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 2013

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 2013, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue/Turnover	4	**330,390**	358,332
Fair value loss on financial assets measured at fair value through profit or loss		**(982)**	(7,571)
Other operating income	5	**10,585**	8,584
Cost of services provided		**(144,074)**	(154,244)
Staff costs		**(111,502)**	(129,093)
Depreciation and amortisation expenses	7	**(7,283)**	(6,289)
Other operating expenses		**(65,927)**	(72,513)
Finance costs	6	**(8,346)**	(7,115)
Provision for impairment of interest in an associate		**–**	(11,803)
Share of results of associates		**165**	(3,616)
Share of results of jointly controlled entities	11	**(21,447)**	1,952
Loss before income tax	7	**(18,421)**	(23,376)
Income tax expense	8	**(506)**	(1,147)
Loss for the year, attributable to owners of the Company		**(18,927)**	(24,523)

* *For identification purposes only*

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**24**	9
Changes in fair value of financial assets measured at fair value through other comprehensive income		**(62)**	(11,629)
Share of other comprehensive income of an associate		**–**	(353)
Other comprehensive income for the year, including reclassification adjustments and net of tax		**(38)**	(11,973)
Total comprehensive income for the year, attributable to owners of the Company		**(18,965)**	(36,496)
Loss per share for loss attributable to owners of the Company for the year	*10*		
— Basic and diluted *(HK cents)*		**(1.610)**	(2.339)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**18,801**	15,060
Goodwill		**14,695**	14,695
Development costs		**2,618**	1,496
Other intangible assets		**80**	120
Financial assets measured at fair value through other comprehensive income		**58,517**	77,386
Interest in an associate		**165**	–
Interests in jointly controlled entities	*11*	**3,142**	24,589
Other assets		**13,963**	5,841
		111,981	139,187
Current assets			
Trade receivables	*12*	**991,720**	759,473
Loan receivables		**1,132**	1,829
Prepayments, deposits and other receivables		**14,675**	15,498
Financial assets measured at fair value through profit or loss		**1,884**	11,052
Tax recoverable		**1,057**	374
Trust time deposits held on behalf of customers		**373,721**	300,264
Trust bank balances held on behalf of customers		**411,794**	289,404
Cash and cash equivalents		**66,217**	60,013
		1,862,200	1,437,907
Current liabilities			
Trade payables	*13*	**1,196,484**	877,247
Borrowings		**318,923**	265,747
Accruals and other payables		**56,028**	53,866
Finance lease payables		**534**	132
Tax payables		**84**	141
		1,572,053	1,197,133
Net current assets		**290,147**	240,774
Total assets less current liabilities		**402,128**	379,961

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Non-current liabilities			
Borrowings		**38,865**	–
Finance lease payables		**1,027**	–
Deferred tax liabilities		**36**	36
		39,928	36
Net assets		**362,200**	379,925
EQUITY			
Equity attributable to Company's owners			
Share capital		**3,977**	3,977
Reserves		**358,223**	375,948
Total equity		**362,200**	379,925

NOTES TO THE ANNUAL RESULTS

(For the year ended 31 March 2013)

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 ("Listing Rules").

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value.

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

2.1 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 period and relevant to Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

2.2 New and amended HKFRSs that have been issued but are not yet effective

The following new and amended 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.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income (Effective for annual periods beginning on or after 1 July 2012)

The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. exchange differences on translation of financial statements of foreign operations) by presenting them separately from those that may not (e.g. investment revaluation reserve). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments also change the title "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income". However, entities are still allowed to use the old title. The amendments will be applied retrospectively.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2014) and amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2013)

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments will be applied retrospectively.

HKFRS 10 — Consolidated Financial Statements (Effective for annual periods beginning on or after 1 January 2013)

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns.

HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduce the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are presently regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 will be applied retrospectively subject to certain transitional provisions.

HKFRS 11 — Joint Arrangements (Effective for annual periods beginning on or after 1 January 2013)

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2013)

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement (Effective for annual periods beginning on or after 1 January 2013)

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and will be applied prospectively.

The Directors are currently assessing the impact of these new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position but may result in more extensive disclosures in the financial statements.

3. SEGMENT INFORMATION

The executive Directors have identified the Group's five service lines as operating segments.

