



天順證券集團有限公司*

SKYWAY SECURITIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)



Our Vision Your Future.

2016 Interim Report

* For identification purpose only

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Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	board of Directors
“Company”	Skyway Securities Group Limited
“Directors”	directors of the Company
“Group”	Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “cents”	Hong Kong dollars and cents
“%”	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Lin Yuehe (*Chairlady*)
Mr. Wang Haixiong (*Chief Executive Officer*)
(*appointed as Chief Executive Officer and Executive Director on 22 July 2016*)
Mr. Ng Kwok Leung (*resigned on 22 November 2016*)
Mr. Tam Tak Wah (*resigned on 22 November 2016*)

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Chan Kwan Pak (*Chairman*)
Mr. Siu Gee Tai
Mr. Siu Siu Ling Robert

REMUNERATION COMMITTEE

Mr. Siu Siu Ling Robert (*Chairman*)
Mr. Chan Kwan Pak
Mr. Siu Gee Tai

NOMINATION COMMITTEE

Mr. Siu Gee Tai (*Chairman*)
Mr. Siu Siu Ling Robert
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Ng Kwok Leung

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited (Stock Code: 1141)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6601A and 6607-6608
Level 66
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Public Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
OCBC Wing Hang Bank Limited
Bank J. Safra Sarasin Limited

LEGAL ADVISER

Michael Li & Co

AUDITOR

Messrs. Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.ssgroup.hk

* The above information is updated to 1 December 2016, the latest practicable date before printing of this interim report.



Management Discussion and Analysis

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.

Management Discussion and Analysis

FINANCIAL RESULTS AND BUSINESS REVIEW (continued)

Investments (continued)

Available-for-sale Investments

As at 30 September 2016, the Group's available-for-sale ("AFS") investments comprised of unlisted equity interests in two private entities (31 March 2016: two private entities). Both entities were principally engaged in investment holding and provision of financial services in Hong Kong.

During the period under review, one of the investees has incurred losses due to the distribution in specie of investments in certain convertible notes to the Group. Accordingly, impairment of approximately HK\$12.5 million is recognized to profit or loss in respect of that AFS investee. The AFS investments are measured at cost less impairment at the end of the period with reference to the financial information available to the Group. As the Group is a passive investor in both investees where there were no director nominated by the Group nor the Group takes part in any daily management in these investees, the Group has no information for future prospects of the AFS investments.

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 PRC, 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).



Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily financed its operations with internally generated cash flows, borrowing, 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 borrowings, 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 interests at 2% fixed rate per annum. The mortgage loan was denominated in HK\$, repayable by instalments with its current portion of approximately HK\$7.8 million repayable within one year and long-term portion of approximately HK\$173.7 million repayable in the second of 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%).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

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.



Management Discussion and Analysis

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 to be launched in December 2016 and the abolishment of the overall quota limits for the link between Hong Kong and Shanghai Stock Exchange, the surrounding political environments and the expected future interest rates change might bring unstable effects on the economy.

Management of the Group still strikes for the development of the business of brokerage and related services and seizes these opportunities to boarden our client bases.

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.

Other Information

ACQUISITION OF A SUBSIDIARY

On 4 March 2016, Gold Mission Limited ("Gold Mission"), an indirect wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Central Wealth Financial Group Limited ("Central Wealth") pursuant to which Gold Mission agreed to acquire and Central Wealth agreed to sell the sale share comprising one share in the share capital of Sky Eagle Global Limited ("Sky Eagle"), representing 100% of the entire issued share capital of Sky Eagle and a loan amounting to approximately HK\$214,000,000 at a consideration of HK\$218,000,000 of which HK\$7,000,000 will be satisfied in cash as deposit and as to the remaining balance of HK\$211,000,000 shall be satisfied by the allotment and issue of the 1,300,000,000 consideration shares by the Company at the issue price of HK\$0.14 per consideration share to the Central Wealth and by issue of the promissory notes in the principal amount of HK\$29,000,000. Sky Eagle is principally engaged in investment holding and owns 100% of a Hong Kong subsidiary, Metro Victor Limited ("Metro Victor") which in turn holds a property (the "Property"). The only significant asset under Sky Eagle and Metro Victor is the Property. The acquisition was completed on 15 July 2016.

