QUAM LIMITED

華富國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2010, together with the comparative figures for the previous financial period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	**Six months ended 30 September 2010** *HK$'000* **Unaudited**	Six months ended 30 September 2009 *HK$'000* Unaudited
Revenue/Turnover	4	**127,334**	148,817
Fair value gain on financial assets measured at fair value through profit or loss/financial assets at fair value through profit or loss		**3,124**	7,752
Other operating income	5	**4,777**	16,804
Cost of services provided		**(61,942)**	(90,879)
Staff costs		**(43,109)**	(40,890)
Depreciation and amortisation expenses		**(2,010)**	(2,229)
Other operating expenses, net		**(25,180)**	(22,528)
Finance costs		**(1,472)**	(1,500)
Share of results of jointly controlled entities		**(1,153)**	—
Share of results of associates		**(4,024)**	399
(Loss)/Profit before income tax	6	**(3,655)**	15,746
Income tax expense	7	**—**	—
(Loss)/Profit for the period, attributable to owners of the Company		**(3,655)**	15,746

* *For identification purpose only*

	Notes	Six months ended 30 September 2010 *HK$'000* Unaudited	Six months ended 30 September 2009 *HK$'000* Unaudited
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**25**	—
Changes in fair value of financial assets measured at fair value through other comprehensive income		**7,986**	—
Changes in fair value of available-for-sale financial assets		**—**	4,762
Share of other comprehensive income of an associate		**—**	298
Other comprehensive income for the period		**8,011**	5,060
Total comprehensive income for the period, attributable to owners of the Company		**4,356**	20,806
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company during the period	9		
— Basic		**(0.39) cent**	2.03 cents
— Diluted		**N/A**	1.99 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	**30 September 2010** *HK$'000* **Unaudited**	31 March 2010 *HK$'000* Audited (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**12,990**	11,749
Goodwill		**14,695**	14,695
Other intangible assets		**180**	200
Financial assets measured at fair value through other comprehensive income		**86,148**	78,162
Loan receivables		**—**	11,700
Interests in associates		**30,666**	34,690
Interests in jointly controlled entities		**21,180**	19,333
Other assets		**5,669**	3,108
		171,528	173,637
Current assets			
Trade receivables	10	**490,015**	355,663
Loan receivables		**14,923**	4,921
Prepayments, deposits and other receivables		**9,844**	8,852
Financial assets measured at fair value through profit or loss		**20,365**	13,131
Tax recoverable		**1,971**	1,971
Trust time deposits held on behalf of customers		**237,214**	81,581
Trust bank balances held on behalf of customers		**369,822**	373,955
Cash and cash equivalents		**75,369**	73,365
		1,219,523	913,439
Current liabilities			
Trade payables	11	**753,432**	635,288
Borrowings		**245,982**	37,189
Other payables and accruals		**36,294**	34,928
Finance lease payables		**914**	1,173
		1,036,622	708,578
Net current assets		**182,901**	204,861

	Notes	30 September 2010 HK$'000 Unaudited	31 March 2010 HK$'000 Audited (Restated)
Total assets less current liabilities		**354,429**	378,498
Non-current liabilities			
Borrowings		**—**	25,000
Finance lease payables		**439**	833
Deferred tax liabilities		**36**	36
		475	25,869
Net assets		**353,954**	352,629
EQUITY			
Equity attributable to the Company's owners			
Share capital		**3,160**	3,159
Reserves		**350,794**	349,470
Total equity		**353,954**	352,629

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complies with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss which are stated at fair value.

The accounting policies adopted in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) and the adoption of a share award scheme as disclosed below.

This interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2400, *Engagements to Review Financial Statements,* issued by the HKICPA.

This interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised 2008)	Business Combinations
Various	Annual Improvements to HKFRSs 2009

The impact of these new and amended HKFRSs on the condensed consolidated interim financial statements is not significant except for the adoption of Annual Improvements to HKFRSs 2009:

Adoption of Annual Improvements to HKFRSs 2009

The Annual Improvements to HKFRSs 2009 consist of further amendments to existing standards, including an amendment to HKAS 17 Leases. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases and has reclassified the land element of its property leases from operating leases to finance leases. In addition, the amortisation of the prepaid land lease expense has been reclassified to depreciation.