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

2013	Brokerage *HK$'000*	Advisory *HK$'000*	Asset management *HK$'000*	Website management *HK$'000*	Investments *HK$'000*	Total *HK$'000*
Revenue						
From external customers	248,464	50,439	9,516	21,971	–	330,390
From other segments	–	–	–	2,353	–	2,353
Reportable segment revenue	248,464	50,439	9,516	24,324	–	332,743
Reportable segment result	11,174	7,968	(781)	(5,351)	(5,501)	7,509
Interest income from margin financing and money lending services	37,345	–	–	–	–	37,345
Interest income from banks and others	3,025	–	–	4	–	3,029
Depreciation and amortisation	5,322	304	423	974	–	7,023
Finance costs	7,241	–	–	2	–	7,243
Provision for impairment of trade and other receivables	1,386	316	–	–	–	1,702
Reversal of provision for impairment of trade receivables	(2,874)	–	–	(3)	–	(2,877)
Share awards expense	745	248	(83)	40	–	950
Reportable segment assets	1,846,714	29,386	5,985	5,844	60,401	1,948,330
Additions to non-current segment assets*	8,331	1,542	524	624	–	11,021
Reportable segment liabilities	1,535,435	8,870	2,069	11,395	–	1,557,769

2012	Brokerage *HK$'000*	Advisory *HK$'000*	Asset management *HK$'000*	Website management *HK$'000*	Investments *HK$'000*	Total *HK$'000*
Revenue						
From external customers	268,051	54,325	9,024	26,932	–	358,332
From other segments	–	–	–	9,862	–	9,862
Reportable segment revenue	268,051	54,325	9,024	36,794	–	368,194
Reportable segment result	9,403	11,113	(16,487)	1,019	(11,081)	(6,033)
Interest income from margin financing and money lending services	32,499	–	–	–	–	32,499
Interest income from banks and others	2,663	–	–	2	–	2,665
Depreciation and amortisation	4,134	102	366	1,378	–	5,980
Finance costs	7,082	–	–	33	–	7,115
Provision for impairment of trade and other receivables	7,639	284	–	–	–	7,923
Reversal of provision for impairment of trade receivables	(523)	–	–	–	–	(523)
Share awards expense	2,462	715	74	238	–	3,489
Share options expense	(208)	(48)	16	(104)	–	(344)
Reportable segment assets	1,416,268	30,523	6,415	5,405	88,438	1,547,049
Additions to non-current segment assets*	5,136	103	1,567	334	–	7,140
Reportable segment liabilities	1,168,002	12,130	1,429	10,172	–	1,191,733

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

	2013 *HK$'000*	2012 *HK$'000*
Reportable segment revenue	**332,743**	368,194
Elimination of inter-segment revenue	**(2,353)**	(9,862)
Group's revenue	**330,390**	358,332
Reportable segment result	**7,509**	(6,033)
Other operating income	**–**	4
Provision for impairment of interest in an associate	**–**	(11,803)
Share of results of associates	**165**	(3,616)
Share of results of jointly controlled entities	**(21,447)**	1,952
Unallocated corporate expenses	**(4,648)**	(3,880)
Loss before income tax	**(18,421)**	(23,376)
Reportable segment assets	**1,948,330**	1,547,049
Interest in an associate	**165**	–
Interests in jointly controlled entities	**3,142**	24,589
Unallocated corporate assets	**22,544**	5,456
Group's assets	**1,974,181**	1,577,094
Reportable segment liabilities	**1,557,769**	1,191,733
Unallocated corporate liabilities	**54,212**	5,436
Group's liabilities	**1,611,981**	1,197,169

	Reportable segment total		**Unallocated**		**Consolidated**	
	2013 ***HK$'000***	2012 *HK$'000*	**2013** ***HK$'000***	2012 *HK$'000*	**2013** ***HK$'000***	2012 *HK$'000*
Other material non-cash items						
Interest income from banks and others	**3,029**	2,665	**–**	4	**3,029**	2,669
Depreciation and amortisation	**7,023**	5,980	**260**	309	**7,283**	6,289
Finance costs	**7,243**	7,115	**1,103**	–	**8,346**	7,115
Share awards expense	**950**	3,489	**290**	753	**1,240**	4,242
Share options expense	**–**	(344)	**–**	(52)	**–**	(396)

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which services were provided. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of goodwill, development costs and other intangible assets, and the location of the operations, in the case of interests in an associates and jointly controlled entities.

