# QUAM LIMITED
# 華富國際控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 952)**

## ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

The board of directors (the "Directors") of Quam Limited (the "Company") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 together with the comparative figures for the last corresponding year as follows:-

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2008*

| | Notes | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|---|
| **Revenue/Turnover** | *4* | **395,954** | 192,767 |
| Fair value gain on financial assets at fair value through profit or loss | | **236** | 5,780 |
| Other operating income | *5* | **24,688** | 15,762 |
| Cost of services provided | | **(158,272)** | (68,536) |
| Staff costs | | **(99,614)** | (69,598) |
| Depreciation and amortisation expenses | | **(3,699)** | (3,516) |
| Other operating expenses, net | | **(66,690)** | (28,038) |
| Finance costs | *7* | **(12,173)** | (9,454) |
| Gain on disposal of an associate | | **27,037** | – |
| Share of results of associates | | **(118)** | 631 |
| **Profit before income tax** | *6* | **107,349** | 35,798 |
| Income tax expense | *8* | **(4,219)** | (2,752) |
| **Profit for the year, attributable to equity holders of the Company** | | **103,130** | 33,046 |
| **Dividends** | | | |
| Interim | *9* | **9,367** | 4,389 |
| Proposed final | *9* | **17,472** | 6,468 |
| | | **26,839** | 10,857 |
| **Earnings per share for profit attributable to equity holders of the Company during the year (2007: restated)** | *10* | | |
| – Basic | | **16.77 cents** | 6.29 cents# |
| – Diluted | | **15.28 cents** | 5.87 cents# |

# *Restated*

## CONSOLIDATED BALANCE SHEET

*As at 31 March 2008*

| | Notes | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **10,145** | 3,882 |
| Goodwill | | **14,695** | 14,695 |
| Other intangible assets | | **3,212** | 4,981 |
| Available-for-sale financial assets | | **51,572** | 6,958 |
| Interest in an associate | | **38,461** | 651 |
| Other assets | | **2,800** | 2,450 |
| | | **120,885** | 33,617 |
| **Current assets** | | | |
| Trade receivables | *11* | **357,766** | 488,981 |
| Short term loan receivables | | **6,251** | 1,267 |
| Prepayments, deposits and other receivables | | **13,396** | 6,625 |
| Financial assets at fair value through profit or loss | | **25,411** | 17,064 |
| Amount due from an associate | | **–** | 1,242 |
| Trust time deposits held on behalf of customers | | **63,117** | 136,557 |
| Trust bank balances held on behalf of customers | | **209,474** | 106,207 |
| Cash and cash equivalents | | **40,001** | 62,445 |
| | | **715,416** | 820,388 |
| **Current liabilities** | | | |
| Trade payables | *12* | **350,107** | 404,881 |
| Borrowings | | **90,671** | 215,619 |
| Provision for tax | | **2,452** | 1,383 |
| Other payables and accruals | | **72,828** | 47,529 |
| Finance lease payables | | **1,329** | 201 |
| | | **517,387** | 669,613 |
| **Net current assets** | | **198,029** | 150,775 |
| **Total assets less current liabilities** | | **318,914** | 184,392 |
| **Non-current liabilities** | | | |
| Finance lease payables | | **2,692** | 403 |
| Deferred tax liabilities | | **36** | 36 |
| | | **2,728** | 439 |
| **Net assets** | | **316,186** | 183,953 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **2,221** | 1,617 |
| Reserves | | **296,493** | 175,868 |
| Proposed final dividend | | **17,472** | 6,468 |
| **Total equity** | | **316,186** | 183,953 |

*Notes:*

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements beginning on 1 April 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements-Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC)-Int 11 | HKFRS 2: Group and Treasury Share Transactions |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented but HKAS 1 (Amendment) and HKFRS 7 resulted in expanded disclosures on the Group's capital management policies and significance of financial instruments and the nature and extent of risk arising from financial instruments used. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements [1] |
| HKAS 23 (Revised) | Borrowing Costs [1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements [2] |
| HKAS 32 and HKAS 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKFRS 2 (Amendment) | Share-based Payment – Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations [2] |
| HKFRS 8 | Operating Segments [1] |
| HK(IFRIC) – Int 12 | Service Concession Arrangements [3] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes [4] |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3] |

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 January 2008*
[4] *Effective for annual periods beginning on or after 1 July 2008*

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |

This revised standard affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This revised standard does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this revised standard on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new or revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

## 3. SEGMENT INFORMATION

### (a) Primary reporting format – business segments

The Group's operating business are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risk and returns that are different to those of the other business segments.