ISSUE OF SHARES UNDER GENERAL MANDATE

Capital Union Inc., a 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 will be no net proceeds from the subscription as the subscription will be settled by way of set off against the outstanding promissory notes. The transaction was completed on 13 May 2016.

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).



Other Information

SHARE OPTION SCHEME

The existing share option scheme of the Company (the “Share Option Scheme”) was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Pursuant to the ordinary resolution passed by the shareholders of the Company at the annual general meeting (the “AGM”), the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), was refreshed such that the Directors were authorised to grant options carrying rights to subscribe for up to a maximum number of 10% of the shares in issue as at the date of the AGM approving the refreshed scheme mandate limit. At the annual general meeting of the Company held on 8 September 2016 (“2016 AGM”), the ordinary resolution in relation to the refreshment of the Share Option Scheme mandate limit was duly passed by the shareholders of the Company and as such the Company may grant share options entitling holders thereof to subscribe for a total of 1,569,566,788 Shares (representing 10% of the Shares in issue as at the date of the 2016 AGM).

SHARE OPTIONS

As at 30 September 2016, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 1,005,598,000 (31 March 2016: 1,005,598,000), representing approximately 6.40% of the shares of the Company in issue as at 30 September 2016.

No share option had been granted for the period ended 30 September 2016.

Other Information

SHARE OPTIONS (continued)

The following table discloses movements in the Company's share options during the period:

Type of grantee	Date of grant	Exercisable period (Note (a))	Exercise price per share option (Note (b))	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Mr. Tam Tak Wah ("Mr. Tam")	18 September 2015	18 September 2015 to 17 September 2018	HK\$0.234	15,945,000	-	-	-	15,945,000
Mr. Ng Kwok Leung ("Mr. Ng")	18 September 2015	18 September 2015 to 17 September 2018	HK\$0.234	6,378,000	-	-	-	6,378,000
		Sub-total:		22,323,000	-	-	-	22,323,000
Agents/Consultants								
	18 September 2015	18 September 2015 to 17 September 2018	HK\$0.234	491,637,500	-	-	-	491,637,500
	12 October 2015	12 October 2015 to 11 October 2018	HK\$0.231	491,637,500	-	-	-	491,637,500
		Sub-total:		983,275,000	-	-	-	983,275,000
		Total:		1,005,598,000	-	-	-	1,005,598,000

Notes:

- (a) The share options were immediately vested upon granted.
- (b) The exercise price of the share options was subject to adjustments in the case of capitalization of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.



Other Information

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 19 February 2016. The purposes and objectives of the Share Award Scheme are to recognize the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of and contribution to the Group.

Pursuant to the Listing Rules and the terms of the Share Award Scheme, the maximum number of Awarded Shares (as defined under the Share Award Scheme) must not exceed 10% of the Shares in issue on 19 February 2016 ("Share Award Scheme Mandate Limit"). At the 2016 AGM, the ordinary resolution was duly passed by the shareholders of Company to refresh the Share Award Scheme Mandate Limit so that the Company may grant Awarded shares up to a maximum number of 1,569,566,788 shares (representing 10% of the shares in issue as at the date of the 2016 AGM).

As at 30 September 2016, no shares have been purchased or granted to the selected persons of the Group under the Share Award Scheme.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares of the Company:

Name of director	Capacity and nature of interest	Number of shares held or deemed to be interested	Approximate percentage of the Company's issued share capital
Ms. Lin Yuehe ("Ms. Lin")	Beneficial owner	20,000	0.00%
Mr. Tam	Beneficial owner	15,945,000 (Note)	0.10%
Mr. Ng	Beneficial owner	6,378,000 (Note)	0.04%

Note: This represents the ordinary shares of the Company to be allotted and issued upon exercise of the share options granted to Mr. Tam and Mr. Ng pursuant to the share option scheme adopted by the Company on 24 September 2012.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at 30 September 2016, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Scheme" above, at no time during the six months ended 30 September 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2016, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares and underlying shares of the Company:

Name of shareholders	Capacity and nature of interest	Number of shares held	Total interests	Approximate percentage of the Company's issued share capital
China Soft Power Technology Holdings Limited	Interest of controlled corporation	2,749,935,829 (Note 1)	2,749,935,829	17.49%
Lam Hoi Sze ("Mr. Lam")	Beneficial owner	2,106,000,000 (Note 2)	2,106,000,000	13.39%
Capital Union Inc. ("Capital Union")	Beneficial owner	1,450,000,000 (Note 3)	1,450,000,000	9.22%

