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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 2013

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 2013, 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 2013

	Notes	**Six months ended 30 September 2013 *HK$'000* (Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Revenue/Turnover	*4*	**202,865**	157,425
Fair value loss on financial assets measured at fair value through profit or loss		**(366)**	(643)
Other operating income	*5*	**4,314**	4,688
Cost of services provided		**(93,830)**	(69,598)
Staff costs	*6*	**(58,689)**	(52,320)
Depreciation and amortisation expenses	*6*	**(3,028)**	(3,431)
Other operating expenses		**(30,295)**	(35,503)
Finance costs		**(5,310)**	(3,635)
Share of results of an associate		**–**	–
Share of results of joint ventures		**(74)**	(1,107)
Profit/(Loss) before income tax	*6*	**15,587**	(4,124)
Income tax expense	*7*	**(1,300)**	(300)
Profit/(Loss) for the period, attributable to owners of the Company		**14,287**	(4,424)

* *For identification purpose only*

	Notes	**Six months ended 30 September 2013** *HK$'000* **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Other comprehensive income, including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
— Exchange gain on translation of financial statements of foreign operations		**215**	76
Items that will not be reclassified subsequently to profit or loss			
— Capital reduction of financial assets measured at fair value through other comprehensive income		**1,621**	–
— Changes in fair value of financial assets measured at fair value through other comprehensive income		**(9,516)**	(5,674)
— Dividend from financial assets measured at fair value through other comprehensive income, which represents a recovery of part of the investment cost		**1,418**	–
Other comprehensive income for the period, including reclassification adjustments and net of tax		**(6,262)**	(5,598)
Total comprehensive income for the period, attributable to owners of the Company		**8,025**	(10,022)
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company for the period	*9*		
— Basic *(HK cents)*		**1.21**	(0.38)
— Diluted *(HK cents)*		**1.20**	(0.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Notes	**30 September 2013** *HK$'000* **(Unaudited)**	31 March 2013 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**19,138**	18,801
Goodwill		**14,695**	14,695
Development costs		**2,593**	2,618
Other intangible assets		**60**	80
Financial assets measured at fair value through other comprehensive income		**18,712**	58,517
Interest in an associate		**165**	165
Interests in joint ventures		**3,068**	3,142
Other assets		**9,692**	13,963
		68,123	111,981
Current assets			
Trade receivables	*10*	**1,228,597**	991,720
Loan receivables		**1,132**	1,132
Prepayments, deposits and other receivables		**16,698**	14,675
Financial assets measured at fair value through profit or loss		**4,864**	1,884
Tax recoverable		**633**	1,057
Trust time deposits held on behalf of customers		**488,360**	373,721
Trust bank balances held on behalf of customers		**457,929**	411,794
Cash and cash equivalents		**63,270**	66,217
		2,261,483	1,862,200
Current liabilities			
Trade payables	*11*	**1,347,600**	1,196,484
Borrowings		**544,573**	318,923
Accruals and other payables		**64,572**	56,028
Finance lease payables		**553**	534
Tax payables		**967**	84
		1,958,265	1,572,053
Net current assets		**303,218**	290,147
Total assets less current liabilities		**371,341**	402,128

	30 September 2013 *HK$'000* (Unaudited)	31 March 2013 *HK$'000* (Audited)
Non-current liabilities		
Borrowings	**–**	38,865
Finance lease payables	**746**	1,027
Deferred tax liabilities	**36**	36
	782	39,928
Net assets	**370,559**	362,200
EQUITY		
Equity attributable to Company's owners		
Share capital	**3,977**	3,977
Reserves	**366,582**	358,223
Total equity	**370,559**	362,200

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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 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 accounting policies and methods of computation that have been used in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2013, except for the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to 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 and methods of computation.

Amendments to HKAS 1 (Revised), Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 "Consolidation — Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 11, Joint Arrangements

HKFRS 11, which replaces HKAS 31 "Interests in Joint Ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The investments continue to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial statements as a result of adopting HKFRS 12.