Summary details of the business segments are as follows:

(i) the securities broking and placement segment engages in securities and futures dealing, provision of placement services, discretionary securities and futures dealing services and wealth management services;

(ii) the margin financing and money lending segment engages in margin financing services, money lending arrangement and guarantee business;

(iii) the advisory segment engages in the provision of corporate finance advisory and general advisory services;

(iv) the asset management services segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

(v) the website management segment engages in the management of a website, advertising and referral tools to online customers, research and credit information services; and

(vi) the investments segment engages in investment holding and securities trading.

The Group's inter-segment transactions were related to placement, margin financing, advisory and website management and related service income. Inter-segment revenue are determined by directors and are based on pricing policies similar to those contracted with independent third parties, where applicable.

| 2008 | Securities broking and placement *HK$'000* | Margin financing and money lending *HK$'000* | Advisory *HK$'000* | Asset management *HK$'000* | Website management *HK$'000* | Investments *HK$'000* | Eliminations *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | | | |
| **Sales to external customers** | **241,946** | **34,185** | **22,152** | **74,155** | **23,516** | **–** | **–** | **395,954** |
| **Inter-segment sales** | **–** | **–** | **10,200** | **1,000** | **18,940** | **–** | **(30,140)** | **–** |
| **Total** | **241,946** | **34,185** | **32,352** | **75,155** | **42,456** | **–** | **(30,140)** | **395,954** |
| **Segment results** | **19,794** | **10,439** | **10,810** | **32,284** | **9,750** | **(2,968)** | | **80,109** |
| Unallocated income | | | | | | | | **13,500** |
| Unallocated corporate expenses | | | | | | | | **(13,179)** |
| Gain on disposal of an associate | | | | | | | | **27,037** |
| Share of results of associates | | | | | | | | **(118)** |
| **Profit before income tax** | | | | | | | | **107,349** |
| Income tax expense | | | | | | | | **(4,219)** |
| **Profit for the year** | | | | | | | | **103,130** |
| **Segment assets** | **433,506** | **242,853** | **14,876** | **10,052** | **11,504** | **76,983** | | **789,774** |
| An associate | | | | | | | | **38,461** |
| Unallocated assets | | | | | | | | **8,066** |
| **Total assets** | | | | | | | | **836,301** |
| **Segment liabilities** | **378,149** | **98,823** | **3,817** | **10,160** | **16,193** | **–** | | **507,142** |
| Unallocated liabilities | | | | | | | | **12,973** |
| **Total liabilities** | | | | | | | | **520,115** |
| **Other segment information** | | | | | | | | |
| Depreciation and amortisation: | | | | | | | | |
| Segmented | **2,950** | **–** | **94** | **16** | **624** | **–** | | **3,684** |
| Unallocated | | | | | | | | **15** |
| | | | | | | | | **3,699** |
| Capital expenditure | **3,444** | **–** | **304** | **147** | **4,258** | **15** | | **8,168** |
| Other non-cash expenses | **7,576** | **19,927** | **319** | **117** | **859** | **–** | | **28,798** |

| 2007 | Securities broking and placement *HK$'000* | Margin financing and money lending *HK$'000* | Advisory *HK$'000* | Asset management *HK$'000* | Website management *HK$'000* | Investments *HK$'000* | Eliminations *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | | | |
| **Sales to external customers** | 102,038 | 23,912 | 26,067 | 18,826 | 21,924 | – | – | 192,767 |
| **Inter-segment sales** | 300 | – | 3,600 | – | 9,901 | – | (13,801) | – |
| Total | 102,338 | 23,912 | 29,667 | 18,826 | 31,825 | – | (13,801) | 192,767 |
| **Segment results** | 11,336 | 4,381 | 6,558 | 7,235 | 4,183 | 3,875 | | 37,568 |
| Unallocated income | | | | | | | | 8,865 |
| Unallocated corporate expenses | | | | | | | | (11,266) |
| Share of results of an associate | | | | | | | | 631 |
| **Profit before income tax** | | | | | | | | 35,798 |
| Income tax expense | | | | | | | | (2,752) |
| **Profit for the year** | | | | | | | | 33,046 |
| **Segment assets** | 444,605 | 352,400 | 9,696 | 12,424 | 6,863 | 24,022 | | 850,010 |
| An associate | | | | | | | | 651 |
| Unallocated assets | | | | | | | | 3,344 |
| **Total assets** | | | | | | | | 854,005 |
| **Segment liabilities** | 425,623 | 218,697 | 2,194 | 4,983 | 12,559 | – | | 664,056 |
| Unallocated liabilities | | | | | | | | 5,996 |
| **Total liabilities** | | | | | | | | **670,052** |
| **Other segment information** | | | | | | | | |
| Depreciation and amortisation: | | | | | | | | |
| Segmented | 2,971 | – | 56 | 4 | 470 | – | | 3,501 |
| Unallocated | | | | | | | | 15 |
| | | | | | | | | 3,516 |
| Capital expenditure | 1,037 | – | 38 | 30 | 879 | 29 | | 2,013 |
| Other non-cash expenses | 1,571 | 1,292 | 200 | 150 | 424 | – | | 3,637 |

