Quam Financial Services Group 華富國際

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 2011

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2011, 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 2011

	Notes	**Six months ended 30 September 2011** *HK$'000* **Unaudited**	Six months ended 30 September 2010 *HK$'000* Unaudited
Revenue/Turnover	4	**197,001**	127,334
Fair value (loss)/gain on financial assets measured at fair value through profit or loss		**(797)**	3,124
Other operating income	5	**3,773**	4,777
Cost of services provided		**(87,118)**	(61,942)
Staff costs		**(68,437)**	(43,109)
Depreciation and amortisation expenses		**(2,743)**	(2,010)
Other operating expenses, net	6	**(31,737)**	(25,180)
Finance costs		**(3,647)**	(1,472)
Provision for impairment of interest in an associate		**(3,000)**	—
Share of results of jointly controlled entities		**(741)**	(1,153)
Share of results of an associate		**(2,116)**	(4,024)
Profit/(Loss) before income tax	6	**438**	(3,655)
Income tax expense	7	**(200)**	—
Profit/(Loss) for the period, attributable to owners of the Company		**238**	(3,655)

* *For identification purpose only*

	Notes	**Six months ended 30 September 2011** *HK$'000* **Unaudited**	Six months ended 30 September 2010 *HK$'000* Unaudited
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**15**	25
Changes in fair value of financial assets measured at fair value through other comprehensive income		**(9,129)**	7,986
Other comprehensive income for the period		**(9,114)**	8,011
Total comprehensive income for the period, attributable to owners of the Company		**(8,876)**	4,356
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period	9		
— Basic		**0.02 cent**	(0.38) cent**
— Diluted		**0.02 cent**	N/A

** Restated

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	30 September 2011 HK$'000 Unaudited	31 March 2011 HK$'000 Audited
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**15,246**	14,303
Goodwill		**14,695**	14,695
Development costs		**1,517**	1,355
Other intangible assets		**140**	160
Financial assets measured at fair value through other comprehensive income		**65,244**	74,373
Interest in an associate		**24,081**	29,197
Interests in jointly controlled entities		**39,493**	19,986
Other assets		**5,717**	6,869
		166,133	160,938
Current assets			
Trade receivables	10	**728,436**	656,130
Loan receivables		**4,270**	4,410
Prepayments, deposits and other receivables		**13,999**	10,649
Financial assets measured at fair value through profit or loss		**9,826**	14,141
Trust time deposits held on behalf of customers		**278,821**	211,957
Trust bank balances held on behalf of customers		**316,165**	439,834
Cash and cash equivalents		**145,801**	122,510
		1,497,318	1,459,631
Current liabilities			
Trade payables	11	**963,917**	967,771
Borrowings		**178,747**	243,377
Other payables and accruals		**73,341**	49,658
Finance lease payables		**429**	714
Tax payables		**1,004**	439
		1,217,438	1,261,959
Net current assets		**279,880**	197,672

	Notes	30 September 2011 HK$'000 Unaudited	31 March 2011 HK$'000 Audited
Total assets less current liabilities		**446,013**	358,610
Non-current liabilities			
Finance lease payables		**10**	134
Borrowings		**38,888**	—
Deferred tax liabilities		**36**	36
		38,934	170
Net assets		**407,079**	358,440
EQUITY			
Equity attributable to the Company's owners			
Share capital		**3,977**	3,161
Reserves		**403,102**	355,279
Total equity		**407,079**	358,440

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

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 2011, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) 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 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, 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 2011.

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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Other than as explained below, the impact of these new HKFRSs on the condensed consolidated interim financial statements is not significant.

Improvements to HKFRSs 2010

HKAS 34 (Amendment) — Interim Financial Reporting emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

HKAS 24 (Revised) — Related Party Disclosures

It clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

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 2011, 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 2011 is as follows:

2011	**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	**150,724**	**27,299**	**5,078**	**13,900**	—	—	**197,001**
Inter-segment sales	—	—	—	**9,809**	—	**(9,809)**	—
Total	**150,724**	**27,299**	**5,078**	**23,709**	—	**(9,809)**	**197,001**
Segment results	**5,579**	**2,609**	**(3,812)**	**5,932**	**(2,530)**		**7,778**
Interest income from banks and others							**1,108**
Share option arrangements							**(155)**
Share Award Scheme arrangements							**(3,225)**
Elimination of intra-group transactions							**8,389**
Other unallocated head office and corporate expenses							**(7,600)**
Provision for impairment of interest in an associate							**(3,000)**
Share of results of an associate							**(2,116)**
Share of results of jointly controlled entities							**(741)**
Profit before income tax							**438**
Income tax expense							**(200)**
Profit for the period							**238**

