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 2014

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 2014, 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 2014

	Notes	**Six months ended 30 September 2014 *HK$'000* (Unaudited)**	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Revenue/Turnover	*4*	**196,310**	202,865
Fair value gain/(loss) on financial assets measured at fair value through profit or loss		**642**	(366)
Other operating income	*5*	**4,471**	4,314
Cost of services provided		**(80,886)**	(93,830)
Staff costs	*6*	**(61,524)**	(58,689)
Depreciation and amortisation expenses	*6*	**(3,530)**	(3,028)
Other operating expenses		**(29,870)**	(30,295)
Finance costs		**(8,905)**	(5,310)
Loss on disposal of an associate		**(177)**	—
Share of results of joint ventures		**(285)**	(74)
Profit before income tax	*6*	**16,246**	15,587
Income tax expense	*7*	**(1,633)**	(1,300)
Profit for the period, attributable to owners of the Company		**14,613**	14,287

* *For identification purpose only*

	Notes	Six months ended 30 September 2014 HK$'000 (Unaudited)	Six months ended 30 September 2013 HK$'000 (Unaudited)
Other comprehensive income, including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
— Exchange (loss)/gain on translation of financial statements of foreign operations		**(2)**	215
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		**596**	(9,516)
— Dividend from financial assets measured at fair value through other comprehensive income, which represents recovery of part of the investment cost		**—**	1,418
Other comprehensive income for the period, including reclassification adjustments and net of tax		**594**	(6,262)
Total comprehensive income for the period, attributable to owners of the Company		**15,207**	8,025
Earnings per share for profit attributable to owners of the Company for the period	*9*		
— Basic *(HK cents)*		**1.231**	1.211
— Diluted *(HK cents)*		**1.229**	1.202

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**17,329**	17,703
Goodwill		**14,695**	14,695
Development costs		**2,967**	3,619
Other intangible assets		**20**	40
Financial assets measured at fair value through other comprehensive income		**21,305**	20,709
Other financial assets measured at amortised cost		**16,119**	—
Interest in an associate		—	177
Interests in joint ventures		**1,608**	1,893
Other assets		**12,792**	15,436
		86,835	74,272
Current assets			
Trade receivables	*10*	**1,241,381**	1,165,990
Loan receivables		**642**	939
Prepayments, deposits and other receivables		**19,336**	17,359
Financial assets measured at fair value through profit or loss		**8,364**	6,978
Tax recoverable		**209**	224
Trust time deposits held on behalf of customers		**427,719**	460,519
Trust bank balances held on behalf of customers		**760,653**	749,510
Cash and cash equivalents		**64,867**	162,880
		2,523,171	2,564,399
Current liabilities			
Trade payables	*11*	**1,617,202**	1,690,045
Borrowings		**431,553**	386,963
Accruals and other payables		**64,447**	173,649
Finance lease payables		**592**	572
Tax payables		**4,797**	3,212
		2,118,591	2,254,441
Net current assets		**404,580**	309,958
Total assets less current liabilities		**491,415**	384,230

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Non-current liabilities			
Borrowings		**92,615**	—
Finance lease payables		**154**	455
Deferred tax liabilities		**36**	36
		92,805	491
Net assets		**398,610**	383,739
EQUITY			
Equity attributable to Company's owners			
Share capital		**3,981**	3,977
Reserves		**394,629**	379,762
Total equity		**398,610**	383,739

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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 2014, 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, other than the amendments to HKAS 36 "Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets" that had been early adopted for the year ended 31 March 2014. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

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:

(a) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, securities placement and underwriting services, margin financing and money lending services, insurance broking and wealth management services;

(b) the advisory segment engages in corporate finance advisory and general advisory services;

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

(d) the website management segment engages in website management, online advertising and research services; and

(e) 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 2014, 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 2014						
Revenue						
From external customers	**145,490**	**30,554**	**10,652**	**9,614**	**—**	**196,310**
From other segments	**—**	**—**	**—**	**2,800**	**—**	**2,800**
Reportable segment revenue	**145,490**	**30,554**	**10,652**	**12,414**	**—**	**199,110**
Reportable segment result	**13,245**	**4,358**	**546**	**(701)**	**279**	**17,727**
30 September 2014						
Reportable segment assets	**2,527,101**	**29,013**	**9,792**	**5,999**	**29,669**	**2,601,574**
Reportable segment liabilities	**2,172,602**	**9,573**	**4,329**	**11,976**	**—**	**2,198,480**

	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 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
31 March 2014						
Reportable segment assets	2,443,985	42,486	10,134	4,367	27,687	2,528,659
Reportable segment liabilities	2,097,246	12,825	3,941	11,078	—	2,125,090

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

	Six months ended 30 September 2014 ***HK$'000*** **(Unaudited)**	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Reportable segment result	**17,727**	17,834
Loss on disposal of an associate	**(177)**	—
Share of results of joint ventures	**(285)**	(74)
Unallocated corporate expenses	**(1,019)**	(2,173)
Profit before income tax	**16,246**	15,587

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2014 *HK$'000* **(Unaudited)**	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Advertising and content fee income	**1,285**	1,656
Advisory fee income	**30,554**	21,538
Asset management fee income	**10,652**	17,205
Commission and performance fee income on securities, futures and options broking	**106,968**	124,314
Income from margin financing and money lending services	**25,382**	21,761
Placement and underwriting fee income	**9,133**	5,708
Website management and related service fee income	**8,329**	8,354
Wealth management service fee income	**4,007**	2,329
	196,310	202,865

5. OTHER OPERATING INCOME

	Six months ended 30 September 2014 *HK$'000* **(Unaudited)**	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Dividend income from financial assets measured at fair value through other comprehensive income derecognised during the period	**—**	849
Exchange gains, net	**1,008**	1,274
Interest income from banks balances and other financial assets measured at amortised cost	**2,591**	1,391
Sundry income	**872**	800
	4,471	4,314

For the six months ended 30 September 2014, the above amounts included income from listed investments of HK$346,000 (2013: HK$849,000).