**(b) Secondary reporting format – geographical segments**

The Group's operations and assets are predominantly in Hong Kong and accordingly a geographical analysis has not been presented. The Group has minor activities in Shenzhen, Shanghai and Shenyang, the People's Republic of China, which account for less than 1% of the Group's revenue.

## 4. REVENUE/TURNOVER

Revenue, which is also the Group's turnover, represents:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Advertising and content fee income | **2,975** | 2,968 |
| Website management and related services fee income | **20,541** | 17,170 |
| Commission and performance fee income on securities and futures broking | **206,695** | 85,958 |
| Advisory fee income | **22,152** | 26,067 |
| Placement and underwriting fee income | **30,879** | 15,402 |
| Income from margin financing and money lending operations | **34,185** | 23,912 |
| Fund management fee income | **74,155** | 18,826 |
| Credit information service fee income | **–** | 1,786 |
| Wealth management service fee income | **4,372** | 678 |
| | **395,954** | 192,767 |

## 5. OTHER OPERATING INCOME

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income from banks and others | **12,639** | 8,514 |
| Exchange gains, net | **3,946** | 1,632 |
| Gain on disposal of available-for-sale financial assets | **–** | 90 |
| Long outstanding trade and other payables written back | **–** | 478 |
| Write back for provision for impairment of short-term loan receivables | **1,200** | – |
| Dividend income from listed securities | **861** | 261 |
| Sundry income | **6,042** | 4,787 |
| | **24,688** | 15,762 |

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Auditors' remuneration: | | |
| Provision for the year | **1,489** | 1,368 |
| Under/(Over) provision in prior years | **5** | (40) |
| | **1,494** | 1,328 |
| Amortisation of other intangible assets | **1,769** | 1,790 |
| Depreciation of property, plant and equipment | | |
| Owned assets | **1,398** | 1,664 |
| Leased assets | **532** | 62 |
| | **3,699** | 3,516 |
| Gain on disposal of intangible assets | **–** | (78) |
| Loss on disposal of property, plant and equipment | **5** | 106 |
| Impairment of goodwill | **–** | 43 |
| Minimum lease payments under operating leases in respect of land and buildings | **9,671** | 8,499 |
| Provision for impairment of trade receivables | **26,222** | 129 |
| (Write back)/Provision for impairment of short-term loan receivables | **(1,200)** | 1,200 |
| Provision for impairment of other receivables | **6** | – |

## 7. FINANCE COSTS

| | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Finance charges on finance lease | **200** | 3 |
| Interest on bank loans and other borrowings wholly repayable within five years | **11,973** | 9,451 |
| | **12,173** | 9,454 |

## 8. INCOME TAX EXPENSE

During the year, Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Current tax | | |
| – Hong Kong | | |
| Tax for the year | **4,200** | 2,752 |
| Under-provision in prior years | **19** | – |
| | **4,219** | 2,752 |

## 9. DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the year:

| | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Interim dividend of HK1.50 cents per ordinary share (2007: HK1.50 cents per ordinary share) | **9,367** | 4,389 |
| Proposed final dividend of 2.50 cents per ordinary share (2007: HK2.00 cents per ordinary share) | **17,472** | 6,468 |
| | **26,839** | 10,857 |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year ended 31 March 2008.