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Name of shareholders	Capacity and nature of interest	Number of shares held	Total interests	Approximate percentage of the Company's issued share capital
Central Wealth Financial Group Limited ("Central Wealth")	Interest of controlled corporation	1,300,000,000 (Note 4)	1,300,000,000	8.27%
Golden Horse Hong Kong Investment Limited ("Golden Horse")	Beneficial owner	1,300,000,000 (Note 4)	1,300,000,000	8.27%
Ai Qing	Beneficial owner	1,100,000,000	1,100,000,000	7.00%

Notes:

- These interests were held by Main Purpose Investments Limited and NWS Holdings Limited, which were wholly owned subsidiaries of Hoshing Limited, which in turn was a wholly owned subsidiary of China Soft Power Technology Holdings Limited (Stock Code: 139), the shares of which are listed on the main board of the Stock Exchange.
- Mr. Lam is the brother of the Chairlady of the Company, Ms. Lin Yuehe.
- 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 will be no net proceeds from the subscription as the subscription will be settled by way of set off against the outstanding promissory notes. The transaction was completed on 13 May 2016.
- As disclosed in the announcement of the Company dated 4 March 2016, Gold Mission Limited, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement on 4 March 2016 with Central Wealth in relation to the acquisition of the issued share of Sky Eagle Global Limited and its shareholder's loan by Gold Mission Limited for an aggregate consideration of HK\$218,000,000, of which HK\$7,000,000 will be satisfied in cash as deposit and as to the remaining balance of HK\$211,000,000 shall be satisfied by the allotment and issue of the 1,300,000,000 consideration shares by the Company at the Issue Price of HK\$0.14 per consideration Share to Central Wealth and by issue of the Promissory Notes in the principal amount of HK\$29,000,000 (the "Acquisition"). The Acquisition was completed on 15 July 2016 by the allotment and issue of the 1,300,000,000 consideration shares of the Company to Golden Horse, being the wholly owned subsidiary of Central Wealth.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 September 2016 as required pursuant to section 336 of the SFO.

Other Information

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2016.

UPDATE ON DIRECTORS’ INFORMATION

The following is updated information of the Directors request to be disclosed pursuant to Rule 13.51 B(1) of the Listing Rules:

The directors’ emoluments of Mr. Ng Kwok Leung and Mr. Tam Tak Wah have been revised to HK\$1,072,500 and HK\$1,625,000 by 1 September 2016 per annum respectively, which were determined with reference to the duties and responsibilities of an executive director.



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 Hong Kong Institute of Certified Public Accountants (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.

On behalf of the Board

Lin Yuehe

Chairlady

Hong Kong, 16 November 2016

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF SKYWAY SECURITIES GROUP LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Skyway Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 48, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2015 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 November 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2016

		Six months ended 30 September	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (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

	Notes	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (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

Condensed Consolidated Statement of Financial Position

At 30 September 2016

	Notes	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Non-current liabilities			
Borrowings	19	173,654	–
Notes payable		147,443	147,073
Promissory notes	20	25,885	260,010
Deferred tax liabilities		58,206	30,026
		405,188	437,109
Net assets		1,944,583	1,417,186
Capital and reserves			
Share capital	21	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		1,944,583	1,417,186