The effect of the adoption of the amendment described above on the condensed consolidated statement of comprehensive income for the six months ended 30 September 2010 is to increase the depreciation charge by HK$1,000 with a corresponding reduction in amortisation charge. There were no financial effects on the condensed consolidated statement of comprehensive income for the six months ended 30 September 2009.

The effect of the adoption of the amendment described above on the condensed consolidated statement of financial position at 1 April 2010 is to increase the property, plant and equipment by HK$2,227,000 with a corresponding reduction in prepaid lease payments. There were no financial effects on the condensed consolidated statement of financial position at 1 April 2009 for the adoption of the amendment described above.

Adoption of a Share Award Scheme

On 19 August 2010, the Board of the Company approved the restricted share award scheme (the "Share Award Scheme") pursuant to which shares of the Company may be awarded to certain employees and consultants of the Group subject to fulfilment of time-based targets and/or time-and-performance-based targets as determined by the Board of the Company from time to time.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust, for the purpose of administering the Share Award Scheme and holding the shares of the Company thereunder before they are vested (the "Share Award Scheme Trust"). The trustee is to purchase from the market out of cash contributed by the Group for such shares that the Group awarded.

As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and retains the risks and benefits of shares held by the Trust until they vest unconditionally with employees, the Group is required to consolidate the Share Award Scheme Trust under HKAS 27.

During the period, the trustee purchased in aggregate 10,000,000 shares of the Company at a total cost (including related transaction costs) of approximately HK$3,862,000.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(i) the brokerage segment engages in securities and futures dealing, provision of placement services, underwriting services, discretionary securities and futures dealing services, margin financing and money lending services, money lending arrangement and guarantee business, and wealth management services;

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

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

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

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

Each of these operating segments is managed separately, as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices. During the six months ended 30 September 2010, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Segment information for the six months ended 30 September 2010 and 2009 is as follows:

2010	**Brokerage** *HK$'000* **Unaudited**	**Advisory** *HK$'000* **Unaudited**	**Asset management** *HK$'000* **Unaudited**	**Website management** *HK$'000* **Unaudited**	**Investments** *HK$'000* **Unaudited**	**Eliminations** *HK$'000* **Unaudited**	**Total** *HK$'000* **Unaudited**
Segment revenue							
Sales to external customers	**93,042**	**17,732**	**4,175**	**12,385**	—	—	**127,334**
Inter-segment sales	—	—	—	**5,498**	—	**(5,498)**	—
Total	**93,042**	**17,732**	**4,175**	**17,883**	—	**(5,498)**	**127,334**
Segment results	**2,629**	**581**	**(1,165)**	**1,148**	**1,523**		**4,716**
Interest income from banks and others							**868**
Employee share-based compensation							**(782)**
Elimination of profits on intra-group transactions							**(1,449)**
Other unallocated head office and corporate expenses							**(1,831)**
Share of results of associates							**(4,024)**
Share of results of jointly controlled entities							**(1,153)**
Loss before income tax							**(3,655)**
Income tax expense							—
Loss for the period							**(3,655)**

2009	Brokerage	Advisory	Asset management	Website management	Investments	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Segment revenue							
Sales to external customers	123,143	10,715	4,483	10,476	—	—	148,817
Inter-segment sales	—	1,000	1,000	2,824	—	(4,824)	—
Total	123,143	11,715	5,483	13,300	—	(4,824)	148,817
Segment results	2,423	1,547	(469)	(809)	17,841		20,533
Interest income from banks and others							1,048
Employee share-based compensation							(2,112)
Elimination of profits on intra-group transactions							(3,670)
Other unallocated head office and corporate expenses							(452)
Share of results of an associate							399
Profit before income tax							15,746
Income tax expense							—
Profit for the period							15,746

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2010	Six months ended 30 September 2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Advertising and content fee income	**2,569**	1,661
Advisory fee income	**17,732**	10,715
Asset management fee income	**4,175**	4,483
Commission and performance fee income on securities and futures broking	**78,321**	116,954
Income from margin financing and money lending operations	**7,608**	5,590
Placement and underwriting fee income	**6,278**	87
Website management and related services fee income	**9,816**	8,815
Wealth management service fee income	**835**	512
	127,334	148,817