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

| | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK2.00 cents per ordinary share (2007: Nil) | **6,776****** | **–** |
| | **6,776** | – |

** The actual final dividends paid for 2007 was HK$6,776,000 due to additional shares issued during the period from 1 April 2007 to 14 August 2007, the date of closure of the register of members.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$103,130,000 (2007: HK$33,046,000) and on the weighted average of 614,808,477 (2007: 525,730,386 as restated) ordinary shares in issue during the year.

During the year, the Company approved a bonus issue of ordinary shares on the basis of one new share of par value of HK$0.005 each for every five existing shares of par value of HK$0.005 each on 14 August 2007 ("Bonus Issue"). Effective from 30 August 2007, the Company subdivided every two issued and unissued ordinary share of par value of HK$0.005 each into three ordinary shares of par value of HK one third of one cent each ("Share Subdivision"). The weighted average number of ordinary shares for the year ended 31 March 2007, as if the Bonus Issue and Share Subdivision had occurred on 1 April 2006, was deemed to be 525,730,386 shares (292,072,437 shares before restatement).

The calculation of diluted earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$103,130,000 (2007: HK$33,046,000) and the weighted average of 675,055,858 (2007: 563,327,316 as restated) ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 614,808,477 (2007: 525,730,386 as restated) ordinary shares in issue during the year plus the weighted average of 60,247,381 (2007: 37,596,930 as restated) ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

## 11. TRADE RECEIVABLES

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **392,661** | 498,809 |
| Less: provision for impairment of trade receivables | **(34,895)** | (9,828) |
| Trade receivables-net | **357,766** | 488,981 |

The Group's trade receivables as at 31 March 2008 mainly consisted of receivables of the securities and futures broking business and advisory and placement business. For the advisory and placement business, billings are normally due on presentation. For the securities and futures broking business, the Group allows a credit period up to the settlement dates of their respective transactions (normally two business days after the respective trade dates) except for margin client receivables which are repayable on demand and therefore, no aging analysis is disclosed.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise the credit risk. Overdue balances are reviewed regularly by senior management. As a matter of fact, the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The carrying amounts of the Group's trade receivables approximate to their fair values.

The aging analysis of the Group's trade receivables as at the balance sheet date, based on due date and net of provision, is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Repayable on demand – margin clients receivable | **233,324** | 204,938 |
| Current-30 days | **117,047** | 272,773 |
| 31 days-60 days | **1,356** | 4,001 |
| 61 days-90 days | **5,426** | 309 |
| 91 days-180 days | **303** | 5,366 |
| 181 days-360 days | **305** | 1,467 |
| Over 360 days | **5** | 127 |
| | **357,766** | 488,981 |

Included in the Group's margin clients receivable were amounts due from directors of HK$12,831,000 (2007: HK$3,298,000) in respect of transactions in securities as at 31 March 2008.

## 12. TRADE PAYABLES

The aging analysis of the trade payables of the Group is as follows:

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Repayable on demand: | | |
| *Securities transactions* | | |
| – margin clients payable | **89,646** | 65,846 |
| – cash clients payable | **119,922** | 222,030 |
| | | |
| *Futures and options contracts* | | |
| – clients payable | **126,816** | 75,831 |
| | **336,384** | 363,707 |
| Within 180 days | **13,642** | 41,119 |
| Over 180 days | **81** | 55 |
| | **350,107** | 404,881 |

Accounts payable to cash clients attributable to dealing in securities transactions represents clients' undrawn monies/excess deposits placed with the Group. Accounts payable to clients attributable to dealing in futures and options contracts transactions includes margin deposits received from clients for their trading of futures and options contracts and clients' undrawn monies/excess deposits placed with the Group. All these accounts payable together with margin clients payable are repayable on demand and therefore, no aging analysis is disclosed.

Included in above, there was an amount due to a director of HK$15,000 (2007: HK$7,000) in respect of transactions in securities as at 31 March 2008.

Included in above, there was an amount due to a director of HK$5,581,000 (2007: HK$1,231,000) in respect of transaction in futures as at 31 March 2008.

## 13. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year if necessary.

## PROPOSED FINAL DIVIDEND AND BONUS ISSUE

The Board of Directors of the Company (the "Board") has proposed to recommend, at the forthcoming annual general meeting of the Company (the "AGM") to be held on 11 September 2008, a final dividend of HK2.50 cents per ordinary share (2007: HK2.00 cents per ordinary share) for the year ended 31 March 2008 and a bonus issue to the shareholders of the Company (except certain overseas shareholders) on the basis of one bonus share for every ten existing shares of the Company (2007: one bonus share for every five existing shares).

