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天順證券集團有限公司*
SKYWAY SECURITIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

(Warrant Code: 1153)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

The Board of Directors (the “Board”) of Skyway Securities Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016 together with comparative figures as follows:

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended	
		30 September	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue	4	46,038	20,451
Net gain (loss) on investments at fair value through profit or loss		119,737	(459,453)
Other income	5	15,294	55,001
Other gains and losses	6	(82,807)	(28,481)
Staff costs		(11,130)	(3,855)
Depreciation and amortisation		(12,492)	(10)
Other operating expenses		(16,007)	(10,957)
Share-based payment expense		–	(43,845)
Finance costs	7	(11,863)	(5,931)
Profit (loss) before taxation	8	46,770	(477,080)
Taxation	9	(35,267)	35,000
Profit (loss) for the period from continuing operations		11,503	(442,080)
Discontinued operation			
Loss for the period from discontinued operation	10	(339)	(1,170)
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company		11,164	(443,250)
Earnings (loss) per share (HK cents)	11		
From continuing and discontinued operations			
– Basic		0.08	(5.26)
– Diluted		0.07	(5.26)
From continuing operations			
– Basic		0.08	(5.25)
– Diluted		0.07	(5.25)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		As at 30 September 2016	As at 31 March 2016
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		4,788	594
Investment property	13	403,000	–
Goodwill		551,445	551,445
Contingent consideration		29,970	67,934
Intangible assets		123,874	135,973
Available-for-sale investments	14	345,701	358,218
Other assets		1,943	8,956
		1,460,721	1,123,120
Current assets			
Accounts receivable	15	598,799	425,684
Prepayments, deposits and other receivables		11,845	4,654
Loans receivable	16	63,000	7,000
Tax recoverable		–	5,187
Investments at fair value through profit or loss	17	573,321	406,355
Cash and bank balances			
– Segregated accounts		84,096	158,729
– House accounts		35,769	81,128
		1,366,830	1,088,737
Current liabilities			
Accounts payable	18	126,209	192,302
Other payables and accruals		21,344	16,474
Borrowings	19	246,234	80,000
Bank overdrafts		79,593	66,286
Tax payable		4,400	2,500
		477,780	357,562
Net current assets		889,050	731,175
Total assets less current liabilities		2,349,771	1,854,295

		As at 30 September 2016	As at 31 March 2016
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Borrowings	<i>19</i>	173,654	–
Notes payable		147,443	147,073
Promissory notes	<i>20</i>	25,885	260,010
Deferred tax liabilities		58,206	30,026
		<u>405,188</u>	<u>437,109</u>
Net assets		<u>1,944,583</u>	<u>1,417,186</u>
Capital and reserves			
Share capital		157,224	126,641
Reserves		1,787,359	1,288,284
Equity attributable to owners of the Company		1,944,583	1,414,925
Non-controlling interests		–	2,261
Total equity		<u>1,944,583</u>	<u>1,417,186</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

During the current interim period, since operations of supply and procurement was discontinued, details of which are disclosed in note 10, management considered the condensed consolidated statement of profit or loss and other comprehensive income is more appropriate to present expenses analysed by nature instead of by function. Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income for the six months period ended 30 September 2015 have been reclassified to conform with current year presentation.

In addition, during the current interim period, the Group recognised loss on early settlement of promissory notes, details of which are set out in note 20.

Furthermore, the Group acquired an investment property through acquisition of subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016. In addition, the Group applied the following accounting policies for investment property newly acquired in current period.

Investment property is property held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment property includes land held for undetermined future use, which is regarded as held for capital appreciation purpose. Investment property is initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment property is measured at its fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

- the provision of brokerage and related services segment represents the business line of provision of brokerage services, proprietary trading, securities margin financing services and futures and options contracts dealing services to clients commencing in November 2015;
- the securities investments segment represents investment and trading activities in listed equity securities, warrants, convertible bonds and interest bearing notes;
- the provision of finance segment represents provision of short-term loan financing activities; and
- the real estate segment represents the trading properties, property investment and letting of properties.

