# 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 2011

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2011, together with the comparative figures for the previous financial year, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

| | *Notes* | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|---|
| **Revenue/Turnover** | 4 | **306,613** | 286,625 |
| Fair value gain on financial assets measured at fair value through profit or loss | | **4,239** | 7,196 |
| Other operating income | 5 | **8,365** | 22,530 |
| Cost of services provided | | **(142,646)** | (162,606) |
| Staff costs | | **(98,632)** | (76,152) |
| Depreciation and amortisation expenses | | **(4,203)** | (4,395) |
| Other operating expenses, net | | **(53,245)** | (48,971) |
| Finance costs | 6 | **(4,150)** | (2,892) |
| Share of results of jointly controlled entities | | **(2,347)** | (1,470) |
| Share of results of associates | | **(5,750)** | (314) |
| Loss on disposal of an associate | | **—** | (41) |
| **Profit before income tax** | 7 | **8,244** | 19,510 |
| Income tax expense | 8 | **(570)** | — |
| **Profit for the year, attributable to the owners of the Company** | | **7,674** | 19,510 |

* *For identification purpose only*

| | Notes | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Other comprehensive income, including reclassification adjustments** | | | |
| Exchange gain on translation of financial statements of foreign operations | | **37** | 1 |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | | **(3,789)** | (4,864) |
| Capital reduction of financial assets measured at fair value through other comprehensive income | | **10,239** | — |
| Share of other comprehensive income of an associate | | **257** | (67) |
| **Other comprehensive income for the year, including reclassification adjustments and net of tax** | | **6,744** | (4,930) |
| **Total comprehensive income for the year, attributable to owners of the Company** | | **14,418** | 14,580 |
| **Earnings per share for profit attributable to owners of the Company during the year** | 10 | | |
| — Basic *(cents)* | | **0.809** | 2.296 |
| — Diluted *(cents)* | | **0.807** | 2.184 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **14,303** | 11,749 |
| Goodwill | | **14,695** | 14,695 |
| Development costs | | **1,355** | — |
| Other intangible assets | | **160** | 200 |
| Financial assets measured at fair value through other comprehensive income | | **74,373** | 78,162 |
| Loan receivables | | — | 11,700 |
| Interests in associates | | **29,197** | 34,690 |
| Interests in jointly controlled entities | | **19,986** | 19,333 |
| Other assets | | **6,869** | 3,108 |
| | | **160,938** | 173,637 |
| **Current assets** | | | |
| Trade receivables | 11 | **656,130** | 355,663 |
| Loan receivables | | **4,410** | 4,921 |
| Prepayments, deposits and other receivables | | **10,649** | 8,852 |
| Financial assets measured at fair value through profit or loss | | **14,141** | 13,131 |
| Tax recoverable | | — | 1,971 |
| Trust time deposits held on behalf of customers | | **211,957** | 81,581 |
| Trust bank balances held on behalf of customers | | **439,834** | 373,955 |
| Cash and cash equivalents | | **122,510** | 73,365 |
| | | **1,459,631** | 913,439 |
| **Current liabilities** | | | |
| Trade payables | 12 | **967,771** | 635,288 |
| Borrowings | | **243,377** | 37,189 |
| Other payables and accruals | | **49,658** | 34,928 |
| Finance lease payables | | **714** | 1,173 |
| Tax payables | | **439** | — |
| | | **1,261,959** | 708,578 |
| **Net current assets** | | **197,672** | 204,861 |

| | *Notes* | **2011** *HK$'000* | 2010 *HK$'000* (Restated) |
|---|---|---|---|
| **Total assets less current liabilities** | | **358,610** | 378,498 |
| **Non-current liabilities** | | | |
| Borrowings | | **—** | 25,000 |
| Finance lease payables | | **134** | 833 |
| Deferred tax liabilities | | **36** | 36 |
| | | **170** | 25,869 |
| **Net assets** | | **358,440** | 352,629 |
| **EQUITY** | | | |
| **Equity attributable to the Company's owners** | | | |
| Share capital | | **3,161** | 3,159 |
| Reserves | | **355,279** | 349,470 |
| **Total equity** | | **358,440** | 352,629 |