5. OTHER OPERATING INCOME

	Six months ended 30 September 2010 *HK$'000* **Unaudited**	Six months ended 30 September 2009 *HK$'000* Unaudited
Interest income from banks and others	**868**	1,048
Exchange gains, net	**1,185**	790
Write back of provision for impairment of trade receivables	**1,600**	1,036
Dividend income from listed securities	**57**	11,338
Sundry income	**1,067**	2,592
	4,777	16,804

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September 2010 *HK$'000* **Unaudited**	Six months ended 30 September 2009 *HK$'000* Unaudited
Amortisation of other intangible assets	**20**	634
Depreciation of property, plant and equipment		
Owned assets	**1,531**	1,045
Leased assets	**459**	550
	2,010	2,229
Staff costs (including directors' remuneration):		
Salaries and other allowances	**41,505**	38,011
Retirement benefits scheme contribution	**822**	767
Employee share-based compensation	**782**	2,112
	43,109	40,890
Consultancy fee for marketing and promotion#	**24,598**	50,512
Provision for impairment of trade receivables	**1,552**	21

Included in cost of services provided

7. INCOME TAX EXPENSE

No Hong Kong profits tax was provided in the financial statements as companies within the Group either did not derive any assessable profit in Hong Kong or had unused tax losses brought forward to offset against the assessable profits in Hong Kong for the six months ended 30 September 2010 and 30 September 2009.

As at 30 September 2010, a provision was made for deferred tax liabilities of HK$36,000 (31 March 2010: HK$36,000) calculated at the rate of 16.5% (31 March 2010: 16.5%) in respect of the temporary differences arising from accelerated depreciation allowances.

8. DIVIDENDS

Dividends attributable to the interim period

	Six months ended 30 September 2010	Six months ended 30 September 2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Interim dividend declared after the interim period of HK1.0 cent per ordinary share in 2009	**—**	7,882

The Board has resolved not to declare interim dividend (2009: HK1.0 cent per ordinary share in issue) in respect of the six months ended 30 September 2010.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK$3,655,000 (2009: earnings of HK$15,746,000) and on the weighted average of 947,846,835 (2009: 776,343,733) ordinary shares in issue during the period.

For the six months ended 30 September 2010, diluted loss per share was not presented because the impact of the exercise of the share options was anti-dilutive.

For the six months ended 30 September 2009, the calculation of diluted earnings per share for the period is based on the unaudited profit for the period attributable to owners of the Company of HK$15,746,000 as used in the calculation of the basic earnings per share and the weighted average of 792,364,488 ordinary shares outstanding during the period, 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 776,343,733 ordinary shares in issue during the period, as used in the calculation of the basic earnings per share, plus the weighted average number of 16,020,755 ordinary shares deemed to be issued at no consideration as if the share options have been exercised.

10. TRADE RECEIVABLES

	30 September 2010 *HK$'000* **Unaudited**	31 March 2010 *HK$'000* Audited
Trade receivables	**507,744**	373,440
Less: provision for impairment of trade receivables	**(17,729)**	(17,777)
Trade receivables — net	**490,015**	355,663

The Group's trade receivables as at 30 September 2010 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. The Group's trade receivables related to a large number of diversified customers, and 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 reporting date, based on due date and net of provision, is as follows:

	30 September 2010 *HK$'000* **Unaudited**	31 March 2010 *HK$'000* Audited
Repayable on demand — margin clients receivable	**211,071**	152,938
0–30 days	**273,428**	201,154
31–60 days	**750**	519
61–90 days	**2,909**	525
91–180 days	**1,782**	522
181–360 days	**70**	4
Over 360 days	**5**	1
	490,015	355,663

Included in the Group's margin clients receivable was an amount due from a director of HK$7,133,000 (31 March 2010: HK$3,657,000 due from directors) in respect of transactions in securities as at 30 September 2010.

11. TRADE PAYABLES

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

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	Unaudited	Audited
Repayable on demand:		
Securities transactions		
— margin clients payable	**91,127**	104,752
— cash clients payable	**473,992**	287,832
Futures and options contracts		
— clients payable	**175,575**	228,246
	740,694	620,830
Within 180 days	**12,681**	14,401
Over 180 days	**57**	57
	753,432	635,288

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 were amounts due to directors of HK$971,000 (31 March 2010: HK$67,000) in respect of transactions in securities as at 30 September 2010.