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

2010	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	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
Share option arrangements							(782)
Elimination of 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)

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2011	Six months ended 30 September 2010
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Advertising and content fee income	**3,013**	2,569
Advisory fee income	**27,299**	17,732
Asset management fee income	**5,078**	4,175
Commission and performance fee income on securities and futures broking	**124,929**	78,321
Income from margin financing and money lending operations	**16,584**	7,608
Placement and underwriting fee income	**4,992**	6,278
Website management and related services fee income	**10,887**	9,816
Wealth management service fee income	**4,219**	835
	197,001	127,334

5. OTHER OPERATING INCOME

	Six months ended 30 September 2011 *HK$'000* **Unaudited**	Six months ended 30 September 2010 *HK$'000* Unaudited
Interest income from banks and others	**1,108**	868
Exchange gains, net	**1,940**	1,185
Write back of provision for impairment of trade receivables	**—**	1,600
Dividend income from listed securities	**—**	57
Sundry income	**725**	1,067
	3,773	4,777

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 September 2011 *HK$'000* **Unaudited**	Six months ended 30 September 2010 *HK$'000* Unaudited
Amortisation of other development costs	**188**	—
Amortisation of other intangible assets	**20**	20
Depreciation of property, plant and equipment		
Owned assets	**2,300**	1,531
Leased assets	**235**	459
	2,743	2,010
Staff costs (including directors' remuneration):		
Salaries and other allowances	**64,060**	41,505
Retirement benefits scheme contribution	**997**	822
Share options granted	**155**	782
Share awards granted	**3,225**	—
	68,437	43,109
Consultancy fee for marketing and promotion#	**19,343**	24,598
Other operating expenses, net*	**31,737**	25,180
Provision for impairment of trade receivables	**175**	1,552

\# *Included in cost of services provided*

* *Included in other operating expenses, net, were expenses of HK$5,200,000 incurred for the expansion of a new team in private equity based in Shanghai commencing 1 April 2011. The operations had been terminated in October 2011.*

7. INCOME TAX EXPENSE

For the six months ended 30 September 2011, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period. 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 six months ended 30 September 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 assessable profits in Hong Kong.

As at 30 September 2011, a provision was made for deferred tax liabilities of HK$36,000 (31 March 2011: HK$36,000) calculated at the rate of 16.5% (31 March 2011: 16.5%) in respect of the temporary differences arising from accelerated depreciation allowances.

8. DIVIDENDS

Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 September 2011 *HK$'000* **Unaudited**	Six months ended 30 September 2010 *HK$'000* Unaudited
Final dividend in respect of the financial year ended 31 March 2011, approved and paid during the following interim period, of HK0.5 cent per ordinary share	**4,773**	—

The Board has resolved not to declare interim dividend in respect of the six months ended 30 September 2011 (2010: Nil).

9. EARNINGS/(LOSS) PER SHARE

On 30 September 2011, the Company issued 238,641,417 shares of Hong Kong one third of one cent each by way of rights issue (the "Rights Issue"). The comparative figure of the basic loss per share has been restated for the effect of the Rights Issue.

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the period attributable to owners of the Company of approximately HK$238,000 (2010: loss of HK$3,655,000) and on the weighted average of 963,057,669 (2010: 955,194,485, as restated) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

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 2011, 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$238,000 as used in the calculation of the basic earnings per share and the weighted average of 964,831,762 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 963,057,669 ordinary shares in issue during the period, as used in the calculation of the basic earnings per share, plus the weighted average number of 1,774,093 ordinary shares deemed to be issued at no consideration as if the share options have been exercised.

10. TRADE RECEIVABLES

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	Unaudited	Audited
Trade receivables	**746,609**	674,579
Less: provision for impairment of trade receivables	**(18,173)**	(18,449)
Trade receivables — net	**728,436**	656,130

The Group's trade receivables as at 30 September 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:

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	Unaudited	Audited
Repayable on demand — margin clients receivable	**358,416**	329,926
0–30 days	**364,052**	314,874
31–60 days	**2,775**	6,828
61–90 days	**1,024**	722
91–180 days	**2,118**	2,971
181–360 days	**11**	809
Over 360 days	**40**	—
	728,436	656,130

Included in the Group's margin clients receivable was amounts due from directors of HK$5,367,000 (31 March 2011: HK$4,689,000 due from a director) in respect of transactions in securities as at 30 September 2011.