HKFRS 13, Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has disclosed segment assets and segment liabilities in note 3.

Amendments to HKFRS 7, Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 "Financial instruments: Presentation" and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. 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, futures and options dealing, provision of placement services, underwriting services, discretionary securities, futures and options 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 service lines requires different resources as well as marketing approaches. During the six months ended 30 September 2013, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

	Brokerage *HK$'000* (Unaudited)	Advisory *HK$'000* (Unaudited)	Asset management *HK$'000* (Unaudited)	Website management *HK$'000* (Unaudited)	Investments *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2013						
Revenue						
From external customers	**154,112**	**21,538**	**17,205**	**10,010**	**–**	**202,865**
From other segments	**–**	**–**	**–**	**1,495**	**–**	**1,495**
Reportable segment revenue	**154,112**	**21,538**	**17,205**	**11,505**	**–**	**204,360**
Reportable segment result	**14,235**	**1,823**	**5,477**	**(2,260)**	**(1,441)**	**17,834**
30 September 2013						
Reportable segment assets	**2,247,086**	**28,759**	**16,458**	**5,330**	**23,576**	**2,321,209**
Reportable segment liabilities	**1,932,210**	**5,565**	**8,335**	**11,370**	**–**	**1,957,480**

	Brokerage *HK$'000* (Unaudited)	Advisory *HK$'000* (Unaudited)	Asset management *HK$'000* (Unaudited)	Website management *HK$'000* (Unaudited)	Investments *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2012						
Revenue						
From external customers	117,627	24,900	3,564	11,334	–	157,425
From other segments	–	–	–	1,514	–	1,514
Reportable segment revenue	117,627	24,900	3,564	12,848	–	158,939
Reportable segment result	2,401	4,588	(2,125)	(2,209)	(1,905)	750
31 March 2013						
Reportable segment assets	1,846,714	29,386	5,985	5,844	60,401	1,948,330
Reportable segment liabilities	1,535,435	8,870	2,069	11,395	–	1,557,769

The total of the Group's reportable segment result is reconciled to the Group's profit/(loss) before income tax as follows:

	Six months ended 30 September 2013 ***HK$'000*** **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Reportable segment result	**17,834**	750
Share of results of joint ventures	**(74)**	(1,107)
Unallocated corporate expenses	**(2,173)**	(3,767)
Profit/(Loss) before income tax	**15,587**	(4,124)

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2013 *HK$'000* **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Advertising and content fee income	**1,656**	2,020
Advisory fee income	**21,538**	24,900
Asset management fee income	**17,205**	3,564
Commission and performance fee income on securities, futures and options broking	**124,314**	94,969
Income from margin financing and money lending services	**21,761**	16,906
Placement and underwriting fee income	**5,708**	4,418
Website management and related service fee income	**8,354**	9,314
Wealth management service fee income	**2,329**	1,334
	202,865	157,425

5. OTHER OPERATING INCOME

	Six months ended 30 September 2013 *HK$'000* **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Dividend income from financial assets measured at fair value through other comprehensive income		
— Derecognised during the period	**849**	–
— Held at the end of the reporting period	**–**	1,041
	849	1,041
Exchange gains, net	**1,274**	853
Interest income from banks and others	**1,391**	1,704
Sundry income	**800**	1,090
	4,314	4,688

Included above is income from listed and unlisted investments of HK$849,000 (2012: HK$1,025,000) and nil (2012: HK$16,000), respectively.

6. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 September 2013 *HK$'000* **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Profit/(Loss) before income tax is arrived at after charging:		
Amortisation of development costs and other intangible assets	**246**	246
Depreciation of property, plant and equipment	**2,782**	3,185
	3,028	3,431
Consultancy fee for marketing and promotion[#]	**4,969**	4,430
Provision for impairment of trade receivables	**69**	876
Staff costs (including directors' remuneration):		
— Salaries, allowances and bonuses	**55,528**	48,605
— Share-based payments	**334**	1,016
— Retirement benefits scheme contributions	**1,375**	1,180
— Other staff benefits	**1,653**	1,715
Total staff costs	**58,890**	52,516
Less: Amount capitalised into development costs	**(201)**	(196)
Amount recognised in profit or loss	**58,689**	52,320

[#] *Included in cost of services provided*

7. INCOME TAX EXPENSE

	Six months ended 30 September 2013 *HK$'000* **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Current tax		
— Hong Kong Profits Tax	**1,300**	300

For the six months ended 30 September 2013 and 2012, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the periods.