## NOTES TO THE ANNUAL RESULTS

*(For the year ended 31 March 2011)*

### 1. BASIS OF PREPARATION

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 ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of 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 AND AMENDED HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

**HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements**

The revised standard is effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is to be accounted for as a transaction with owners in their capacity as owners. Accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

**HKAS 17 (Amendments) — Leases**

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 consolidated statement of comprehensive income for the year ended 31 March 2011 is to increase the depreciation charge by HK$3,000 with a corresponding reduction in amortisation charge. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the year ended 31 March 2010 of HK$1,000 and a corresponding reduction in the amortisation charge for that year.

The effect of the adoption of the amendment described above on the consolidated statement of financial position at 31 March 2011 and 1 April 2010 is to increase the property, plant and equipment by HK$2,224,000 and HK$2,227,000 respectively with a corresponding reduction in prepaid lease payments. There were no financial effects on the consolidated statement of financial position at 1 April 2009 for the adoption of the amendment described above.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1&2] |
| Amendments to HKFRS 7 | Disclosure — Transfers of Financial Assets[3] |

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011

**Improvements to HKFRSs 2010**

The HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings. The amendments to HKFRS 3, HKAS 21, HKAS 28 and HKAS 31 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 7, HKAS 1 and HKAS 34 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

**Amendments to HKFRS 7 — Disclosure — Transfers of Financial Assets**

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The Group is in the process of making an assessment of the potential impact of these new and amended HKFRSs and the directors so far concluded that the application of these new and amended HKFRSs will have no material impact on the Group's financial statements.

**Early adoption of new and amended HKFRS**

*HKFRS 9: Financial Instruments (as amended in 2010)*

HKFRS 9 (as amended in 2010) has been expanded to include the requirements with respect to derecognition of financial assets and financial liabilities (which have been taken from HKAS 39 without amendment) and classification and measurement of financial liabilities. The early adoption of the amended HKFRS 9 did not have any financial impact to the Group as the Group did not have any financial liabilities that were affected by the changes in classification and measurement requirements and there were no changes in the derecognition of financial assets and financial liabilities.

## 3. SEGMENT INFORMATION

The executive directors have identified the Group's five services lines as operating segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

| **2011** | **Brokerage** *HK$'000* | **Advisory** *HK$'000* | **Asset management** *HK$'000* | **Website management** *HK$'000* | **Investments** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| From external customers | **230,704** | **40,073** | **10,581** | **25,255** | **—** | **306,613** |
| From other segments | **—** | **1,240** | **1,200** | **13,242** | **—** | **15,682** |
| **Reportable segment revenue** | **230,704** | **41,313** | **11,781** | **38,497** | **—** | **322,295** |
| **Reportable segment result** | **13,073** | **7,486** | **(4,583)** | **4,578** | **886** | **21,440** |
| Interest income from banks and others | **773** | **—** | **—** | **2** | **—** | **775** |
| Depreciation and amortisation | **2,194** | **94** | **59** | **1,544** | **—** | **3,891** |
| Finance costs | **4,051** | **—** | **—** | **99** | **—** | **4,150** |
| **Reportable segment assets** | **1,449,441** | **18,461** | **3,094** | **6,814** | **88,514** | **1,566,324** |
| Additions to non-current segment assets during the year | **6,135** | **112** | **55** | **340** | **—** | **6,642** |
| **Reportable segment liabilities** | **1,234,805** | **8,388** | **1,851** | **11,387** | **—** | **1,256,431** |