It is expected that the proposed final dividend, if approved by the shareholders of the Company at the AGM, will be payable to those entitled on or about 26 September 2008.

The bonus shares will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company. The bonus shares will rank pari passu in all respects with the ordinary shares of the Company and the Company will not allot any fractions of bonus shares. The bonus issues is expected to be dispatched to the eligible shareholders of the Company by ordinary post at their own risk on or about 30 September 2008, subject to the approval by the shareholders of the Company at the AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the bonus shares.

The register of members will be closed from Friday, 5 September 2008 to Thursday, 11 September 2008, both days inclusive, during which period no transfer of shares will be effected. Those persons whose names are registered as shareholders of the Company on 11 September 2008 will be entitled to receive the final dividend and bonus shares. In order to qualify for the proposed final dividend and bonus share, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 4 September 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group is very pleased to report an annual profit after tax of HK$103.1 million (2007: HK$33.0 million). The Group's revenue for the year increased significantly to HK$396.0 million (2007: HK$192.8 million) representing the growth of 105 per cent over the same period last year. Securities and futures brokerage and placement services were the primary contributors to profit. The Asset Management division displayed significant revenue growth resulting from higher performance and management fees. Assets under management grew considerably in the first three quarters of the year.

## REVIEW OF OPERATIONS

The Group performed very well in line with robust financial markets in Hong Kong and around the region during the first three quarters of the year. The securities and futures and asset management divisions demonstrated particularly strong growth and were major contributors to the Group's profit of HK$52.1 million on revenue of HK$316.1 million. We also saw continued healthy corporate finance and wealth management businesses. The Quamnet website information and media business (www.quamnet.com) likewise continued to grow, and with its full revamp completed in January 2008, supported by an aggressive advertising campaign, traffic expanded significantly.

In February 2008, we accomplished our strategy to extend our regional footprint by taking strategic stakes in McMillen Advantage Capital Limited which holds financial services business in Dubai, Seamico Securities Public Company Limited in Bangkok, and Capital Partners Securities Co., Ltd. in Tokyo. We completed the year with the disposal of our 25% interest in Verify Ltd. for a net gain of HK$27 million.

We are pleased to have achieved successful operating results and concluded important strategic developments during the year which is a tribute to our staff and their hard work in making this possible.

### Securities and futures dealing and placement

Securities and futures dealing commissions were HK$206.7 million (2007: HK$86.0 million) an increase of 140% over last year. This performance is a reflection of the strength of the market and continued growth in new accounts for both retail and institutional clients. Placement and underwriting fee income increased to HK$30.9 million (2007: HK$15.4 million) benefiting from favorable market conditions and the productivity of our expanded institutional and equity capital markets team. Our futures dealing business continued to expand on a strong recurring base of business stemming from the division's wide selection of futures products and efficient, easy-to-use electronic trading platform. Equity markets experienced reduced turnover and higher volatility in the latter part of the year as a result of U.S. sub-prime mortgage and credit crunch fears. However, we have not seen deterioration in our futures trading business, which is proof of its resilience to market conditions and sentiment, while our equities trading business was affected.

Our margin lending portfolio at the end of the financial year stood at HK$233.3 million (2007: HK$204.9 million). Net margin interest earned for the year improved as a result of a higher interest rate environment versus our relatively lower cost of funding. The utilization of our capital base to fund our margin-lending business further added to our net yield. We were cautious on the quality of our loan book. With the lowering of U.S. interest rates, together with easing sentiment in equity markets, we expect a slowdown in margin lending activity and a reduction in net interest income.

Our recently established Wealth Management business has had early success and was profitable in its first full year of operation. The wealth management team has achieved good results selling third party funds and insurance and Quam Group related products. The relocation of the business to our new premises located in Fung House this year has given the business a new identity and greater room for expansion. There will be an emphasis on further building the sales force in the coming year.

**Corporate financial advisory services**

Corporate Finance had a busy year, completing 35 transactions with a team of 12 people. M&A activity, assisted by our membership of M&A International Inc. (with whom we completed four projects) continues to complement our financial advising for listed issuers. During the past year, we completed 8 deals involving M&A activity and 27 mandates related to financial advisory.