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.

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 of 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 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 six months ended 30 September 2013.

8. DIVIDENDS

	Six months ended 30 September 2013 *HK$'000* **(Unaudited)**	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Interim dividend declared and payable after the interim period of HK0.5 cent per ordinary share (2012: Nil)	**5,966**	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 September 2013 is based on profit attributable to owners of the Company for the period of HK$14,287,000 and on the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period amounting to 1,179,733,147.

The calculation of basic loss per share for the six months ended 30 September 2012 is based on loss attributable to owners of the Company for the period of HK$4,424,000 and on the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period amounting to 1,172,227,055.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 September 2013 is based on profit attributable to owners of the Company for the period of HK$14,287,000 and on the weighted average number of 1,188,867,800 ordinary shares outstanding during the period, after adjusting 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 number of ordinary shares in issue less shares held for Share Award Scheme during the period amounting to 1,179,733,147, plus the weighted average of 9,134,653 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised and the shares under Share Award Scheme had been vested.

Diluted loss per share for the six months ended 30 September 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.

10. TRADE RECEIVABLES

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Securities transactions		
— Brokers and clearing house	**37,726**	29,965
— Cash clients	**18,465**	12,952
— Margin clients	**686,875**	545,907
Futures and options contracts		
— Brokers and clearing houses	**379,746**	406,239
Subscription of securities		
— Clients receivables	**105,498**	–
Asset management, advisory and other services		
— Clients receivables	**22,190**	18,491
	1,250,500	1,013,554
Less: Provision for impairment	**(21,903)**	(21,834)
Trade receivables, net	**1,228,597**	991,720

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) and the amounts due from clients for subscription of securities are required to be settled upon the listing of the securities subscribed. 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) and the amount due from clients for subscription of securities bear a fixed rate interest of 1% to 3% per annum.

(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 30 September 2013, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$2,781,457,000 (31 March 2013: HK$2,585,875,000). 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 amounts due from futures brokers was HK$9,776,000 (31 March 2013: HK$18,021,000) 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$2,201,000 has been recognised as at 31 March 2013. There was no movement in the provision for impairment of amount due from MF Global HK for the six months ended 30 September 2013.

(d) 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:

	30 September 2013 *HK$'000* **(Unaudited)**	31 March 2013 *HK$'000* (Audited)
Repayable on demand	**674,020**	533,131
0–30 days	**537,788**	436,181
31–60 days	**3,945**	3,725
61–90 days	**3,727**	552
91–180 days	**507**	909
181–360 days	**451**	817
Over 360 days	**8,159**	16,405
	1,228,597	991,720

11. TRADE PAYABLES

	30 September 2013 *HK$'000* **(Unaudited)**	31 March 2013 *HK$'000* (Audited)
Securities transactions		
— Brokers and clearing house	**9,057**	25,577
— Cash clients	**463,211**	465,517
— Margin clients	**149,396**	110,930
Futures and options contracts		
— Clients payables	**723,383**	592,364
Website management and other services		
— Clients payables	**2,553**	2,096
	1,347,600	1,196,484

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) 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:

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 180 days	**2,496**	2,039
Over 180 days	**57**	57
	2,553	2,096

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the period from 1 April 2013 to 30 September 2013 (the "Period"), the Group reports an after tax profit of HK$14,287,000 (2012: after tax loss of HK$4,424,000). The Group's revenue for the Period amounted to HK$202,865,000 (2012: HK$157,425,000) reflecting an increase of 28.9% over the corresponding period last year.