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

		Attributable to owners of the Company								
		Share capital	Share premium	Contributed surplus	Other reserve	Share option reserve	(Accumulated losses) retained earning	Sub-total	Non-controlling interests	Total
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (audited)		126,641	2,480,559	388,137	-	82,222	(1,662,634)	1,414,925	2,261	1,417,186
Profit and total comprehensive income for the period		-	-	-	-	-	11,164	11,164	-	11,164
Placing of shares		14,500	285,650	-	-	-	-	300,150	-	300,150
Issue of shares		13,000	173,789	-	-	-	-	186,789	-	186,789
Exercise of warrants		3,083	27,745	-	-	-	-	30,828	-	30,828
Transaction cost directly attributable to issue of shares		-	(34)	-	-	-	-	(34)	-	(34)
Purchase of non-controlling interest		-	-	-	761	-	-	761	(2,261)	(1,500)
At 30 September 2016 (unaudited)		157,224	2,967,709	388,137	761	82,222	(1,651,470)	1,944,583	-	1,944,583
At 1 April 2015 (audited)		64,178	1,625,244	388,137	-	38,975	212,201	2,328,735	-	2,328,735
Loss and total comprehensive expense for the period		-	-	-	-	-	(443,250)	(443,250)	-	(443,250)
Placing of shares		15,000	135,000	-	-	-	-	150,000	-	150,000
Issue of shares		8,500	71,400	-	-	-	-	79,900	-	79,900
Exercise of warrants		7,053	63,476	-	-	-	-	70,529	-	70,529
Recognition of share based payment		-	-	-	-	43,845	-	43,845	-	43,845
At 30 September 2015 (unaudited)		94,731	1,895,120	388,137	-	82,820	(231,049)	2,229,759	-	2,229,759

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash (used in) from operating activities		(232,266)	314,111
Net cash used in investing activities			
Purchases of property, plant and equipment		(3,967)	–
Purchases of available-for-sale investment		–	(440,000)
Proceeds from disposal of available-for-sale investment		–	75,000
Acquisition of subsidiaries	23	277	–
Other investing cash flows		13	430
		(3,677)	(364,570)
Net cash from financing activities			
Proceeds from issue of shares		–	229,900
Proceeds from exercise of warrants	21	30,828	70,529
Transaction costs attributable to issue of shares		(34)	–
Purchase of non-controlling interest		(1,500)	–
New borrowing raised		1,356,507	–
Repayments of borrowings		(1,200,003)	(158,128)
Interest paid		(8,521)	–
		177,277	142,301
Net (decrease) increase in cash and cash equivalents		(58,666)	91,842
Cash and cash equivalents at the beginning of the period		14,842	17,585
Cash and cash equivalents at the period		(43,824)	109,427
Analysis of balances of cash and cash equivalents			
Cash and bank balances – House accounts		35,769	109,427
Bank overdrafts		(79,593)	–
		(43,824)	109,427



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

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, details of which is set out in note 23.

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 their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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 of 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (continued)

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

	Six months ended 30 September 2015 (Unaudited) (Restated)			Consolidated HK\$'000
	Securities Investment HK\$'000	Provision of finance HK\$'000	Real estate HK\$'000	
Continuing operations				
Segment revenue	3,220	16,931	300	20,451
Segment results	(456,248)	16,919	5,300	(434,029)
Unallocated other income				50,000
Unallocated gains and losses				(28,481)
Unallocated expenses				(58,639)
Finance costs				(5,931)
Loss before taxation				(477,080)
Taxation				35,000
Loss for the period from continuing operations				(442,080)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (continued)

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

	As at 31 March 2016 (Audited) (Restated)				
	Provision of brokerage and related services HK\$'000	Securities investment HK\$'000	Provision of finance HK\$'000	Real estate HK\$'000	Total HK\$'000
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					2,057
Total assets					2,211,857
Segment liabilities	337,900	70	195	-	338,165
Unallocated liabilities					455,599
Liabilities relating to discontinued operation					907
Total liabilities					794,671

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

4. REVENUE

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (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 margin financing	26,672	16,931
Dividend income from investment in listed equity securities	–	2,604
Interest income from investment in convertible bonds	–	616
	46,038	20,451

5. OTHER INCOME

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (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 (Note)	2,825	50,000
	15,294	55,001

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 consolidation financial statements for the year ended 31 March 2015 published on 26 June 2015.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations		
Reversal of impairment loss recognised in respect of accounts receivable	9,317	–
Impairment loss recognised in respect of AFS investments (Note 14)	(12,468)	–
Change in fair value of contingent consideration	(37,964)	–
Loss on early settlement of promissory notes (Note 20)	(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)
	(82,807)	(28,481)

7. FINANCE COSTS

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

8. PROFIT (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
The Group's profit (loss) before taxation from continuing operations is arrived at after charging:		
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

9. TAXATION

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

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 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period	(339)	(1,170)

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

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 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<u>Earnings (loss)</u>		
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	11,164	(443,250)

	Six months ended 30 September	
	2016 '000 (Unaudited)	2015 '000 (Unaudited)
<u>Number of shares</u>		
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
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	15,733,314	8,424,055