	Revenue from external customers		**Non-current assets***	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)[#]	**330,390**	358,332	**35,427**	30,040
Mainland China	**–**	–	**4,074**	25,920
	330,390	358,332	**39,501**	55,960

* Non-current assets excluded financial assets measured at fair value through other comprehensive income and other assets.

[#] The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8 "Operating Segments".

4. REVENUE/TURNOVER

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

	2013	2012
	HK$'000	*HK$'000*
Advertising and content fee income	**4,124**	5,746
Advisory fee income	**50,439**	54,325
Asset management fee income	**9,516**	9,024
Commission and performance fee income on securities, futures and options broking	**198,594**	218,001
Income from margin financing and money lending services	**37,345**	32,499
Placement and underwriting fee income	**9,802**	12,725
Website management and related service fee income	**17,847**	21,186
Wealth management service fee income	**2,723**	4,826
	330,390	358,332

5. OTHER OPERATING INCOME

	2013 *HK$'000*	2012 *HK$'000*
Dividend income from financial assets measured at fair value through other comprehensive income		
— Derecognised during the year	**362**	–
— Held at the end of the reporting period	**695**	–
	1,057	–
Exchange gains, net	**2,051**	3,764
Interest income from banks and others	**3,029**	2,669
Reversal of provision for impairment of trade receivables	**2,877**	523
Sundry income	**1,571**	1,628
	10,585	8,584

Included above is income from listed and unlisted investments of HK$1,025,000 (2012: Nil) and HK$32,000 (2012: Nil), respectively.

6. FINANCE COSTS

	2013 *HK$'000*	2012 *HK$'000*
Finance charges on finance lease payables	**21**	33
Interest for margin financing and money lending services		
— Bank loans and other borrowings wholly repayable within five years	**8,325**	7,082
Interest expense on financial liabilities not at fair value through profit or loss	**8,346**	7,115

7. LOSS BEFORE INCOME TAX

	2013 *HK$'000*	2012 *HK$'000*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**1,437**	1,328
Amortisation of development costs and other intangible assets	**492**	454
Depreciation of property, plant and equipment	**6,791**	5,835
	7,283	6,289
Minimum lease payments under operating leases in respect of land and buildings	**29,163**	19,942
Net losses on disposals of property, plant and equipment	**4**	–
Provision for impairment of		
— Trade receivables	**1,702**	7,624
— Other receivables	**–**	299
	1,702	7,923

8. INCOME TAX EXPENSE

For the years ended 31 March 2013 and 2012, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the years.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2013	2012
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
— Current year	**544**	914
— (Over)/Under-provision in prior year	**(38)**	233
	506	1,147

The Hong Kong Inland Revenue Department ("IRD") issued a notice to the Group to commence a group tax audit and in January 2013, management together with its tax advisors had a meeting with IRD to provide an overview of the Group's affairs and understand the possible scope of enquiries. On 14 March 2013, the IRD issued a specific enquiry letter to the Group pertaining to several operating entities and their scope of review which includes the affairs of the fund management operation and the operations of website management.

As the IRD's enquiries may date back to earlier tax periods, the IRD has issued some protective assessments on certain entities for the years of assessment 2005/06 and 2006/07 and the Group has lodged objection to such assessments. A hold over of the tax claimed for year of assessment 2005/06 was agreed and the Group purchased a tax reserve certificate of HK$1,000,000 in respect to the year of assessment 2006/07.

As the IRD enquiries are still at an early and fact-finding stage, and further submission of information by the Group to the IRD is in progress, IRD has not yet expressed any formal opinion on the potential tax liability, if any. Management has also no reason to believe that the profits tax computations and business operations relating to the years of assessment 2005/06 and 2006/07 were not properly calculated and any tax liability not properly accrued and recorded. Accordingly, management concluded that no additional tax provision and/or tax charge is required for the year ended 31 March 2013.