The supply and procurement was discontinued in the current period. The segment information reported does not include any amounts for the discontinued operation, which are described with more details in note 10. Accordingly, the segment information for the six months ended 30 September 2015 has been restated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 September 2016 (Unaudited)				
	Provision of brokerage and related services <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Real estate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations					
Segment revenue	<u>44,906</u>	<u>–</u>	<u>–</u>	<u>1,132</u>	<u>46,038</u>
Segment results	<u>260,402</u>	<u>(97,887)</u>	<u>(12)</u>	<u>943</u>	163,446
Unallocated other income					12,286
Unallocated other gains and losses					(104,565)
Unallocated expenses					(12,534)
Finance costs					<u>(11,863)</u>
Profit before taxation					46,770
Taxation					<u>(35,267)</u>
Profit for the period from continuing operations					<u>11,503</u>

Six months ended 30 September 2015
(Unaudited)
(Restated)

	Securities Investment <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Real estate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations				
Segment revenue	<u>3,220</u>	<u>16,931</u>	<u>300</u>	<u>20,451</u>
Segment results	<u>(456,248)</u>	<u>16,919</u>	<u>5,300</u>	(434,029)
Unallocated other income				50,000
Unallocated gains and losses				(28,481)
Unallocated expenses				(58,639)
Finance costs				<u>(5,931)</u>
Loss before taxation				(477,080)
Taxation				<u>35,000</u>
Loss for the period from continuing operations				<u>(442,080)</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 30 September 2016
(Unaudited)

	Provision of brokerage and related services <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Real estate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets and liabilities					
Segment assets	1,737,478	265,805	126	404,062	2,407,471
Unallocated assets					<u>420,080</u>
Total assets					<u>2,827,551</u>
Segment liabilities	371,076	70	–	182,651	553,797
Unallocated liabilities					<u>329,171</u>
Total liabilities					<u>882,968</u>

	As at 31 March 2016				
	(Audited)				
	(Restated)				
	Provision of brokerage and related services <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Real estate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets and liabilities					
Segment assets	1,329,055	363,051	6,706	7,000	1,705,812
Unallocated assets					503,988
Assets relating to discontinued operation					<u>2,057</u>
Total assets					<u>2,211,857</u>
Segment liabilities	337,900	70	195	–	338,165
Unallocated liabilities					455,599
Liabilities relating to discontinued operation					<u>907</u>
Total liabilities					<u>794,671</u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Commission income from brokerage and related services	18,234	–
Rental income	1,132	300
Interest income from provision of finance and securities	26,672	16,931
Dividend income from investment in listed equity securities	–	2,604
Interest income from investment in convertible bonds	–	616
	<u>46,038</u>	<u>20,451</u>

5. OTHER INCOME

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	1	1
Dividend income from investment in available-for-sales (“AFS”) investments	12,468	–
Trading gain from sale of property held for sale	–	5,000
Other income (<i>Note</i>)	2,825	50,000
	<u>15,294</u>	<u>55,001</u>

Note: Amount in prior period mainly represented other income from nomination of an independent third party to substitute the Group to complete the subscription of the shares of Mason Financial Holdings Limited of HK\$50,000,000, details are set out in the Company’s consolidated financial statements for the year ended 31 March 2015 published on 26 June 2015.

6. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Reversal of impairment loss recognised in respect of accounts receivable	9,317	–
Impairment loss recognised in respect of AFS investments (<i>Note 14</i>)	(12,468)	–
Change in fair value of contingent consideration	(37,964)	–
Loss on early settlement of promissory notes (<i>Note 20</i>)	(41,428)	–
(Loss) gain on disposal of property, plant and equipment	(25)	377
Loss on disposal of AFS investment	–	(28,400)
Net exchange loss	(2)	(1)
Others	(237)	(457)
	<u>(82,807)</u>	<u>(28,481)</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interests on:		
Notes payable	4,130	4,109
Promissory notes	2,606	–
Borrowings and bank overdrafts	5,127	1,822
	<u>11,863</u>	<u>5,931</u>

8. PROFIT (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The Group's profit (loss) before taxation from continuing operations is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	393	10
Amortisation of intangible assets	12,099	–
Minimum lease payments in respect of land and buildings	5,419	2,223
	<u>17,911</u>	<u>2,233</u>

9. TAXATION

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current period – Hong Kong Profits Tax	(7,087)	–
Deferred tax (charge) credit for the period	(28,180)	35,000
	<u>(35,267)</u>	<u>35,000</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both period.