| 2010 | Brokerage *HK$'000* | Advisory *HK$'000* | Asset management *HK$'000* | Website management *HK$'000* | Investments *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| From external customers | 227,417 | 24,109 | 13,024 | 22,075 | — | 286,625 |
| From other segments | — | 2,494 | 1,000 | 12,899 | — | 16,393 |
| **Reportable segment revenue** | 227,417 | 26,603 | 14,024 | 34,974 | — | 303,018 |
| **Reportable segment result** | 5,070 | 1,888 | 615 | 4,490 | 15,558 | 27,621 |
| Interest income from banks and others | 400 | — | — | 2 | — | 402 |
| Depreciation and amortisation | 2,622 | 87 | 46 | 1,453 | — | 4,208 |
| Finance costs | 2,704 | — | — | 188 | — | 2,892 |
| **Reportable segment assets** | 887,697 | 19,371 | 2,707 | 8,242 | 91,293 | 1,009,310 |
| Additions to non-current segment assets during the year | 4,263 | 16 | — | 610 | — | 4,889 |
| **Reportable segment liabilities** | 713,137 | 3,886 | 963 | 10,744 | — | 728,730 |

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Reportable segment revenue | **322,295** | 303,018 |
| Elimination of inter segment revenue | **(15,682)** | (16,393) |
| Group revenue | **306,613** | 286,625 |
| Reportable segment result | **21,440** | 27,621 |
| Other operating income | **1,097** | 1,424 |
| Share of result of associates | **(5,750)** | (314) |
| Share of result of jointly controlled entities | **(2,347)** | (1,470) |
| Loss of disposal of an associate | **—** | (41) |
| Unallocated corporate expenses | **(6,196)** | (7,710) |
| Profit before income tax | **8,244** | 19,510 |
| Reportable segment assets | **1,566,324** | 1,009,310 |
| Interests in associates | **29,197** | 34,690 |
| Interests in jointly controlled entities | **19,986** | 19,333 |
| Unallocated corporate assets | **5,062** | 23,743 |
| Group assets | **1,620,569** | 1,087,076 |
| Reportable segment liabilities | **1,256,431** | 728,730 |
| Other corporate liabilities | **5,698** | 5,717 |
| Group liabilities | **1,262,129** | 734,447 |

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 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:

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| Advertising and content fee income | **4,828** | 4,134 |
| Advisory fee income | **40,073** | 24,109 |
| Asset management fee income | **10,581** | 13,024 |
| Commission and performance fee income on securities and futures broking | **185,689** | 207,835 |
| Income from margin financing and money lending operations | **20,572** | 11,255 |
| Placement and underwriting fee income | **21,974** | 6,528 |
| Website management and related services fee income | **20,427** | 17,941 |
| Wealth management service fee income | **2,469** | 1,799 |
| | **306,613** | 286,625 |

## 5. OTHER OPERATING INCOME

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income from banks and others | **1,872** | 1,826 |
| Exchange gains, net | **2,658** | 1,489 |
| Write back for provision for impairment of trade receivables | **1,600** | 1,872 |
| Dividend income from listed securities* | **57** | 11,481 |
| Sundry income | **2,178** | 5,862 |
| | **8,365** | 22,530 |

* Including dividend income of HK$11,017,000 for the year ended 31 March 2010 derived from the investments in Seamico Securities Public Company Limited ("Seamico"), which is classified as financial assets measured at fair value through other comprehensive income.

## 6. FINANCE COSTS

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Finance charges on finance lease | **99** | 188 |
| Interest on bank loans and other borrowings wholly repayable within five years | **4,051** | 2,704 |
| | **4,150** | 2,892 |

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Auditors' remuneration | **1,175** | 1,044 |
| Amortisation of other intangible assets | **40** | 1,009 |
| Depreciation of property, plant and equipment | | |
| Owned assets | **3,359** | 2,384 |
| Leased assets | **804** | 1,002 |
| | **4,203** | 4,395 |
| Loss on disposal of property, plant and equipment | **15** | — |
| Minimum lease payments under operating leases in respect of land and buildings | **14,682** | 13,202 |
| Provision for impairment of trade receivables | **2,272** | 3,417 |

## 8. INCOME TAX EXPENSE

For the year ended 31 March 2011, Hong Kong profits tax has been provided at the rate of 16.5% 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.

For the year ended 31 March 2010, 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 current year's assessable profits in Hong Kong.