Included in above, there were amount due to directors of HK$2,674,000 (31 March 2010: HK$8,658,000 due to a director) in respect of transactions in futures as at 30 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the period from 1 April 2010 to 30 September 2010 (the "Period"), the Group reports a profit before share of results of associates and jointly controlled entities of HK$1,500,000 but a consolidated loss of HK$3,700,000 (2009: profit of HK$15,700,000). The share of losses associated with our Dubai investment in McMillen Advantage Capital Limited and our investment in the Suzhou Private Equity was HK$5,200,000 (2009: share of profit of HK$400,000). The Group's revenue for the Period amounted to HK$127,300,000 (2009: HK$148,800,000) reflecting a decrease of 14.4% in the corresponding period last year.

During the Period, the Group experienced a very unstable market environment leading to high volatility and erratic trading.

April and May were promising until the eruption of the European debt-crisis and the sudden gloomy outlook in the United States with the spectre of a "double-dip" recession hovering over the markets which affecting liquidity and turnover. Adding to these uncertainties, were worries about a market correction in China. In a nutshell, the markets were confused with no sense of direction. Then, in June and July, capital market activities came to a near halt and our business suffered with low trading volume, absence of deal flow, and a general sense of gloom and doom. It appeared to be November 2008 all over again!

At the end of August, markets suddenly started to spike upward, and liquidity returned to the market as investors, world-wide, rapidly turned their attention to the emerging markets. Since then, our volume has tripled with deal flow building up quickly, thus putting pressure on manpower.

The market has now returned to a more positive outlook, which is encouraging for our second half financial prospects.

We are now in the process of repositioning our core businesses and intend to dispose of non-core assets. The proceeds of disposal will be redeployed into the acquisition of talent in our corporate finance advisory, securities brokerage, equity capital markets, asset management and private equity with a focus to expand and deepen Quam's reach into China. New regulation towards the internationalization of the Renminbi ("RMB") combined with the ever growing interest of Chinese individuals and corporates to explore investment opportunities outside mainland China has also encouraged us to open additional offices in China. We now have offices in ten cities (Beijing, Shanghai, Shenzhen, Dalian, Shenyang, Hangzhou, Ningbo, Chengdu, Xiamen and Suzhou).

We believe this will lead us to additional opportunities for our private equity operations. Our Suzhou venture now has good deal flow which will be evaluated against the investment criteria and would lead to further investments. As a result, the private equity ventures will need to raise additional funds.

On the home front, local securities houses are facing heavy competition with some industry players launching very aggressive pricing structures with the objective of increasing market share. We have reacted by putting in place marketing campaigns to retain and capture new business and expanding our sales forces, both in Hong Kong as well as in China. We expect that the combination of Quantitative Easing 2 by the United States Federal Reserve and its expected favourable impact on trading volumes in Hong Kong, together with the roll out of new RMB traded products, should provide volume and a wider scope of products to soften the pressure on margins associated with price competition. To that effect, we have expanded our product range, and now offer London Metals Exchange (LME) traded products and soon, will be offering Hong Kong stock options services.

On the Equity Capital Markets (ECM) front, deal flow increased in the later part of the Period, as we completed eight fund raising mandates. We foresee increased activity in the second half and have expanded the team correspondingly. In order to better serve our institutional clients, we have significantly expanded the range and frequency of our research products. The result has been an increase in Quam Securities' market share in the local market.

Our Corporate Finance division enjoyed a strong performance with one Initial Public Offering (IPO), and a broad range of advisory mandates completed. Merger and acquisition activities have picked up substantially and our team now holds a record level of mandates. It is looking very promising.

In September, our Asset Management business successfully launched the Quam Middle East Fund, which is co-managed by InvestAD, a subsidiary of Abu Dhabi Investment Co. (ADIC). In September, we hired Mr. Richard Harris as the new Chief Executive of Quam Asset Management. The fund presentations have been substantially upgraded to appeal to the much bigger institutional market in line with Mr. Harris' experience on both the buy side and the sell side of the markets.