**Asset Management**

The past year was exceptional in light of the robust financial markets and in particular the focus on China related investments. The current funds under management being primarily focused on China and Asia regions benefited from continued subscriptions throughout the year and together with strong performance in these funds, asset management and performance fee revenues were increased substantially to HK$74.2 million (2007: HK$18.8 million).

Total funds under management and advisory at period end totalled over HK$1 billion (2007: HK$500 million). In the coming year, further development of new products and funds are being considered.

**Wealth management and investment website – www.quamnet.com and QuamIR**

The Quamnet website successfully completed a full revamp and hardware upgrade over the first nine months of the financial year. It now brings additional features, personalized content and new ways of accessing the site for viewers and subscribers. A mobile version of the site was launched (mobile.quamnet.com) and a new Quamnet Watch List application is available to users via the Facebook social network. With this revamp completed in January 2008, we are seeing continued growth in viewership, subscription and advertising on the site. The division also completed the integration of its traditional offline investor relations services with its strong online investor relations services led by a revamp of its online investor relations website, www.QuamIR.com.

**Liquidity and Financial Resources**

The Group's cash and bank balances and short term deposits as at 31 March 2008 stood at approximately HK$40 million (2007: HK$62.4 million).

The Group generally finances its operations with internally generated cash flow and banking and short-term loan facilities provided by its principal bankers in Hong Kong and short term loans from a third party. As at 31 March 2008, the Group had available aggregate banking facilities of approximately HK$293 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients and as of 31 March 2008, the Group had pledged HK$4.6 million of its investment securities to secure banking facilities. As at 31 March 2008, approximately HK$31.5 million was utilized on these banking and short-term loan facilities.

The Group's gearing ratio, largely the result of the margin and money lending business and including IPO financing facilities, is 28.7% as at 31 March 2008 (2007: 117.2%).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group has about 145 full time employees based in Hong Kong. There were 23 full time employees and 2 part time employees based in the People's Republic of China.

Competitive remuneration packages to employees by reference to the prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid on an annual basis with reference to individual performance appraisals and the prevailing market conditions and trends. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group operates a share option scheme with options granted to certain employees and directors of the Group on a discretionary basis.

## PROSPECTS

The coming financial year is beginning in a difficult trading environment. Although the futures trading business has kept its volume steady, we have witnessed a decline in our equity trading volume.

We expect those lost revenues to be well compensated by revenue generated by our Equity Capital Markets (ECM) and Corporate Finance businesses. We anticipate that the regional execution and origination capabilities established in our "star alliance" will assist us in scaling up our private placement activities and permit us to land larger corporate finance mandates.

We are also actively setting up of a number of new funds including a Private Equity fund and a Fund of Funds.

Further effort will be focused on improving the quality and quantity of our products and services. This will only be possible by strengthening the quality of our staff through new hires and continuous education.

Quality management will lead to sustainable profitability.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the financial year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008 and subsequent period up to the date of publication of this announcement, save for the deviations from code provisions A.2.1 and A.4.1 which are explained as follow:

Mr. Bernard Pouliot is the Chairman of the Company since 19 April 2000 and the managing director of the Group. The Company does not have any office with the title "Chief Executive Officer". This constitutes a deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers that in view of the current operation, structure, size and resources of the Group together with substantial experience of financial services business, extensive management experience and leadership within the Group of Mr. Bernard Pouliot, that it is currently most beneficial and efficient to maintain the existing leadership structure.

All the existing independent non-executive directors of the Company do not have a specific term of appointment. This constitutes a deviation from code provision A.4.1 of the CG Code which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. However, pursuant to the Bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation, provided that every director shall be subject to retirement at least once every three years. Therefore, no director has an effective term of appointment longer than three years.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2008.

In addition, the Company also established written guidelines on terms no less exacting than the Model Code for relevant employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2008.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Group for the year ended 31 March 2008 is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the website of the Company at www.quamlimited.com respectively. The 2008 Annual Report of the Company will be dispatched to the shareholders and made available on the above websites in due course.

On behalf of the Board
**Quam Limited**
**Bernard Pouliot**
*Chairman and Executive Director*

Hong Kong, 9 July 2008

*As at the date of this announcement, the board of directors of Quam Limited comprises three executive directors, namely Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER; and four independent non-executive directors, namely Mr. Gordon KWONG Che Keung, Mr. Jeremy KING, Dr. TIAN Yuan and Mr. IP Shing Hing, J.P.*

* *For identification purpose only*