10. DISCONTINUED OPERATION

During the current interim period, the Group entered into sale agreements to dispose of its 100% equity interest in Poly Resources (Asia) Limited and Poly Forestry International Limited (collectively the “Disposing Subsidiaries”) that carried out all of the Group’s supply and procurement operation at a consideration of HK\$863,000. The disposal was completed on 29 September 2016, on which date the Group lost control of the Disposing Subsidiaries. There was no gain or loss resulted from the disposal since the net assets of the Disposing Subsidiaries are mainly bank balance and cash, of which amount is same as the consideration.

The loss for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the supply and procurement operation as a discontinued operation.

	Six months ended	
	30 September	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(339)</u>	<u>(1,170)</u>

The results of the discontinued operation for the current and preceding interim periods were as follows:

	Six months ended	
	30 September	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Other income	–	660
Administrative expenses	<u>(339)</u>	<u>(1,830)</u>
Loss before taxation	(339)	(1,170)
Taxation	<u>–</u>	<u>–</u>
Loss for the period	<u>(339)</u>	<u>(1,170)</u>

During the current and preceding interim periods, the net operating cash flows contributed by supply and procurement operation to the Group are insignificant.

11. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss)		
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	11,164	(443,250)
	11,164	(443,250)
	Six months ended	
	30 September	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	14,445,750	8,424,055
Effect of dilutive potential ordinary shares:		
Warrants	1,287,564	N/A
	1,287,564	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	15,733,314	8,424,055
	15,733,314	8,424,055

From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following information:

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss) figures are calculated as follow:		
Profit (loss) for the period attributable to the owners of the Company	11,164	(443,250)
Add: Loss for the period from discontinued operations	339	1,170
	<hr/>	<hr/>
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	<u>11,503</u>	<u>(442,080)</u>

The denominators used are the same as those detailed above for the basic and diluted earnings (loss) per share.

From discontinued operation

Basic and diluted loss per share from the discontinued operation is HK0.002 (2015: HK0.01) cents per share, based on the loss for the period from discontinued operation of HK\$339,000 (2015: HK\$1,170,000) and the denominators detailed above for the basic and diluted earnings (loss) per share.

The computation of diluted earnings per share for the year ended 30 September 2016 does not assume the exercise of the Company's outstanding share options as the exercise price of the share options was higher than the average market price for the six months ended 30 September 2016.

The computation of diluted loss per share for the year ended 30 September 2015 does not assume the exercise of the Company's outstanding share options and warrants since their exercise would result in a decrease in loss per share.

12. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 and 2015.

13. INVESTMENT PROPERTY

HK\$'000

FAIR VALUE

At 1 April 2016

–

Acquired on acquisitions of subsidiaries

403,000

At 30 September 2016

403,000

The Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property.

The Group's investment property is located at 2 Lincoln Road, Kowloon Tong, Kowloon, Hong Kong (New Kowloon Inland Lot No.705) and it is currently for residential purpose and is held on medium term lease. Furthermore, it has been pledged to secure banking facilities granted to the Group.

The fair values of the Group's investment property at 30 September 2016 have been arrived at on the basis of valuation carried out by DTZ Cushman & Wakefield Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the investment property is derived from direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to recent comparable sales evidence as available in the relevant market and adjusted to specific features of this property, such as swimming pool built in.

14. AVAILABLE-FOR-SALE INVESTMENTS

During the six month ended 30 September 2016, one of the investees has incurred losses due to the distribution in specie of certain convertible notes to the Group, details of which were set out in note 17. Accordingly, impairment of HK\$12,468,000 is recognised to profit or loss in respect of that AFS investee.

During the six month ended 30 September 2015, the Group disposed of the entire unlisted equity securities of a private entity with carrying amount of HK\$103,400,000 and at a consideration of HK\$75,000,000, which had been carried at cost less impairment before disposal. A loss on disposal of HK\$28,400,000 had been recognised in profit or loss for the prior period.