9. DIVIDENDS

No dividend attributable to the year was declared and paid during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil). Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of year ended 31 March 2011, approved and paid, during the year ended 31 March 2012 of HK0.5 cent per ordinary share	**–**	4,773

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year of HK$18,927,000 (2012: HK$24,523,000) and on the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year amounting to 1,175,438,683 (2012: 1,048,595,063).

(b) Diluted loss per share

Diluted loss per share for the years ended 31 March 2013 and 2012 was the same as basic loss per share because the impact of the exercise of share options and the vesting of share awards was anti-dilutive.

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Unlisted investments, at cost	**26,454**	26,454
Share of post-acquisition results and other comprehensive income	**(23,312)**	(1,865)
	3,142	24,589

Particulars of the jointly controlled entities, which are unlisted corporate entities, are as follows:

Name	**Country of incorporation**	**Particulars of registered capital**	**Percentage of interest held by the Group**
Suzhou Gaohua Venture Investment Management Ltd. ("SGVIM")	People's Republic of China ("PRC")	RMB7,000,000	73
Suzhou QUAM-SND Venture Capital Enterprise ("SQVCE")	PRC	RMB30,472,726	73

These entities were classified as jointly controlled entities of the Group because the Group does not have control over the significant financial and operating policies of the above entities despite its 73% ownership interest, as unanimous consent with the minority equity holders is required for any major financial and operating decisions.

The following table illustrates the financial information of the Group's jointly controlled entities extracted from their unaudited management accounts:

	2013	2012
	HK$'000	*HK$'000*
Current assets	**12,088**	44,027
Non-current assets	**835**	852
Current liabilities	**(1,673)**	(993)
Non-current liabilities	**(409)**	(803)
Revenue	**1,664**	7,793
Expenses	**(34,113)**	(5,090)

In April 2010, SQVCE invested in a PRC manufacturing company by entering into a Shares Subscription Agreement with the existing shareholders of the investee. As part of the Shares Subscription Agreement, SQVCE also entered into a Put Option Agreement with one of the major shareholders of the investee. Subject to certain conditions specified in the Put Option Agreement, the Put Option requires the major shareholder ("Defaulting Parties") to purchase back the shareholding at a pre-determined price based on a formula. By a notice dated 23 March 2012, SQVCE exercised the Put Option. However, the Defaulting Parties failed to meet their obligations under the Put Option due to financial difficulties. A Writ of Summons was filed in the High Court of Hong Kong on 17 January 2013 to pursue this matter.

Taking into account the operational and financial conditions of the Defaulting Parties and the fact that the Defaulting Parties had confirmed to SQVCE that they were unable to satisfy their obligations under the Put Option, an impairment loss of HK$30,614,000 was recognised by SQVCE for the year. The Group recognised HK$21,306,000 (2012: profit of HK$2,315,000) as its share of SQVCE's loss for the year. The Group also recognised a share of loss from its investment in SGVIM of HK$141,000 (2012: HK$363,000) during the year.

12. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Securities transactions		
— Brokers	**29,965**	5,444
— Cash clients	**12,952**	25,230
— Margin clients	**545,907**	482,026
Futures and options contracts		
— Brokers and clearing houses	**406,239**	262,671
Asset management, advisory and other services		
— Clients receivables	**18,491**	9,260
	1,013,554	784,631
Less: Provision for impairment	**(21,834)**	(25,158)
Trade receivables, net	**991,720**	759,473

Notes:

(a) Amounts due from cash clients, brokers and clearing houses are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). There are no credit terms granted to clients for its asset management, advisory and other services. The amounts due from cash clients bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(b) Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 31 March 2013, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$2,585,875,000 (2012: HK$1,830,606,000). The amounts due from margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(c) Included in the Group's margin client and cash client receivables as at 31 March 2013 were amounts due from a director of the Company and companies in which a director of the Company has indirect/100% interest, of HK$4,139,000 (2012: HK$8,928,000) and HK$118,000 (2012: HK$40,000), respectively.

(d) Included in amounts due from futures brokers was HK$18,021,000 (2012: HK$40,975,000) due from MF Global Hong Kong Limited ("MF Global HK"), which was a broker utilised by the Group for dealing in futures contracts. In October 2011, MF Global HK was placed in provisional liquidation and a provision for impairment of HK$6,701,000 has been recognised for the year ended 31 March 2012. Based on the current information issued by the liquidators, management has revised the provision for impairment to HK$2,201,000 by written off an amount of HK$2,149,000 and reversed a provision of HK$2,351,000 made in the previous year.