Included in trade receivables are amounts due from a futures dealer, MF Global Hong Kong Limited ("MF Global"), which was a counterparty futures dealer the Group utilized for the dealing and execution of futures contracts. As at 30 September 2011, the amount due from MF Global was HK$130,278,000 (31 March 2011: HK$102,857,000). In October 2011, MF Global was placed in provisional liquidation. As at 31 October 2011, the amount due from MF Global was HK$70,617,000. The management considered that such amount due from MF Global is deemed as client money. No information has been issued by the provisional liquidators nor the regulators to lead the management to consider an impairment is required on this amount.

11. TRADE PAYABLES

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

	30 September 2011 *HK$'000* **Unaudited**	31 March 2011 *HK$'000* Audited
Repayable on demand:		
Securities transactions		
— margin clients payable	**97,489**	73,085
— cash clients payable	**359,605**	405,894
Futures and options contracts		
— clients payable	**474,772**	480,179
	931,866	959,158
Within 180 days	**31,969**	8,556
Over 180 days	**82**	57
	963,917	967,771

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.

As at 31 March 2011, there were amounts due to directors of HK$1,091,000 in respect of transactions in securities included in above.

Included in above, there was amount due to a director of HK$36,000 (31 March 2011: HK$490,000) in respect of transactions in futures as at 30 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the period from 1 April 2011 to 30 September 2011 (the "Period"), the Group reports an after tax profit of HK$200,000 (2010: loss of HK$3,700,000). The Group's revenue for the Period amounted to HK$197,000,000 (2010: HK$127,300,000) reflecting an increase of 54.8% in the corresponding period last year.

The reported results do not reflect adequately the performance of our core business in this first half. The results were affected by the impairment of interest in McMillen Advantage Capital Limited ("MAC") of HK$3,000,000 and our share of loss in MAC of HK$2,100,000 largely due to the closing of its securities operation in Dubai. Without the adjustment, the actual net profit before tax would be approximately HK$5,300,000.

In addition, the Group took on a new team based in Shanghai in April this year to expand private equity. However, the operation was terminated in October this year due to management issues. We incurred costs of HK$5,200,000 for this operation during the Period.

In fact, despite difficult trading conditions in Hong Kong, China and the rest of the world, the Company performed relatively well, with increased market share in securities trading, and higher contribution from our corporate finance business. This success of securities trading is the result of a more aggressive and focused strategy that started in September last year, when we decided that it was time to expand our sales team with a view that this would bring higher opportunities for distribution and corporate finance.

Subsequent to the closing of the Period, MF Global Hong Kong Limited ("MF Global") and its holding company was put into provisional liquidation. Quam Securities Company Limited had been dealing with the company for over 3 years and as of today still holds clients' funds with MF Global. We are actively pursuing the release of these funds and despite the set back, we assured a continuity of services to our clients without disruption. We are now holding discussions with the regulators and liquidators in Hong Kong to clarify the situation and hope that the situation will be resolved soon.

Despite these challenges, the results are positive and augur well for the future. Total staffing both in Hong Kong and China is over 275 people (2010: over 219 people) and concurrently additional space at attractive rents have been committed to accommodate the additional securities and wealth management sales staff. By the same token, our trading volumes in futures and options expanded substantially as a result of both market volatility in the products and broader client base.

Corporate finance and Equity Capital Market ("ECM") divisions were able to complete several initial public offerings ("IPO(s)"), placement and advisory mandates during the Period. This translated into an impressive increase in income. Meanwhile, our newly formed China Europe Desk which, in partnership with members of our M&A International Alliance, captures PRC/European M&A deal flow, is gaining traction. Looking ahead, the work in progress at corporate finance division is solid and we expect a repeat performance in the second half despite gloomy market sentiment.

The wealth management division started to contribute more significantly to the Group's business, reporting successful sales of insurance saving plans and other investment related insurance products. As the business is expanding, we have recruited a new sales team that will occupy new premises shortly.

Our Asset Management business has expanded with the setting up of new funds such as the Silkroad Mongolia Fund and the BRIC EDCA Fund. Total Assets under Management ("AUM") at the Period end totals US$67,600,000. Although fund performance suffered from market volatility, the end results are better than benchmark index. Overall market confidence is still low and building up of AUM is challenging. We do hope, however, that the relative positive performance of our funds against benchmarks should encourage the flow of new funds in the near future.

Quamnet's business continues to maintain a healthy growth from advertising and content subscription revenues. Much effort has been put on developing our footprint in China, by hosting financial investment seminars in Shenzhen and Shanghai while making broader use of our Quamnet TV. The new distribution channels, such as QQ.com, iFeng.com, Hexun.com, Baidu and Sina.com permit us to reach out to a greater number of Chinese viewers.