It is with pleasure to report a return to profitability for the Group for the Period, which is the result of much hard work in business restructuring including costs, adjustments to revenue models and restructure of our operations in the asset management business.

The pleasing result came about from all business sectors, but in particular, from the asset management unit which has reversed its losses of past years, and delivered good results to the Group both in terms of fund performance and increase of Asset Under Management ("AUM"). The Quam China Focus Fund enjoyed a year to date return of 54% while the performance of our Quam Middle East Fund gained 33%.

The securities operation also maintained its momentum during the Period. Turnover was sustained during the first half despite geo-political and sovereign liquidity issues being played out globally. The futures business saw further momentum in business this year from new and existing clients. Volatility on certain commodities markets has prompted our sophisticated clients to trade these opportunities more frequently. Our continual infrastructure improvements to online trading have given comfort to our customers who demand a strong trading platform and reliable execution. We strive to keep abreast of technology and connectivity to provide an effective execution platform. The recognition of this has consolidated a client base that is not solely driven by execution charges, but rather the entire service spectrum. Our securities margin business has again moved to higher levels with average loan book for period up over 20% compared to the last financial year as at 31 March 2013 and over 39% compared to the same period last year deriving attractive net interest income. On the Equity Capital Market ("ECM") front, we were able to close several deals during the Period which contributed to the good result.

The corporate finance operations have faired well, although revenue from billings in the Period were slightly behind the same period last year due to the timing of project completions. Again the team has been working at full capacity, with financial advisory and sponsorship mandates in progress. Two IPOs were launched during the Period, and work in progress continues with expectation of completion of more in the second half.

We have had some restructuring costs in the Quamnet operation over the Period, and the anticipated benefits are expected in the near future. Most of our external subscription revenue models for Quamnet have now been structured on a variable direct cost basis. We have also streamlined our investor relations ("IR") services for the offline service while the online IR services will continue on a reduced offering basis to be more competitive with peers.

Our plans continue regarding divesture of non-core assets. The entire stake in Seamico Securities Public Company Limited was sold at beginning of the Period. MAC group has undergone a disposal of one of its subsidiary operations and has paid out a return of capital to shareholders, and we look forward to realizing this investment within the near future. Capital Partners Securities — Japan, has reported more positive news on their operations.

Review of Operations

Securities and futures dealing and placement

Securities and futures dealing commissions for the Period amounted to HK$124,314,000 (2012: HK$94,969,000), an increase of 30.9% over the same period last year. The increase was mainly attributable to a robust margin lending book and strong futures business.

Securities margin lending maintained a net average loan book of HK$583,000,000 (2012: HK$418,000,000) and contributed interest income of HK$21,761,000 (2012: HK$16,906,000). The margin loan book at the end of the Period stood at HK$674,020,000 (31 March 2013: HK$533,131,000) and was well supported by banking facilities.

Our I.T. department has continued working tirelessly during the Period with many projects that benefit the service offering and facilitating efficiency in our operations, and in particular the Hong Kong Exchanges and Clearing Limited's after-hours future trading and changes to their gateway platform. Our own initiatives included, reconfiguration of our trading network for faster execution speed to reduce latency, setting up connection with the Chicago Mercantile Exchange ("CME") hub in Hong Kong, redeployment of the CME Singapore hub and finally rolling out and testing our own securities settlement system developed in-house which will complement the futures and options settlement system.

Placement and underwriting fee income arising from ECM business activity for the Period enjoyed an increase to HK$5,708,000 (2012: HK$4,418,000).

Corporate financial advisory services

Corporate finance and advisory services revenue for the Period amounted to HK$21,538,000 (2012: HK$24,900,000). We closed fifteen transactions during the Period (2012: eleven transactions). We had a slight increase in headcount to 24 employees (2012: 23 employees), mainly in the support and compliance functions, while the headcount of core advisory staff remained stable. Of the transactions we completed during the Period, two (2012: one) were IPOs, and thirteen (2012: ten) were corporate advisory and M&A mandates. Deal flow continues to be strong, including delayed mandates that are expected to be completed in the second half.