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

11. EARNINGS (LOSS) PER SHARE (continued)

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 HK\$'000 (Unaudited)	2015 HK\$'000 (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
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	11,503	(442,080)

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

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 acquisition of subsidiaries (Note 23)	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 value of the Group's investment property at 30 September 2016 has 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

14. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Details of the Group's AFS investments are as follows:

Name of investee(s)	% of shareholding as at 30 September 2016	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Freewill Holdings Limited	13.96%	327,200	327,200
Joint Global Limited	14.16%	18,501	31,018
		345,701	358,218

15. ACCOUNTS RECEIVABLE

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (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
	578,033	414,518
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
	20,766	11,166
	598,799	425,684

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

15. ACCOUNTS RECEIVABLE (continued)

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 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Loans receivable	63,000	7,000

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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 HK\$'000	Fair value as at 30 September 2016 HK\$'000	Fair value as at 31 March 2016 HK\$'000
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	–
			132,205	573,321	406,355

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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 million 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 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (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
	126,209	192,302

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

18. ACCOUNTS PAYABLE (continued)

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 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Over 180 days	–	857

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

19. BANK AND OTHER BORROWINGS

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Secured bank loans	188,416	80,000
Mortgaged bank loans	181,472	–
Unsecured other borrowing	50,000	–
	419,888	80,000
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	–
	419,888	80,000
Less: Amount due within one year shown under current liabilities	(246,234)	(80,000)
Amount shown under non-current liabilities	173,654	–

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

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 as disclosed in note 23, 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).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

21. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000 (Unaudited)
Authorised:		
At 1 April 2016 and 30 September 2016		
– Ordinary shares of HK\$0.01 each	100,000,000	1,000,000
Issued and fully paid:		
At 1 April 2016		
– Ordinary shares of HK\$0.01 each	12,664,197	126,641
Placing of shares (Note 1)	1,450,000	14,500
Issue of shares (Note 2)	1,300,000	13,000
Exercise of warrants (Note 3)	308,279	3,083
At 30 September 2016		
– Ordinary shares of HK\$0.01 each	15,722,476	157,224

Notes:

- (1) As set out in note 20, on 3 May 2016, the Company entered into the subscription agreement with Capital Union Inc., pursuant to which Capital Union Inc. subscribed for and the Company allotted and issued 1,450,000,000 new shares with an aggregate fair value of HK\$300,150,000. Details are set out in the Company's announcement dated 3 May 2016. The transaction has completed on 13 May 2016.
- (2) On 4 March 2016, Gold Mission Limited, an indirect wholly owned subsidiary of the Company, entered the sale and purchase agreement with Central Wealth Financial Group Limited ("Central Wealth") in relation to acquisition of subsidiaries as set out in note 23, pursuant to which the Company agreed to allot and issue a total of 1,300,000,000 consideration shares as the part of consideration of the acquisition. Details of the consideration shares are set out in the Company's announcement dated on 4 March 2016. The acquisitions was completed on 15 July 2016.
- (3) As disclosed in the announcements of the Company dated 7 December 2015, 22 January 2016, 12 February 2016 and 17 February 2016 and the circular of the Company dated on 23 December 2015, the Company issued the bonus warrant on the basis of one bonus warrant for every five existing shares held on 12 February 2016, a total of 2,523,640,250 warrants were issued accordingly. Each bonus warrant will entitle the holder thereof to subscribe in cash for one new share to be issued by the Company at an initial subscription price of HK\$0.1 per new share, subject to adjustments, at any time during the period on or after 12 February 2016 but no later than 13 February 2017. During the six months ended 30 September 2016, 308,279,437 new shares were issued as a result of exercise of warrants. As at 30 September 2016, the Company had 2,169,363,617 warrants outstanding. The net proceeds from the exercise of warrants was approximately HK\$30,828,000.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

22. SHARE OPTION SCHEME

The following table discloses the Company's share options outstanding at the end of the reporting periods:

Type of grantee	Date of grant	Exercisable period	Exercise price per share option HK\$	Number of share options outstanding as at 1 April 2016 and 30 September 2016
Directors				
Mr. Tam	18 September 2015	18 September 2015 to 17 September 2018	0.234	15,945,000
Mr. Ng	18 September 2015	18 September 2015 to 17 September 2018	0.234	6,378,000
				22,323,000
Agents/consultants	18 September 2015	18 September 2015 to 17 September 2018	0.234	491,637,500
	12 October 2015	12 October 2015 to 11 October 2018	0.231	491,637,500
				983,275,000
				1,005,598,000

There is no movement in share options during current interim period.