15. ACCOUNTS RECEIVABLE

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Accounts receivable arising from the ordinary course of business of securities brokerage services dealing in securities transactions:		
– Clearing houses and brokers	7,888	10,037
– Cash clients	24,458	31,383
– Margin clients	545,687	373,098
	<u>578,033</u>	<u>414,518</u>
Accounts receivable arising from the ordinary course of business of dealing in futures and options contracts:		
– HKFE Clearing Corporation Limited (“HKCC”)	1,021	678
– Brokers	19,745	10,488
	<u>20,766</u>	<u>11,166</u>
	<u>598,799</u>	<u>425,684</u>

Accounts receivable arising from the business of dealing in securities

The normal settlement terms of accounts receivable from clients and clearing house, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

Accounts receivable due from margin clients are repayable on demand and carry interest at Hong Kong Prime Rate plus 4% to 8% per annum during the six months ended 30 September 2016.

Accounts receivable arising from the business of dealing in futures and options contracts

Under the settlement arrangement with HKCC, all open positions held at HKCC are treated as if they were closed out and re-opened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this “mark-to-market” settlement arrangement are included in accounts receivables with HKCC.

In accordance with the agreement with the broker, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivables with a broker.

Accounts receivable from HKCC and brokers represent transactions arising from the business of dealing in futures and options contracts. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

16. LOANS RECEIVABLE

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Loans receivable	<u>63,000</u>	<u>7,000</u>

The effective interest rate (which are equal to contractual interest rate) on the Group's loans receivable is 5.25% (31 March 2016: 5.25%) per annum.

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Held for trading:		
Equity securities listed in Hong Kong	573,321	406,355
Designated at fair value through profit or loss (FVTPL):		
Convertible bonds	<u>–</u>	<u>–</u>
	<u>573,321</u>	<u>406,355</u>

The fair values of the listed equity securities investments were determined based on the quoted market closing prices available on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Details of the Group's investments at FVTPL are as follows:

Stock code	Company name	% of shareholding in the respective investee as at 30 September 2016	Net (loss) gain on investments at FVTPL <i>HK\$'000</i>	Fair value as at 30 September 2016 <i>HK\$'000</i>	Fair value as at 31 March 2016 <i>HK\$'000</i>
139	China Soft Power Technology Holdings Limited	14.5%	(102,763)	266,876	369,056
572	Central Wealth Financial Group Limited	4.6%	184,669	255,499	36,173
1004	China Smarter Energy Group Holdings Limited	–	574	–	–
1282	China Goldjoy Group Limited	–	(429)	–	1,126
1370	Hengshi Mining Investments Limited	1.1%	50,154	50,946	–
			<u>132,205</u>	<u>573,321</u>	<u>406,355</u>

In addition, during the current interim period, one of the investees of the Group declared distribution in specie of the convertible notes issued by Up Energy Development Group Limited (“Up Energy”), a company listed in the Stock Exchange (the “Distribution”) to all the shareholders of such investee. Prior to the Distribution, the investee held principal amount of HK\$230 million of the convertible notes. The Distribution was completed on 25 April 2016. The Group designated the entire convertible notes received from the Distribution as financial assets designated at fair value through profit and loss at initial recognition. The fair value of the convertible notes of HK\$12,468,000, with principal amount of approximately HK\$33,000,000 held by the Group, was determined by reference to a valuation carried out on the distribution date by an independent qualified valuer, Peak Vision Appraisals Limited, which is not connected with the Group. Subsequent to the Distribution, Up Energy received winding up petitions filed by its creditor and currently under liquidation and first delisting stage under Practice Note 17 to the Listing Rules. Accordingly, the fair value of convertible notes issued by Up Energy is negligible at 30 September 2016.

18. ACCOUNTS PAYABLE

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Trade payables arising from supply and procurement business	–	857
Accounts payables arising from the ordinary course of business of securities brokerage services and dealing in futures and options contracts:		
– Clearing houses	–	3,323
– Cash clients	73,176	74,508
– Margin clients	53,033	113,614
	<u>126,209</u>	<u>192,302</u>

Trade payables arising from supply and procurement business

Trade payables were non-interest bearing and were normally settled on 60 days term.