(e) The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
At the beginning of the year	**25,158**	18,449
Amount written off	**(2,149)**	(392)
Impairment losses recognised	**1,702**	7,624
Impairment losses reversed	**(2,877)**	(523)
At the end of the year	**21,834**	25,158

At each of the reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. The above provision relates to individually impaired trade receivables with gross carrying amount of HK$53,336,000 (2012: HK$77,037,000). The individually impaired trade receivables relate to customers and MF Global HK that were in default or delinquency in payments and management assessed that only a portion of the receivables is expected to be recovered.

(f) No ageing analysis based on invoice date is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the Group's trade receivables as at the reporting date, based on due date and net of provision, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Repayable on demand	**533,131**	469,341
0–30 days	**436,181**	252,099
31–60 days	**3,725**	1,059
61–90 days	**552**	386
91–180 days	**909**	36,080
181–360 days	**817**	181
Over 360 days	**16,405**	327
	991,720	759,473

(g) The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**518,846**	452,197
0–30 days past due	**436,181**	252,099
31–60 days past due	**3,725**	1,059
61–90 days past due	**552**	386
91–180 days past due	**909**	1,805
181–360 days past due	**–**	8
Over 360 days past due	**5**	40
	960,218	707,594

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of trade receivables that are past due but not impaired.

13. TRADE PAYABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Securities transactions		
— Brokers and clearing house	**25,577**	60,471
— Cash clients	**465,517**	308,926
— Margin clients	**110,930**	81,575
Futures and options contracts		
— Clients payables	**592,364**	421,198
Website management and other services		
— Clients payables	**2,096**	5,077
	1,196,484	877,247

Notes:

(a) Accounts payable to cash clients attributable to dealings in securities transactions represents clients' undrawn monies/excess deposits placed with the Group. These amounts, together with the amounts due to brokers and clearing house, are repayable on demand up to the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). Accounts payable to margin clients are repayable on demand.

(b) Accounts payable to clients attributable to dealings in futures and options contracts includes margin deposits received from clients for their trading of futures and options contracts and clients' undrawn monies/excess deposits placed with the Group. Only the excess over the required margin deposits are repayable on demand.

(c) Included in above as at 31 March 2013 were amounts due to two directors of the Company and a company in which a director of the Company has indirect equity interest of HK$38,000 (2012: HK$3,659,000) and HK$12,000 (2012: Nil), respectively. The balances also included amounts due to close family members of two directors of the Company of HK$5,890,000 (2012: HK$7,013,000).

(d) No ageing analysis in respect of trade payables attributable to dealings in securities transactions and futures and options contracts is disclosed as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the Group's trade payables attributable to other services is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 180 days	**2,039**	5,020
Over 180 days	**57**	57
	2,096	5,077

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2013 (the "Year"), the Group reports a loss of HK$18,927,000 (2012: loss of HK$24,523,000). The Group's revenue for the Year amounted to HK$330,390,000 (2012: HK$358,332,000) reflecting a decrease of 7.8% over the corresponding period last year.

A disappointing component in our year-end result was the provision we have made regarding a private equity investment in Hangzhou Great East Packing Company Limited, a PET water bottle manufacturer in the People's Republic of China, held through our stake in Suzhou QUAM-SND Venture Capital Enterprise, a jointly controlled entity of the Group. As mentioned in our announcement dated March 2013, we are continuing recovery action on a put option exercised to the major shareholders of the manufacturer and guarantors to the put option. After consultation with various advisory parties, the management has come to the conclusion that full provision at this time is appropriate.

If we set aside this impairment provision of HK$19,912,000 and the double rent and reinstatement for the transition to our new office which cost HK$5,200,000 incurred in the first half of the Year, which are non-recurring in nature, the operating profit for the Year would be approximately HK$6,185,000.