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| — Hong Kong | | |
| Current year | **499** | — |
| Underprovision in prior year | **71** | — |
| | **570** | — |

## 9. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend (2010: HK1.0 cent per ordinary share) | **—** | 7,897 |
| Proposed final dividend of HK0.5 cent per ordinary share (2010: Nil) | **4,773** | — |
| | **4,773** | 7,897 |

At the meeting held on 17 June 2011, the directors proposed a final dividend of HK0.5 cent per ordinary share. The proposed final dividend for the year ended 31 March 2011 is subject to the approval of the shareholders in the forthcoming annual general meeting and have not yet been accounted for in the current year's financial statements but will be reflected in the financial statements for the year ending 31 March 2012.

## 10. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company of HK$7,674,000 (2010: HK$19,510,000) and on the weighted average of 948,082,219 (2010: 849,639,858) ordinary shares in issue during the year.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to owners of the Company for the year of HK$7,674,000 (2010: HK$19,510,000) and the weighted average of 950,453,076 (2010: 893,498,249) 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 948,082,219 (2010: 849,639,858) ordinary shares in issue during the year plus the weighted average of 2,370,857 (2010: 43,858,391) ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

## 11. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **674,579** | 373,440 |
| Less : provision for impairment of trade receivables | **(18,449)** | (17,777) |
| Trade receivables — net | **656,130** | 355,663 |

The Group's trade receivables as at 31 March 2011 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:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Repayable on demand — margin clients receivable | **329,926** | 152,938 |
| 0–30 days | **314,874** | 201,154 |
| 31–60 days | **6,828** | 519 |
| 61–90 days | **722** | 525 |
| 91–180 days | **2,971** | 522 |
| 181–360 days | **809** | 4 |
| Over 360 days | **—** | 1 |
| | **656,130** | 355,663 |

Included in the Group's margin clients receivable was amounts due from a director of HK$4,689,000 (2010: HK$3,657,000 for two directors) in respect of transactions in securities as at 31 March 2011.

## 12. TRADE PAYABLES

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

| | Group 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Repayable on demand: | | |
| *Securities transactions* | | |
| — margin clients payable | **73,085** | 104,752 |
| — cash clients payable | **405,894** | 287,832 |
| *Futures and options contracts* | | |
| — clients payable | **480,179** | 228,246 |
| | **959,158** | 620,830 |
| Within 180 days | **8,556** | 14,401 |
| Over 180 days | **57** | 57 |
| | **967,771** | 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$1,091,000 (2010: HK$67,000 for a director) in respect of transactions in securities as at 31 March 2011.

Included in above, there was an amount due to a director of HK$490,000 (2010: HK$8,658,000) in respect of transactions in futures as at 31 March 2011.

## PROPOSED FINAL DIVIDEND

The Board has proposed to recommend, at the forthcoming annual general meeting of the Company (the "AGM") to be held on Friday, 29 July 2011, a final dividend of HK0.5 cent per ordinary share (2010: Nil) for the year ended 31 March 2011.

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 Tuesday, 6 September 2011.

The register of members of the Company will be closed for the period from Thursday, 4 August 2011 to Monday, 8 August 2011, both days inclusive, during which period no transfer of shares will be registered. Those persons whose names are registered as shareholders of the Company on Monday, 8 August 2011 will be entitled to receive the proposed final dividend. In order to qualify for the proposed final dividend, 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 Wednesday, 3 August 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the year ended 31 March 2011 (the "Year"), the Group reports a profit of HK$7,700,000 (2010: HK$19,500,000). The Group's revenue for the Year amounted to HK$306,600,000 (2010: HK$286,600,000) reflecting an increase of 7.0% in the corresponding period last year.

The performance of the core businesses has performed more attractively than the financial results shown, given the fact that we turned around from a mid-year loss of HK$3,700,000. The poor performance of our associate, McMillen Advantage Capital Limited ("MAC") in Dubai caused us to incur a total share of loss of HK$5,800,000. The management of MAC in November decided to suspend its trading activities until market conditions became more favourable. Since December, losses have been curtailed and we expect positive contributions for the coming year as a result of their investment banking business.