An aged analysis of trade payables presented based on invoice date, is as follows:

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Over 180 days	<u>–</u>	<u>857</u>

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

Accounts payable arising from the business of dealing in futures and options contracts

Settlement arrangements with clients follow the same settlement mechanism with HKCC or a broker as disclosed in note 15 and profits or losses arising from mark-to-market settlement arrangement were included in accounts payables with clients.

Accounts payable to clients are non-interest bearing. The settlement terms of accounts payable are one day after trade day. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give addition value in view of the nature of this business.

19. BANK AND OTHER BORROWINGS

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Secured bank loans	188,416	80,000
Mortgaged bank loans	181,472	–
Unsecured other borrowing	50,000	–
	<u>419,888</u>	<u>80,000</u>

The carrying amounts of the above borrowings are repayable:

Within one year	246,234	80,000
Within a period of more than one year but not exceeding two years	7,614	–
Within a period of more than two years but not exceeding five years	22,841	–
With a period of more than five years	143,199	–
	<u>419,888</u>	80,000
Less: Amount due within one year shown under current liabilities	<u>(246,234)</u>	<u>(80,000)</u>
Amount shown under non-current liabilities	<u>173,654</u>	–

Bank borrowings are secured by marketable securities and investment property. The mortgaged bank loans are also guaranteed by two substantial shareholders. Bank borrowings carry variable interest rates ranging from 2.13% to 5.25% (31 March 2016: 2.3% to 4%) per annum.

Other borrowing carries a fixed interest rate of 5% per annum and repayable within one year.

20. PROMISSORY NOTES

During the current interim period, Capital Union Inc., an existing holder of promissory notes initiated to early settle the relevant promissory notes through the proceed of share subscription. On 3 May 2016, the Company entered into the subscription agreement with Capital Union Inc., pursuant to which Capital Union Inc. has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,450,000,000 new shares at the subscription price of HK\$0.18 per subscription share. There was no net proceeds from the subscription as the subscription was settled by way of set off against the outstanding promissory notes. The transaction was completed on 13 May 2016. The early settlement of the promissory notes has resulted in a loss of HK\$41,428,000, being the difference between the carrying amount of the promissory notes amounting to HK\$258,722,000 and the fair value of the shares amounting to HK\$300,150,000 based on the market price of the Company's share on 13 May 2016, recognised in the profit or loss for the current interim period.

In addition, upon the acquisition of subsidiaries during the period, the Company has issued promissory notes in the principal amount of HK\$29,000,000 as a part of the consideration during the current period. The promissory notes bear interest rate of 2% per annum and will be redeemed on the second anniversary from the issue date. The Company may at its option early repay the promissory notes with outstanding interest accrued thereon in whole or in part in integral multiples of principal amount of HK\$1 million by giving a prior ten business day's written notice to the noteholder. The early repayment option is not closely related to the host contract and the fair value is determined as negligible by an independent professional valuer. The fair value of promissory notes is HK\$25,885,000 at 15 July 2016 and the effective interest rate is 7.56% per annum based on the valuation carried out by an independent professional valuer.

As at 30 September 2016, the aggregate principal amount of promissory notes was HK\$29,000,000 (31 March 2016: HK\$285,000,000).

FINANCIAL RESULTS AND BUSINESS REVIEW

Revenue

The Group's revenue increased by approximately 124.4% to approximately HK\$46.0 million compared to approximately HK\$20.5 million for the same period in 2015. It was mainly due to the contribution from brokerage and related services during the period. The analysis of the Group's revenue by reportable segments is as below.

Brokerage and Related Services

Subsequent to the completion of the acquisition of Skyway Securities Investment Limited and Skyway Futures Limited in November 2015, the Group has further expanded its business line of provision of brokerage services, proprietary trading, securities margin financing services and futures and options contracts dealing services to clients. During the period under review, the segment revenue and segment profit contributed by brokerage and related services were approximately HK\$44.9 million and HK\$260.4 million respectively.

Investments

Securities Investment

During the period under review, the segment revenue, which included dividend income from investment in listed equity securities, and interest income from investment in convertible bonds and interest bearing notes decreased by 100% from HK\$3.2 million to zero as compared with the same period in last year.