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For the six months ended 30 September 2016

23. ACQUISITION OF SUBSIDIARIES

As set out in note 21, on 15 July 2016, the Group acquired 100% of the entire issued share capital of Sky Eagle Global Limited ("Sky Eagle") at a consideration of HK\$219,674,000 of which HK\$7,000,000 will be satisfied in cash as deposit and as to the remaining balance of HK\$212,674,000 shall be satisfied by the allotment and issue of the 1,300,000,000 consideration shares by the Company to the Central Wealth and by issue of the promissory notes in the principal amount of HK\$29,000,000. Sky Eagle is principally engaged in investment holding and owns 100% of a Hong Kong subsidiary, Metro Victor Limited which in turn holds a property. The acquisition was accounted for as acquisition of assets and liabilities and consideration shares issued were accounted for as a share-based payment transaction.

The net assets acquired in the transaction are as follows:

	HK\$'000
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Net assets acquired:	
Plant and equipment	645
Investment property	403,000
Prepayments, deposits and other receivables	313
Bank and cash balances	277
Other payables and accruals	(1,177)
Bank borrowings	(183,384)
	<hr/>
	219,674
	<hr/>
Total consideration satisfied by:	
Cash deposit paid and included in other assets as at 31 March 2016	7,000
Promissory notes	25,885
Shares issued	186,789
	<hr/>
	219,674
	<hr/>
Net cash inflow arising on acquisition:	
Bank balance and cash acquired	277
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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

24. OPERATING LEASE ARRANGEMENTS

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises and staff quarters which fall due as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Within one year	12,170	2,681
In the second to fifth years, inclusive	21,152	–
	33,322	2,681

Leases are negotiated for terms of one to three years. Rentals are fixed for one to three years.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets measured at fair value on recurring basis

The following table provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable for the six months ended 30 September 2016:

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial assets measured at fair value on recurring basis (continued)

Financial assets	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	30.9.2016 HK\$'000	31.3.2016 HK\$'000			
Held for trading investments – listed equity securities	573,321	406,355	Level 1	Quoted market closing prices in an active market	N/A
Contingent consideration	29,970	67,934	Level 3	Probabilistic method	Estimated profits generated by relevant acquirees for year ending 31 December Discount rate: 12.97%

During the period under review, there were no transfers among level 1, level 2 and level 3. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial assets measured at fair value on recurring basis (continued)

The movement during the period under review in the balance of level 3 fair value measurements is as follows:

	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Contingent consideration		
At 1 April	67,934	88,125
Disposal	–	(88,125)
Loss recognised in profit or loss during the year	(37,964)	–
At 30 September	29,970	–
Unrealised loss for the period included in other gains and losses (Note)	(37,964)	–

Note: The amount represented fair value change of contingent consideration of which the details is set out in the Company's consolidation financial statements for the year ended 31 March 2016 published on 24 June 2016. The fair value of the contingent consideration is estimated based on the valuation carried out by an independent professional valuer, Roma Appraisals Limited. The change in fair value during the current interim period is mainly due to the profits generated by the subsidiaries acquired for the current period are higher than the profit estimation at 31 March 2016.

Fair value measurements and valuation processes

The Group has engaged an independent qualified professional valuer to perform valuations for the contingent consideration. The valuer reports directly to the chief operating decision maker. A valuation report with analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by the chief operating decision maker. Discussion of the valuation process and results with the chief operating decision maker is held twice a year, to coincide with the reporting dates.

The fair values of the financial assets included in level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflected the credit risk of counterparties.

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market closing prices.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

26. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions for the six months ended 30 September 2016 and 2015:

Compensation of key management personnel of the Group

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term employee benefits	2,032	2,473
Post-employment benefits	70	74
Share based payment	–	1,988
Total compensation to key management personnel	2,102	4,535

27. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements are approved and authorised for issue by the Board on 16 November 2016.