Finally, we have discussed in past reports our ongoing investments and upgrading of our IT systems. We are happy to inform you that the progress towards this upgrade is progressing on target, with a view to scale up our online activities that now represent close to 90% of our business volume. Total investment up till now is close to HK$8,000,000.

Our Global Alliance Partners initiative is starting to bear fruit whereby a placing mandate was completed from the introduction of one of the members. We are excited about the maturing of the organization. A semi-annual conference was held in Hong Kong at the end of October bringing together the Global Alliance partners that now total eleven participants. During the full day session, many constructive ideas and actionable projects were identified that are expected to benefit all our members. In addition to GAP's presence in Hong Kong, China, Thailand, Vietnam, London, New York, Africa, Japan, we have added India, Sri-Lanka and Mongolia.

On an individual member basis, MAC (McMillen Advantage Capital Limited together with its subsidiaries and associates) in Dubai has taken the strategic decision to suspend securities trading activities until better market conditions return and will focus on its investment banking/corporate finance business by expanding its personnel to capture deals flow essentially from the distressed asset and other investment opportunities to the Middle East investors.

In Thailand, Seamico Securities Public Company Limited's ("Seamico") associate, KT ZMICO Securities Company Limited ("KT ZMICO") has benefited greatly from a growth in trading volume following the political stability of the country. Corporate finance mandates are also at an all time high which should impact positively on the bottom line. This will enable Seamico to continue its dividend policy.

Review of Operations

Securities and futures dealing and placement

Securities and futures dealing commissions were HK$78,300,000 (2009: HK$117,000,000), a decrease of 33.1% over the same period last year. The decrease in commission revenue resulted largely from lower volumes in futures trading compared to the same period last year. However, securities dealing was only slightly down year on year reflecting the PRC stimulus package launched in the same period last year. We contribute the relative inelastic response to securities dealing from new business derived from institutional and new sales agents to compensate the downturn in market sentiment in the early part of the Period. ECM business activity picked up in the latter part of the Period and several placement mandates were completed. Placement and underwriting fee income for the Period was HK$6,300,000 (2009: HK$100,000).

The securities margin lending book grew rapidly towards the end of the Period as the markets began to recover with many IPOs coming on stream in September. The margin loan book at the end of Period was HK$211,100,000 (31 March 2010: HK$152,900,000). Bank borrowings were mainly utilized towards the latter end of the Period when market and IPO activity became prominent. With second half activities increasing, we expect to expand the margin book and increase interest revenues.

Corporate financial advisory services

Corporate finance and advisory services revenue for the Period amounted to HK$17,700,000 (2009: HK$10,700,000). Work undertaken during the Period covered a wide range of activities including sponsorship advisory, takeover and financial restructuring related activities, general financial advisory, independent financial advisory, fundraising and mergers and acquisitions.

Asset Management

The revenue for the Period amounted to HK$4,200,000 (2009: HK$4,500,000) and was a reflection of the still unclear market and marketing conditions during the early part of the year. Total Assets Under Management (AUM) stands at around US$65,800,000 as at the Period end.

The soft launch of the Quam Middle East Fund in September added US$5,000,000 to the overall AUM as at the Period end, and we are looking for other opportunities for funds establishment. The division is also nurturing a discretionary private client fund management business which has grown steadily since the beginning of this Period. This service utilises the same pool of research and expertise as the rest of the asset management products.

Investment Website — www.quamnet.com and QuamIR

Revenue for the Period was higher at HK$17,900,000, including inter-company services of HK$5,500,000 (2009: HK$13,300,000, including inter-company services of HK$2,800,000). We have deployed a significant portion of our support services to our Shenzhen office to lower the operating costs, in particular the staff cost. Further reductions in rental costs in the coming year are expected as a result of relocating to lower cost premises. Quamnet is seeing good progress with China content distribution partner QQ.com, which complements existing partnerships with iFeng.com, Hexun.com, Baidu, and Sina.com, among others. In Hong Kong, new subscription services with high-profile investment advisors, including a daily market trading strategies video service featuring Mr. Alex WONG, a value-investing service from Mr. Vincent LAM, and a foreign currency trading advisory service from Mr. Patrick WONG, all gained paid subscribers in the Period. Quamnet will continue to focus on developing further paid subscription services to attract additional paying subscribers and compliment those already available on the Quamnet.com financial information platform. Quamnet continues to produce large-scale conferences, medium scale seminars and specialty investing training courses, to enhance both advertising and sponsorship revenues and its subscriber base and subscriber loyalty. Its investor relations business is experiencing an increase in new client acquisition in line with the improvement in the market since the financial crisis.

