Total Comprehensive Income For The Year	561,248	703,612	(20.23)

* These are **TARGET**'s calculations.

The Business Of Bright Smart Securities And Commodities Group Ltd

The business of Bright Smart Securities and Commodities Group Ltd is that of an investment holding, corporate entity, engaged in, amongst other things, the provision of financial services.

The Company operates through the following inter-dependent segments:

- **The Securities Broking Segment:**

Inter alia, this segment is, principally, engaged in the provision of broking services in securities, traded on the equity markets of the HKSAR.

The Company, also, engages in margin financing services to broking clients.

- **The Commodities and Futures Broking Segment:**

This segment engages in the provision of broking services in Commodities and Futures Contracts, traded on the HKSAR and on overseas markets.

- **The Bullion Trading Segment:**

This segment is engaged in the provision of trading services in bullion contracts, traded on overseas markets.

According to the Company's 2021-2022 Annual Report, at Page 36, it is stated:

'During the fiscal year, the number of new accounts (after deducting the number of client accounts closed) reached 44,436, increasing the total number of client accounts to 526,849, a growth of 9.2% as compared to 482,413 as at 31 March 2021. As at 31 March 2022, client assets (including cash, stocks and margin deposits) amounted to approximately HK\$64.5 billion (31 March 2021: approximately HK\$74.2 billion).'

Then, at Page 38 of the Company's 2021-2022 Annual Report, under the heading, '**Securities Brokerage**', one was informed:

'The total turnover of securities on HKEX (the Hongkong Exchanges and Clearing Ltd [香港交易及結算所有限公司]) for the Year was HK\$36,431.7 billion, a year-on-year decrease of 4.9% (2021: HK\$38,300.4 billion). Commission income from the Group's securities brokerage business amounted to HK\$437.2 million (2021: HK\$517.6 million) and accounted for 40.9% (2021: 40.3%) of the total revenue, a decrease of 15.5% as compared with the Prior Year.'

At the following Page 39 of the Company's 2021-2022 Annual Report, under the heading, '**Hong Kong futures and options brokerage**', one learns:

'In view of the fluctuations in the market, clients of the Group used futures increasingly as hedging instruments. Although the number of derivative contracts traded on the Hong Kong Futures Exchange ("HKFE") for the Year decreased by 1.5% to 137.5 million (2021: 139.6 million), commission income from the Group's Hong Kong futures and options brokerage business went up by 3.8% to HK\$125.0 million for the Year as compared to that for the Prior Year (2021: HK\$120.4 million), accounting for 11.7% (2021: 9.4%) of the total revenue.'

At Page 40 of the Company's 2021-2022 Annual Report, under the heading, '**Global futures brokerage**', one was informed:

'The trading in the Hong Kong investment market continued to be active and diversified, stimulating investors' desire to invest in the global market; coupled with the increasingly volatile global market amid the COVID-19 pandemic, investors flocked to the futures market. Commission income from global futures brokerage for the Year increased by 7.6% to HK\$99.8 million as compared to that for the Prior Year (2021: HK\$92.8 million), accounting for 9.4% (2021: 7.2%) of the total revenue.'

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