During the period under review, the segment loss significantly reduced by approximately 78.5% to approximately HK\$97.9 million in the current period compared to the loss of approximately HK\$456.2 million in the previous period. The loss was mainly attributable to:

- (1) an unrealized loss on investments at fair value through profit or loss of approximately HK\$97.7 million, which reduced by approximately HK\$150.2 million compared to the loss of approximately HK\$247.9 million for the same period in last year; and
- (2) no realized loss on investments at fair value through profit or loss is noted in the current period, compared to the loss of approximately HK\$211.6 million for the same period in last year.

At the period end, the Group's securities portfolio mainly constituted of listed equity securities in semiconductors company and sourcing and supply chain service company.

Real Estate

The segment recorded rental income of approximately HK\$1.1 million (30 September 2015: approximately HK\$0.3 million) and segment profit of approximately HK\$0.9 million (30 September 2015: approximately HK\$5.3 million) during the period under review.

Supply and Procurement

The Group's supply and procurement segment represents sourcing, transporting and supplying of metal minerals and recyclable metal materials. Due to the continuous weak demand for building materials from our customers in the People's Republic of China, the management of the Group has ceased such business in the current period accordingly.

Results

For the period ended 30 September 2016, the Group recorded a profit attributable to owners of the Company of approximately HK\$11.1 million (30 September 2015: loss of approximately HK\$443.3 million), basic earnings per share of HK\$0.08 cents (30 September 2015: basic loss per share of HK\$5.26 cents) and diluted earnings per share of HK\$0.07 cent (30 September 2015: diluted loss per share of HK\$5.26 cents).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily financed its operations with internally generated cash flows, borrowings, and by its internal resources and shareholder's equity.

At 30 September 2016, the Group had current assets of approximately HK\$1,366.8 million (31 March 2016: approximately HK\$1,088.7 million) and liquid assets comprising cash (excluding segregated bank accounts) and short-term securities investments totaling approximately HK\$609.1 million (31 March 2016: approximately HK\$487.5 million). The Group's current ratio, calculated based on current assets of approximately HK\$1,366.8 million (31 March 2016: approximately HK\$1,088.7 million) over current liabilities of approximately HK\$477.8 million (31 March 2016: approximately HK\$357.6 million), was at a ratio of approximately 2.86 at the period end (31 March 2016: approximately 3.04). The Group's accounts receivable increased to approximately HK\$598.8 million (31 March 2016: approximately HK\$425.7 million) which was primarily due to the increase of revenue of the Group's business on brokerage and related services.

The Group's finance costs for the current period represented the effective interest on notes payable of approximately HK\$4.1 million (30 September 2015: approximately HK\$4.1 million), effective interest on promissory notes of approximately HK\$2.6 million (30 September 2015: nil) and interest on borrowings and bank overdrafts of approximately HK\$5.1 million (30 September 2015: approximately HK\$1.8 million). At 30 September 2016, the Company had notes payable in the aggregate principal amount of approximately HK\$150 million (31 March 2016: approximately HK\$150 million), mortgage loan of approximately HK\$181.5 million (31 March 2016: nil), and borrowings and bank overdrafts of approximately HK\$318.0 million (31 March 2016: approximately HK\$146.3 million).

At the period end, equity attributable to owners of the Company amounted to approximately HK\$1,944.6 million (31 March 2016: approximately HK\$1,414.9 million).

At 30 September 2016, the Group's indebtedness comprised borrowings and bank overdrafts, mortgage loan, promissory notes and notes payable of approximately HK\$672.8 million (31 March 2016: indebtedness comprised borrowing, promissory notes and notes payable totaling approximately HK\$553.4 million). The notes payable was denominated in HK\$, due on the seventh anniversary from the respective issue dates of the notes, and borne interests at 5% fixed rate per annum. The promissory notes were denominated in HK\$, due on the second anniversary from the issue date of the notes, and borne interest at 2% fixed rate per annum. The mortgage loan was denominated in HK\$, repayable by instalments with its current portion of HK\$7.8 million repayable within one year and long-term portion of HK\$173.7 million repayable in the second to twenty first years, and borne interest at 2.25% per annum. The bank borrowings and bank overdrafts were denominated in HK\$, due within one year, and borne interests at floating rate. The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a low ratio of approximately 25.7% (31 March 2016: approximately 28.1%).