Financial Reviews

Liquidity and Financial Resources

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. At 30 September 2010, the Group had available aggregate banking facilities of approximately HK$232,000,000 which are secured by legal charges on certain securities owned by the Group's margin and money lending clients. On 30 September 2010, approximately HK$69,100,000 (31 March 2010: HK$27,200,000) of these banking and short-term loan facilities were utilized. In addition, the Group had two IPO financing loans provided by its major bankers which stood at HK$141,900,000 (31 March 2010: nil) and were fully repaid from 4 October 2010 to 8 October 2010 respectively.

Capital Structure

The Group's cash and short term deposits at 30 September 2010 stood at approximately HK$75,400,000 (31 March 2010: HK$73,400,000).

Gearing Ratio

The Group's gearing ratio, largely the result of the margin and money lending business and with the addition of IPO financing facilities, was 69.5% at 30 September 2010 (31 March 2010: 17.6%), being calculated as borrowings over net assets. It should be noted that two IPO financing facilities were utilised to the amount of HK$141,900,000 at 30 September 2010 (31 March 2010: nil) and were fully repaid from 4 October 2010 to 8 October 2010 respectively.

Employees and Remuneration Policies

As of 30 September 2010, the Group had approximately 153 full time employees and 3 part time employees in Hong Kong, together with 66 full time employees and 2 part time employees based in the People's Republic of China. Competitive total remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid with reference to individual performance appraisals, prevailing market conditions and trends and company financial results. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group has maintained a share option scheme and a restricted share award scheme in order to recognize and motivate the contribution of high performing employees of the Group, to provide incentives for retention purposes and to continue to attract capable personnel for further development of the Group.

Risk Management

The Group adopts stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations.

Credit Risk

The Group has a credit committee in the securities and futures operation who are charged with the responsibility of approving credit limit for individual customers. The credit committee, which is delegated by the Executive Committee of the Company and ultimately authorized by the Board, is responsible for the approval of individual stocks acceptable for margin lending at a specified ratio. The stock list will be revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual stocks or on any individual customer and his or her associates.

The credit control department is responsible for monitoring and making margin calls to customers whose trades exceed their respective limits. Failure to meet margin calls will result in liquidation of the customer's positions. The credit control department runs stress tests on loan portfolios to determine the impact on the firm's financial position.

Liquidity Risk

The Group's operating units are subject to various liquidity requirements as prescribed by the authorities and regulator. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant Financial Resources Rules.

As a safeguard, the Group has maintained long term facilities and stand-by banking facilities to meet any contingency in its operations. Even in periods of high market volatility, the management believes the Group's working capital is adequate to meet its financial obligations.

Market Risk

The Group offers margin trading in securities and futures and options products. Clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying interest. The margins to be maintained for futures and options products are based on requirements set by the exchanges. The margin ratios for securities margin loans are based on a combination of factors including indicative acceptable lending rates from our bankers, the quality of the company represented by the securities, the liquidity of the securities, and the concentration level of the securities we would finance. All margin ratios are assessed by the Credit Committee. In situations where there may be sudden volatile market movement (e.g. market gap opening) which has caused client's positions to be exposed, and the liquidation of these positions cannot be undertaken due to market liquidity, may expose the Group to this immediate shortfall and the possible default from the client.

The Group's exposure to underwriting commitments will be affected by the market volatility and sentiment which impacts the expectation of the underwritten securities, and whether the Group has the obligation to take up unsubscribed securities in such offering.

The Group has adopted an investment policy to cap its underwriting commitments. The net exposure commitment per issue should not exceed 25% of net asset value of the Group and the aggregate of underwriting commitments at any one time should not exceed 40% of net asset value of the Group. Such policy may be varied at the discretion of the Board.

The Group has adopted a hedging policy on capital commitments which require non-Hong Kong dollar contributions. These relate in respect to private equity funds. The Group has used non-deliverable forward contracts to hedge exposure to this possible foreign exchange risk.