We have refocused our Equity Capital Markets ("ECM") team to cover both domestic and overseas mandates. This is important in light of the number of IPO mandates that have been taken up by our Corporate Finance group and the contribution from our membership in Global Alliance Partners. It goes without saying that the team at Quam Capital was expanded to service these new mandates.

At Quam Securities, the institutional trading desk is picking up momentum with more visibility among Institutional Investors. The team has been expanded and our research products now reach more institutions, resulting in higher trading volume.

A fixed income trading group was recruited, thus permitting Quam Securities to offer to its high net worth individuals a wider and deeper range of products.

We can now offer our institutional, corporate and individual clients, equities, fixed income and futures products supported by high quality research. We are proud of this achievement and look forward to continuing to build on this expanded platform. By the same token, our sales team is approaching 100 staff and our market share has increased accordingly.

In asset management, we added depth with more analysts covering our hedge funds, fund of funds and long-only fund. While performance was below expectations, the management team was restructured, and a turn-around is underway. We have added new funds, including a Middle East Fund in partnership with Invest AD, a subsidiary of Abu Dhabi Investment Council, a BRIC EDCA Fund, a dedicated Mongolia fund that is expected to be launched in June, 2011, and discretionary portfolio management services.

As the Group continues to expand, cross-selling between divisions of the Group has become more effective. Quamnet was one of the main beneficiaries. Over the last year, Quamnet's Investors Relations Services has seen growth in the number of mandates referred by our corporate finance and institutional team. This has helped the company to diversify further its source of revenues.

In addition, Quamnet was more effective in China by hosting a number of financial investment seminars in Shenzhen and Shanghai cumulating in being an active organizer of the inaugural World MoneyShow held in Shanghai in March, 2011 that attracted close to 1,000 visitors. The business is growing nicely with a well-balanced, diversified source of revenues and expenses under better control.

Proceeds from disposal of non-core assets together with cash received from our overseas investments, were redeployed into our existing securities business.

Rising costs and identification and retention of staff will remain our greatest challenges. The appreciation of the Renminbi ("RMB") adds to our operating costs as we now have 10 offices to support our Group's businesses in China. However, as we see continuing deal momentum being achieved, we remain positive on this roll out and believe the benefits from new business will outweigh the rising pressures of costs from local inflation and RMB appreciation.

In Thailand, Seamico's associate, KT ZMICO Securities Company Limited ("KT ZMICO") benefited greatly from a growth in trading volume following the return to political stability of the country. We were a beneficiary of a capital reduction exercise, which resulted in the receipt of over HK$10,200,000 in January 2011. Their corporate finance mandates were also at an all time high both in Thailand, for equities and fixed income, and in Laos, where KT ZMICO was the main underwriter of the first IPO ever listed on the newly created Stock Exchange. We were pleased to have been able to support this placement through our institutional desk.

**Review of Operations**

*Securities and futures dealing and placement*

Securities and futures dealing commissions were HK$185,700,000 (2010: HK$207,800,000), a decrease of 10.6% over the same period last year. A significant turnaround in trading turnover was achieved in the second half, after having reported a 33.1% fall in turnover in the first half as compared to the previous year. This was attributable to an increase in our sales force, combined with improved market sentiment. However, total dealing turnover was still down year on year, despite ECM business activity picking up in the second half with the completion of several fundraising mandates. Placement and underwriting fee income for the Year was HK$22,000,000 (2010: HK$6,500,000). We are pleased with our recent efforts to expand our sales force leading to an increase in client assets, trading turnover and securities margin loan book. We expanded the product range this year by offering commodities contracts on the London Metals Exchange (LME), and Hong Kong Stock Options. We will be launching the trading service of global futures and options in the coming year.

The securities margin lending book grew rapidly in the second half as a result of increased market activity and new clients. The margin loan book at the end of Year stood at HK$329,900,000 (2010: HK$152,900,000) and was well supported by sufficient banking facilities. The expanded activity occurred particularly in the second half of the financial year. With a positive view of the markets, we foresee further loan growth in the coming year.