Asset Management

Management fee revenue for the Period amounted to HK$17,205,000 (2012: HK$3,564,000). This increase was the result of good performance on our largest fund Quam China Focus Fund as well as the jointly advised Quam Middle East Fund. However, performance was still subdued and therefore redemptions inevitable in our smaller sized funds and fund of funds. A decision to close two of the funds of funds was made in light of these circumstances. Total AUM in all our funds stood over US$86,956,000 (2012: US$57,200,000) at the end of the Period.

Quamnet and QuamIR

Quamnet's revenue for the Period was HK$10,010,000 (2012: HK$11,334,000), a decrease of 11.7% compared to the same period last year. Revenue from website management and related services, which include subscriptions for research and columnists, stock quote services and IR services, was affected due to the market sentiment and the directionless securities markets in Hong Kong during most of the Period. We finalized the cost restructuring that had commenced since last year with reduction of staff and certain cost components of our IR services. The refocused sales and marketing team will strive to maintain existing clients, but with a less complex service offering, which is comparable to our competitors. We envisage winning back market share from this business. The soft launch of new trading tool service, Quam Alpha has progressed well with good take up. The interactive promotion and seminars provided have helped getting this underway. We look to take this initiative to next level this year with further new trading tools and services offered.

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 continued to increase our bank facilities during the Period to meet the growth of our margin loan book, which has been monitored stringently for asset quality commensurate to risk and exposure. At 30 September 2013, the Group had available aggregate banking facilities of approximately HK$739,400,000 (31 March 2013: HK$614,500,000), guaranteed by the Company and secured by legal charges on certain securities owned by the Group's margin and money lending clients. On 30 September 2013, approximately HK$392,546,000 (31 March 2013: HK$301,161,000) of these banking and short-term loan facilities were utilized. In addition, the Group had one IPO financing loan provided by its major banker which stood at HK$105,400,000 (31 March 2013: nil) and was fully repaid on 2 October 2013.

Capital Structure

The Group's cash and short term deposits at 30 September 2013 stood at approximately HK$63,270,000 (31 March 2013: HK$66,217,000).

Gearing Ratio

The Group's gearing ratio was 147.0% at 30 September 2013 (31 March 2013: 98.8%), being calculated as borrowings over net assets. The increased borrowings are attributable mainly to the securities margin lending business where the loan book having significantly increased over the Period. The management of the Company has 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 30 September 2013, the Group had 174 full time employees and 1 part time employee in Hong Kong (2012: 172 full time employees and 3 part time employees in Hong Kong), together with 59 full time employees based in the Mainland China (2012: 59 full 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 are paid with reference to individual performance appraisals, prevailing market conditions and company financial results. Other benefits offered by the Group include a 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.

In addition, the Group has 194 commission sales representatives (2012: 182).

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 Board has established prudent guidelines in respect to net exposure commitment per issue and aggregate exposure commitment at any one time as measured against the net asset value of the Group. The Board has the ultimate responsibility for establishing these policies.

Prospects

We will continue to focus on and build our core businesses in the immediate term.

The need for capital will be crucial for the further growth in our securities and futures business going forward. We tested the market for raising funds earlier in the Period but terminated such due to subdued market response. However, we will look at other alternatives to fund raising for capital in order to buffer the needs of our securities operation due to regulatory capital requirements.

The fortunes of the asset management business, in particular, our Quam China Focus Fund will hopefully provide further catalyst for new flow of funds into this and other initiatives.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK0.5 cent per share for the six months ended 30 September 2013 (2012: nil). The interim dividend will be payable on 22 January 2014 to shareholders whose name appear on the Register of Members of the Company on 12 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Tuesday, 10 December 2013 to Thursday, 12 December 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 Monday, 9 December 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2013, 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 2013.

CORPORATE GOVERNANCE PRACTICES

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 Period, save for the deviations from code provision A.5.1.

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.

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 2013.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2013 of the Group is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.quamlimited.com respectively. The Interim Report 2013 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, 22 November 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.