Our private equity business in Suzhou has remained subdued. Many projects have been reviewed and declined. However, recently a few have been identified that we believe will lead to investments within the second half of our financial year. In fact, we are quite excited by those targets which have now reached a final phrase of decision.

Excluding Dubai, our overseas investments in Tokyo and Bangkok continue to be profitable. Despite the floods in Bangkok, the mood appears to be positive following the recent elections. Our association with Global Alliance Partners continues to build and the platform now covers 11 participants with representation in 25 countries. The trading and deal-making transactions increases year by year which would add a positive momentum to our financial results.

In September, we completed a successful fund raising exercise which contributed HK$58,100,000 in new capital to the Company. These additional funds have been earmarked to support our expanded securities and private equity business.

Review of Operations

Securities and futures dealing and placement

Securities and futures dealing commissions significantly increased for the Period of HK$124,900,000 (2010: HK$78,300,000), an increase of 59.5% over the same period last year as a result of expanded client base supported by a large sales force.

The securities margin lending grew rapidly during the period with a significant increase in interest income of HK$16,600,000 (2010: HK$7,600,000). The margin loan book at the end of Period stood at HK$358,400,000 (31 March 2011: HK$329,900,000) and was well supported by sufficient banking facilities. With the market correction in the latter part of August and September, we undertook to reduce such loan exposures and increase collateral values.

ECM business activity in placement and underwriting fee income for the Period declined to HK$5,000,000 as compared to HK$6,300,000 in 2010.

Corporate financial advisory services

Corporate finance and advisory services revenue for the Period amounted to HK$27,300,000 (2010: HK$17,700,000). This significant increase in revenue was derived from the completion of a number of IPOs along with several advisory mandates.

Asset Management

Revenue for the Period amounted to HK$5,100,000 (2010: HK$4,200,000). Revenue increase was due to additional AUM from new funds, although the net results were affected by an increase in overheads and marketing expenses.

Total AUM in our funds stood at close to US$67,600,000 (2010: US$65,800,000) as at the Period end.

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Quamnet's revenue for the Period was higher at HK$13,900,000 (2010: HK$12,400,000). Advertising and content fee revenue was up for the Period compared to the previous year by 12.1%. Revenue from website management and related services which include subscriptions for research and columnist also increased, benefiting from our wider coverage of the China market.

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 the number of banking facilities as well as increase in total credit lines during the Period to cater for the increase in dealing activity as a result of new sales force. As of 30 September 2011, the Group had available aggregate banking facilities of approximately HK$420,000,000 (31 March 2011: HK$369,000,000), secured by legal charges on certain securities owned by the Group's margin and money lending clients. At 30 September 2011, approximately HK$170,900,000 (31 March 2011: HK$196,700,000) of these banking and short-term loan facilities were utilized.

Capital Structure

The Group's cash and short term deposits at 30 September 2011 stood at approximately HK$145,800,000 (31 March 2011: HK$122,500,000). This was also attributed by a fund raising by way of rights issue completed in 30 September 2011 successfully raising the net proceeds of approximately HK$58,100,000.

Gearing Ratio

The Group's gearing ratio was 53.5% at 30 September 2011 (31 March 2011: 67.9%), being calculated as borrowings over net assets.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2011, the Group had 198 full time employees and 2 part time employees in Hong Kong (2010: 153 full time employees and 3 part time employees in Hong Kong), together with 77 full time employees based in the People's Republic of China (2010: 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 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. 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

The world is facing much uncertainty with the European crises unresolved and its impact on the world economy remaining highly disruptive. Asian markets and China should be able to withstand this negative impact although they will not be immune.

Our strategy is to focus on businesses with immediate benefits and postpone any future commitments that result in long pay-out times.

Our resources will be largely devoted to enhancing the quality and the scope of our securities trading and corporate finance business while expanding our presence in the wealth management.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 September 2011 (2010: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

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 latest changes in the Listing Rules. It has also been extended to specific 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 2011.

CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2011 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") under Appendix 14 of the Listing Rules, save for the deviations from code provision A.2.1.

On 17 October 2011, the Company has appointed Mr. Kenneth LAM Kin Hing, the Deputy Chairman and executive Director of the Company to be Chief Executive Officer of the Company while Mr. Bernard POULIOT, stepped down as managing director of the Group but remains as the Chairman of the Company. Therefore, the Company has already complied with 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.

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 unaudited condensed consolidated financial results of the Company for the six months ended 30 September 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2011 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 2011 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, 28 November 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. Robert CHAN Tze Leung.