*Corporate financial advisory services*

Corporate finance and advisory services revenue for the Year amounted to HK$41,300,000, including inter-company services of HK$1,200,000 (2010: HK$26,600,000, including inter-company services of HK$2,500,000). The year was extremely busy for us. We closed 35 transactions and increased our head-count to 20. We closed one IPO, and commenced sponsorship of several more that are expected to be completed in 2011/12. We also closed a US$100 million placement in the energy sector for an overseas listed client. We expanded our services to include a dedicated China/European desk, focusing on M&A deal flows, with an emphasis on outbound projects.

*Asset Management*

Revenue for the Year amounted to HK$10,600,000 (2010: HK$13,000,000). The disappointing results in previous year led to the investment of new management and leadership to refocus on the long-fund business and to establish new funds. Total Assets under Management (AUM) in our funds stand at close to US$78,500,000 (2010: US$69,700,000) as at the Year end.

We now manage four funds, namely: Quam Greater China Fund, Quam Middle East Fund, Quam Global Alpha Fund, and Quam BRIC EDCA Fund. The division also manages discretionary portfolios for high net worth individuals.

This year, much of our time and attention will be dedicated to expanding the volume of assets under management through new subscriptions to existing and new funds. We have, therefore, expanded our marketing team. Our Quam Middle East Fund has widened its investment universe to cover all of the Gulf Cooperation Council (GCC) countries, plus Egypt and Iraq. These markets are inexpensive with low PE and high dividend yields. Our involvement with Abu Dhabi Investment Council, through its subsidiary, Invest AD as adviser to our Middle East Fund is growing from strength to strength and new collaborative projects are being contemplated.

We are in the process of launching a dedicated Mongolia Fund. This is in conjunction with Mongolian-based Silk Road Management Ltd. Unlike most emerging markets, Mongolia already has a number of Mongolian companies listed on overseas exchanges that offer greater liquidity for investors than those listed on the Mongolian Stock Exchange.

Our two funds of hedge funds, established since 2009, have produced steady returns and increased AUM. We have been particularly successful in attracting investors from outside Hong Kong and China.

*www.quamnet.com and QuamIR*

Revenue for the Year was higher at HK$25,300,000 (2010: HK$22,100,000). We have deployed a significant portion of our support services out to our Shenzhen office to lower operating costs. 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 and Mr. Victor HO, have all gained more subscribers during the Year. Quamnet will continue to focus on developing a variety of paid subscription services to attract new subscribers and compliment those already available on the site. Quamnet continues to host large-scale conferences, medium scale seminars and specific investing training courses. Its investor relations business is experiencing an increase in new client acquisition following a close collaboration with the other Group's units, and in particular has been assisting a growing number of resource-related companies listed on markets around the world in building their name recognition and profile with the financial media, research analysts, and institutional and individual investors. We believe this trend will continue in light of Hong Kong becoming an increasingly attractive destination for resources companies.

**Financial Reviews**

*Liquidity and Financial Resources*

The Group generally finances its operations with internally generated cash flow as well as with banking facilities provided by its principal bankers in Hong Kong. We have increased our bank facilities during the Year to cater for the increase in dealing activity from new sales force. At 31 March 2011, the Group had available aggregate banking facilities of approximately HK$369,000,000 as compared to HK$295,000,000 in 2010, secured by legal charges on certain securities owned by the Group's margin and money lending clients. On 31 March 2011, approximately HK$196,700,000 (2010: HK$27,200,000) of these banking and short-term loan facilities were utilized.

*Capital Structure*

The Group's cash and short term deposits at 31 March 2011 stood at approximately HK$122,500,000 (2010: HK$73,400,000).

*Gearing Ratio*

The Group's gearing ratio was 67.9% at 31 March 2011 (2010: 17.6%), being calculated as borrowings over net assets. This was largely the result of the growth of the margin lending business due to increase in demand lead from new clients as a result of our increase of sales forces in the second half of the Year. The management of the Company have applied prudent risk and credit management on the increased lending to clients and borrowings from banks.