In respect to our core operations, we have focused on restructuring our asset management and Quamnet businesses, resulting in reduction of staff in both operations. The asset management team, now with a leaner operation focusing on managing the existing Assets Under Management ("AUM") achieved impressive performance compared with benchmarks. We expect this momentum to continue in the coming year, with both AUM and performance fee growth. In Quamnet, we have scaled back the in-house columnist content platform and moved most content to a variable cost basis. Quamnet has developed new products in the form of trading tools to facilitate securities and futures trading. They have enjoyed growing demand since their soft launch in November 2012.

Our securities operation has faired relatively well, considering the bear markets caused by the global financial crisis and European debt crisis. We continued to have a steady futures trading business with a 5.8% growth in contract volume. Our equities business, predominantly focused on the Hong Kong market, maintained its market share, but suffered a 6.8% year on year fall in volume. Despite the poor market environment, we were able to maintain a healthy securities margin loan book with year on year growth based on average loan growth of 15.7%. Continuing changes in infrastructure requirements for market participants on both the Hong Kong Exchanges and Clearing Limited ("HKEx") platform and global futures, has led us to make prudent infrastructure and risk management decisions as we navigated through uncertainties and challenges. During the systems upgrades, we continued to deliver an uninterrupted service to our clients in securities and futures dealing.

The MF Global HK liquidation continues and so far up to the date of publication of this announcement, we have received 85% of the receivables under our claim for client monies. Based on the reports from the liquidators, it is likely that further recoveries be obtained as MF Global affiliates work out the recoveries between themselves.

Corporate finance advisory activity was able to maintain its momentum despite the difficult economic climate. Fee income, however, was down as a number of expected mandates were delayed because of market weakness. However, they remain in the pipeline and completion is expected in the coming financial year. New regulatory changes relating to IPO sponsors will come into effect later this year, in preparation for which we have added further controls in compliance and work process to ensure an appropriate compliance level.

With respect to our other Group investments, McMillen Advantage Capital in Dubai has recently advised shareholders that they have wound up its investment banking operations and will now focus on liquidating assets for eventual return to all shareholders. We also have disposed our entire stake in Seamico Securities Public Company Limited in March and April 2013, thereby unlocking funds that will be used for our core operations, especially the securities business.

Review of Operations

Securities and futures dealing and placement

Securities and futures dealing commissions for the Year amounted to HK$198,594,000 (2012: HK$218,001,000), a decrease of 8.9% over the same period last year. The decline was mainly attributable to poor market sentiment affecting volume and commission levels. The equity options business made positive contribution to the overall securities dealing business while the futures commission and activity remained stable during the Year.

Securities margin lending maintained an annual net average loan book of HK$478,000,000 (2012: HK$413,000,000) and contributed interest income of HK$37,345,000 (2012: HK$32,499,000). The margin loan book at the end of Year stood at HK$533,131,000 (2012: HK$469,341,000) is supported by capital, banking lines and loans amounting to over HK$940,000,000.

ECM business activity in placement and underwriting fee income for the Year declined to HK$9,802,000 (2012: HK$12,725,000).

Corporate financial advisory services

Corporate finance and advisory services revenue for the Year amounted to HK$50,439,000 (2012: HK$54,325,000).

We closed 38 transactions this Year (2012: 46 transactions). We had a slight increase in head-count to 26 staff (2012: 24 staff), mainly in the support and compliance functions, while the core advisory staff remained stable. Of the transactions we completed during the Year, 3 (2012: 3) were IPOs, and 35 (2012: 43) were corporate advisory and M&A mandates. Deal flow continues to be strong, including delayed mandates that are expected to be completed this year.

Asset Management

Management fee revenue for the Year amounted to HK$9,516,000 (2012: HK$9,024,000). This increase was the result of better performance on our largest fund Quam China Focus Fund. After a drop in AUM at the beginning of the Year, we witnessed a gradual increase towards the Year end as a result of performance and renewed confidence in the equity market. Total AUM in all our funds stood over US$61,000,000 (2012: US$62,900,000) at the Year-end.

The segmental results for the Year were helped by cost cuts that reduced the year on year loss in this segment from HK$16,487,000 to HK$781,000.