Operational Risk

Systems are installed to monitor availability and performance of various IT systems and a team will act and report to senior management in accordance with established procedures in the event of disruption, instability and other situations which may warrant to trigger contingency procedure to protect interests of clients.

The Group maintains and updates on an on-going basis the operation manuals of its major operations when regulatory or industry changes occur. We have also put in place competent compliance, outsourced internal audit function with their respective aims at detecting systemic risks and recommending policy changes; carrying out checks on statutory compliance and the Company's rules and regulations; and implementing ongoing checks and verification.

Prospects

The remnants of the financial crisis still linger in the major western countries. There will be continued uncertainties as these countries restructure their economies. The challenge in Asia is complex, with China still playing its part to stem the contagion from spreading to its domestic markets. The balancing act we see being played out in China and around Asia this year, should build confidence in markets in Asia, and in particular Hong Kong, in the second half, driven initially by excess liquidity from Quantitative Easing and flight of some European capital to these markets that are increasingly seen as proxies into China. Coupled with market expectations for RMB appreciation and progress in the development of the RMB offshore business, Hong Kong show healthy signs of growth in the second half, and hopefully longer. The outlook any further out is difficult to foresee given the many factors that can affect the present brittle state of the global economy.

We remain focused with our China strategy by maintaining offices in ten cities. This will, on the one hand, help to tap into the local network of high net worth individuals and locally based corporations to bring deal and investment flow to our corporate finance, asset management and securities business; whilst on the other hand, we will take on additional leverage in growing our existing businesses to meet the current market upturn in the early second half of this financial year.

Many companies and clients we service are also taking the opportunity to seek additional capital to develop their business in line with the opportunities that China presents. Corporate finance and ECM have strong deal flow and we endeavour to capture our share of this business. We are aware that talent and human resources will be a challenge in the months ahead as the market continues to pick up. On the trading side, the immediate challenge is the price competition that began in mid 2010. However, we intend to be as aggressive to meet this challenge and maintain, if not capture additional share of the market.

Asset management will be looking to market its funds aggressively in light of the rebound in Asia, and additionally look to launch new themed funds. The direction that asset management will take is being a branded provider of high quality funds in markets that have particular future appeal as "next generation" investments. The distribution strength of asset management will be a key element to our future development and feeds off our Group expertise in this area.

In private equity, we will be looking for opportunities from other private equity operations to co-investment, or co-manage their assets. Quamnet will be seeking further strategic inroads with famous mainland Chinese portals to offer its media and content.

As we stated in the last Annual Report, we anticipate two major developments this year: a stronger RMB, and the further opening of Hong Kong to investors from China. At the moment, these predictions seem to be playing out as we expected.

The focus of our Group going forward is to build profitability in core businesses. To achieve this, the corporate finance division will increase its human resources to capture the demand of increasing deal flow. We will also continue to broaden the range of products and services we offer in our asset management, wealth management, brokerage businesses and private equity initiatives to deliver greater shareholders' value.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 September 2010 (2009: interim dividend of HK1.0 cent per share).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the Share Award Scheme pursuant to the terms of the Share Award Scheme and trust deed of the Share Award Scheme, purchased from the market a total of 10,000,000 shares at a consideration (including related transaction costs) of approximately HK$3,862,000.

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") under Appendix 10 to the Listing Rules. The code of conduct is also updated from time to time in order to keep abreast with the recent changes in the Listing Rules. It has also been extended to specified 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.

Having made specific enquiry of all the Directors, 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 six months ended 30 September 2010.

CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2010 of the Company, we reported that the Company had applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the deviations from code provision A.2.1.

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. POULIOT, that it is currently most beneficial and efficient to maintain the existing leadership structure.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has met with BDO Limited, the proposed external auditor of the Group, to review the accounting policies and practices adopted by the Group and review the unaudited condensed consolidated financial results of the Company for the six months ended 30 September 2010.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2010 of the Group is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.quamlimited.com. The Interim Report 2010 of the Company will be dispatched to the shareholders of the Company 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, 26 November 2010

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 three independent non-executive directors, namely Mr. Gordon KWONG Che Keung, Mr. Robert Stephen TAIT and Mr. Douglas Howard MOORE.