**Employees and Remuneration Policies**

As of 31 March 2011, the Group had 171 full time employees and 12 part time employees in Hong Kong, together with 68 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 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 attract 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's credit committee within the securities and futures operation meets regularly to review credit limits for clients and identify and assess risk associated with financial products. The credit committee, which is appointed 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. The stock list is revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual stocks and/or for each individual client.

The credit control department is responsible for monitoring and making margin calls to clients, exceeding their 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 and exposure.

*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 rules including 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 securities held. All margin ratios are assessed by the Credit Committee. In situations where there may be sudden volatile market movement (e.g. market gap opening) affecting client's positions, the liquidation of these positions can be compromised due to market liquidity and therefore, expose the Group to credit and delivery risk.

The Group's exposure to underwriting commitments is subject to market volatility and sentiment. In that respect, the Group follows strict limits as to the maximum exposure to any underwriting commitment. 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. The Board has the ultimate say in establishing those policies.

**Prospects**

Our major challenges over the next few years are to benefit from China's expansion and to assist Chinese clients to meet their objectives. If we achieve this, as we intend, we should reap the benefit.

We have witnessed China's incredible economic growth rate over the last decade, but unfortunately, this has often occurred at the expense of the environment. The question is what is to be expected in the next 5 year plan and how can we meet the challenges. We believe that policies and trends in the following areas will be crucial in deciding our way forward:

- Internationalization of the RMB
- Increased overseas acquisitions by corporations and individuals
- Expansion of the financial services industry overseas
- Development of green technologies and environmental friendly industries

What are our answers to these challenges?

We are fully aware of the need to prepare ourselves for RMB internationalization. We have made preparations to trade in RMB and offer RMB products to our clients. We have a private equity fund that offers a RMB exposure, plus we have established a dedicated team in Shanghai to source such products.

With regards to increased overseas acquisitions by Chinese companies, we offer through M&A International Inc. and its presence in 40 countries, access to buy and sell mandates in the mid-market, for enterprises looking for expansion through acquisition. We have added a European desk to our existing set up in Hong Kong which specializes in offering specific opportunities in that region for Chinese clients.

As for competition, we are extremely conscious of the overseas ambitions of our Chinese counterparties. We have witnessed this in Hong Kong and are ready to meet the competition by offering a wider range of products, scaling up our services through electronic platforms, and expanding our sales team.

For individual Chinese looking for overseas financial assets, we have expanded our product range but also our reach via Global Alliance Partners, where, through a collection of 10 partners, we have a presence in 24 countries, supported by 2,000 investment professionals. In addition, with our 10 offices in China, the first of which was established 10 years ago, we are able to assist high net worth individuals wishing to enter overseas markets.

Finally, we will continue researching, identifying and raising capital for those domestic industries in China that focus on green technologies, alternative energy (CBM, etc.), and environmental industries (water treatment, etc.) that will help China balance its dramatic growth with a more green approach.

Meanwhile, the management of Company is fully committed to expanding the Group's capital base and staffing levels to meet these exciting opportunities.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2011, 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 Restricted Share Award Scheme, pursuant to the terms of rules and trust deed of the Restricted Share Award

Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 29,745,000 shares at a consideration of approximately HK$12,400,000, including the relevant commission and transaction costs.

## 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 Listing Rules throughout the Year and subsequent period up to the date of publication of this announcement, save for the deviations from code provisions A.2.1 which is 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. POULIOT, that it is currently most beneficial and efficient to maintain the existing leadership structure.

## 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 of 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 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.

## AUDIT COMMITTEE REVIEW

The Audit Committee of the Company comprises three independent non-executive Directors. The Audit Committee has met with BDO Limited, the external auditor of the Group, to review the accounting policies and practices adopted by the Group, and review the audited consolidated financial results of the Company for the year ended 31 March 2011.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 March 2011 is published on the websites 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 2011 Annual Report of the Company will be despatched 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, 17 June 2011

*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.*