Quamnet and QuamIR

Quamnet's revenue for the Year was HK$21,971,000 (2012: HK$26,932,000), a decrease of 18.4% compared to the previous year. Advertising and content fee revenue dropped significantly year on year as demand was subdued and turnover of sales staff affected performance. Revenue from website management and related services, which include subscriptions for research and columnists, stock quote services and investor relations services, was affected due to the market sentiment and the directionless securities markets in Hong Kong during most of the Year. We took actions to reduce costs which will prove effective in the long run. We continue to restructure the business operation, aiming at improving the overall products and service offerings. The soft launch of new trading tool service, Quam Alpha, during the Year brought pleasing results and encourage us to expand such services going forward.

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 and a loan from third party. We continued to increase our bank facilities during the Year to meet the growth of our margin loan book, which has been monitored stringently for asset quality commensurate to risk and exposure. At 31 March 2013, the Group had available aggregate banking facilities of approximately HK$614,500,000 as compared to HK$415,000,000 in 2012, which are secured by legal charges on certain securities owned by the Group's margin and money lending clients. On 31 March 2013, approximately HK$301,161,000 (2012: HK$198,102,000) of these banking and short-term loan facilities were utilized and outstanding.

Capital Structure

The Group's cash and short term deposits at 31 March 2013 stood at approximately HK$66,217,000 (2012: HK$60,013,000).

Gearing Ratio

The Group's gearing ratio was 98.8% at 31 March 2013 (2012: 69.9%), being calculated as borrowings over net assets. The increased borrowings is attributable mainly to the securities margin lending business, which the loan book having significantly increased over the Year. The management of the Company have applied prudent risk and credit management on the increased lending to clients and borrowings from banks, and whilst the securities margin business allows for the use of authorised client collateral for repledge to secure banking facilities, the Group strictly follows regulatory repledging ratios and prudent bank borrowing benchmarks.

Employees And Remuneration Policies

As of 31 March 2013, the Group had 172 full time employees and 3 part time employees in Hong Kong (2012: 184 full time employees and 6 part time employees in Hong Kong), together with 58 full time employees and 2 part time employees based in the Mainland China (2012: 65 full time employees and 2 part time employees based in the Mainland 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 authorised 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 when limits have been exceeded. Failure to meet margin calls 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 financial market regulators. The Group has put in place monitoring systems 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 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 reviewed and 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 responsibility for establishing these policies.

Prospects

In the year ahead, we are expecting better results, having carried out major restructuring in certain units, reduced our office rental costs, obtained lower execution rates and platform costs, and reduced staff levels.

The economic climate, after over 3 years of uncertainty, seems to be showing some positive signs of recovery and stability. Being Asia-based, we feel that we are in a good position to reap the benefits of an upswing in financial markets. We believe that government policy to curtail real estate investment through higher stamp duty on real estate assets will drive investors to the financial markets to seek better yield for their money.

We will continue to concentrate on further enhancing our product and service offerings in all units, including trading tools for our securities and futures clients, and adding new products and subscription content through Quamnet.

We will continue to seek divestment of some of our investments; the proceeds will be directed to enhance our core business operations for future growth.

We have been upgrading process and compliance to meet increased requirements imposed from changes in regulation and practices since the financial crisis. Meanwhile, we are seeing areas of consolidation in our industry that, we believe, will further add strength to our service offering.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2013, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in Appendix 14 of the Listing Rules titled "Corporate Governance Code and Corporate Governance Report" (the "CG Code"), throughout the Year and subsequent period up to the date of publication of this announcement, save for the deviations from code provision A.5.1 and A.6.7 which are explained as follow:

The Company does not establish a Nomination Committee. This constitutes a deviation from code provision A.5.1 of the CG Code which stipulate that a Nomination Committee should be established. In view of the existing size of the board and business operation of the Group, it is considered more beneficial and effective to have the relevant function performed by the board as a whole.

One of the independent non-executive Directors was unable to attend the annual general meeting of the Company held on 6 September 2012 due to his other engagement. This constitutes a deviation from code provision A.6.7 of the CG Code which provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

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 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 2013.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 March 2013 is published on the websites of HKEx at www.hkexnews.hk and the website of the Company at www.quamlimited.com respectively. The 2013 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, 18 June 2013

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. Kenneth YOUNG Chun Man, Mr. Robert CHAN Tze Leung and Mr. Robert Stephen TAIT.