For the six months ended 30 September 2016, no shares have been purchased or granted to the selected persons of the group under the Share Award Scheme.

In February 2016, a total of 2,523,640,250 warrants were issued by the Company to the shareholders of the Company pursuant to the bonus warrants issue which conferred the subscription rights to the holders of warrants to subscribe in cash for 2,523,640,250 shares at an initial subscription price of HK\$0.10 per share, during the period from 12 February 2016 up to 13 February 2017 (the "2017 Warrants"). For the six months ended 30 September 2016, a total of 308,279,437 warrants were exercised by the holders of the 2017 Warrants to subscribe for 308,279,437 shares (equivalent to HK\$30,827,943.70). The Company has utilized the proceed in amount of HK\$30,827,943.70 for general working capital of which (i) approximately 10% for corporate branding and promotion; (ii) approximately 37% for human resources; (iii) approximately 23% for office utilities; and (iv) approximately 30% for other general expenses.

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

FOREIGN CURRENCY RISK MANAGEMENT

The majority of the Group's assets are held in HK\$ with no material foreign exchange exposure. During the period under review, the Directors are of the view that the Group's exposure to exchange rate risk is not material and will continue to monitor it.

PLEDGE OF ASSETS

At 30 September 2016, a revolving loan facility from a private bank was granted to the Group which was secured by the Group's marketable securities portfolio of approximately HK\$153 million and a total amount of approximately HK\$24 million was utilized (31 March 2016: nil).

At 30 September 2016, the Group had pledged its investment property with a carrying value of HK\$403 million (31 March 2016: nil) to a commercial bank for a mortgage loan of approximately HK\$181.5 million.

CONTINGENT LIABILITY

At 30 September 2016, the Group had no significant contingent liability (31 March 2016: nil).

CAPITAL COMMITMENT

At 30 September 2016, the Group had no significant capital commitment (31 March 2016: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 September 2016, the Group's had about 49 (30 September 2015: about 18) employees including Directors. For the review period, total staff costs, including Directors' remuneration, was approximately HK\$11.4 million (30 September 2015: approximately HK\$6.0 million). Remuneration packages for employees and Directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, share option scheme, share award scheme and discretionary bonuses.

PROSPECTS

During the period under review, although the stock market in China and Hong Kong showed an upward trend and improved in investment sentiment; together with the Shenzhen-HK Stock Connect Scheme expected to be launched in the fourth quarter of 2016 and the abolishment of the overall quota limits for the link between Hong Kong and Shanghai Stock Exchange. However, the surrounding political factors and the expected future interest rates change might bring unstable effects on the economy.

Management of the Group still strives for the development of the business of brokerage and related services, including the expansion of its office and improved the trading system to increase its capacity in order to seize the opportunities to expand our client bases and thus the commission and its related income.

Looking ahead, the Group will continually enhance its principal business and will seek good business opportunities to enhance the value of the shareholders of the Company and the Company as a whole.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2016 and up to the date of this report except for the following deviation with reasons as explained:

Appointment of New Directors

Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Deviation

There has been a deviation from the code provision since the appointment of three independent non-executive Directors, namely Mr. Siu Siu Ling Robert on 24 July 2015, and Mr. Chan Kwan Pak and Mr. Siu Gee Tai on 30 July 2015. They are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in bye-law 87 of the Company’s Bye-laws which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance is no less exacting than those set out in the CG Code.

OTHER INFORMATION

Audit Committee

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2016 have been reviewed by the audit committee of the Company (“Audit Committee”) and the Company’s independent auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The independent auditor, on the basis of their review, concluded that nothing has come to their attention that cause them to believe that the condensed consolidated financial statements are not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
Skyway Securities Group Limited
Lin Yuehe
Chairlady

Hong Kong, 16 November 2016

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Ms. Lin Yuehe (*Chairlady*)
Mr. Wang Haixiong (*Chief Executive Officer*)
Mr. Ng Kwok Leung
Mr. Tam Tak Wah

Independent Non-executive Directors:

Mr. Chan Kwan Pak
Mr. Siu Gee Tai
Mr. Siu Siu Ling Robert