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2014 *HK$'000* (Unaudited)	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of development costs and other intangible assets	**672**	246
Depreciation of property, plant and equipment	**2,858**	2,782
	3,530	3,028
Impairment of trade receivables	**1,028**	69
Net losses on disposals of property, plant and equipment	**7**	—
Staff costs (including directors' emoluments):		
— Fees, salaries, allowances and bonuses	**58,088**	55,528
— Share awards expense	**—**	334
— Retirement benefits scheme contributions	**1,526**	1,375
— Other staff benefits	**1,910**	1,653
Total staff costs	**61,524**	58,890
Less: Amount capitalised into development costs	**—**	(201)
Amount recognised in profit or loss	**61,524**	58,689

7. INCOME TAX EXPENSE

	Six months ended 30 September 2014 *HK$'000* (Unaudited)	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Current tax		
— Hong Kong Profits Tax	**1,633**	1,300

For the six months ended 30 September 2014 and 2013, 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, 2006/07 and 2007/08 and the Group has lodged objections to these assessments. A hold over of the tax claimed for these assessments was agreed and the Group purchased tax reserve certificates of HK$1,000,000 in respect of the year of assessment 2006/07 and HK$2,000,000 in respect of the year of assessment 2007/08 in prior years.

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, 2006/07 and 2007/08 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 2014.

8. DIVIDENDS

Dividend payable to owners of the Company attributable to the interim period:

	Six months ended 30 September 2014 *HK$'000* **(Unaudited)**	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Interim dividend declared and payable after the interim period of HK0.5 cent (2013: HK0.5 cent) per ordinary share	**5,972**	5,966

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

Dividend payable to owners of the Company attributable to the previous financial year:

	Six months ended 30 September 2014 *HK$'000* **(Unaudited)**	Six months ended 30 September 2013 *HK$'000* (Unaudited)
Final dividend declared, approved and paid in respect of the year ended 31 March 2014 of HK0.5 cent per ordinary share	**5,972****	—

** *During the period from 1 April 2014 to 15 August 2014 (i.e. the record date for final dividend), new shares had been issued and allotted as a result of the exercise of unlisted warrants. The actual final dividends paid in respect of the year ended 31 March 2014 was HK$5,972,000, as compared to HK$5,966,000 that was disclosed as "proposed final dividend" in the annual report for the year ended 31 March 2014.*

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2014 is based on profit attributable to owners of the Company for the period of HK$14,613,000 and on the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period amounting to 1,187,074,893.

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.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2014 is based on profit attributable to owners of the Company for the period of HK$14,613,000 and on the weighted average number of 1,188,570,410 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 1,187,074,893, plus the weighted average of 1,495,517 ordinary shares deemed to be issued at no consideration as if all the Company's share options and the subscription rights attaching to the Warrants have been exercised, except for those share options and Warrants whose exercise price is higher than the average market price for shares.

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, except for those share options whose exercise price is higher than the average market price for shares.

10. TRADE RECEIVABLES

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Securities transactions		
— Brokers and clearing house	**37,071**	25,495
— Cash clients	**23,349**	11,961
— Margin clients	**801,891**	678,234
Futures and options contracts		
— Brokers and clearing houses	**379,692**	447,638
Asset management, advisory and other services		
— Clients receivables	**22,911**	25,490
	1,264,914	1,188,818
Less: Provision for impairment	**(23,533)**	(22,828)
Trade receivables, net	**1,241,381**	1,165,990

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 30 September 2014, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$3,532,623,000 (31 March 2014: HK$3,092,467,000). 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$5,717,000 (31 March 2014: HK$11,775,000) 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. Based on the current information issued by the liquidators, a provision for impairment of HK$2,201,000 (31 March 2014: HK$2,201,000) has been recognised.

(d) The ageing analysis of the trade receivables as at the reporting date, based on due date and net of provision, is as follows:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Repayable on demand	**790,846**	664,574
0–30 days	**442,165**	483,211
31–60 days	**1,617**	1,068
61–90 days	**211**	6,028
91–180 days	**1,021**	1,484
181–360 days	**1,876**	6
Over 360 days	**3,645**	9,619
	1,241,381	1,165,990

11. TRADE PAYABLES

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Securities transactions		
— Brokers and clearing house	**3,019**	34,847
— Cash clients	**655,790**	632,438
— Margin clients	**178,115**	144,713
Futures and options contracts		
— Clients payables	**777,321**	876,620
Website management and other services		
— Clients payables	**2,957**	1,427
	1,617,202	1,690,045

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 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 180 days	**2,900**	1,370
Over 180 days	**57**	57
	2,957	1,427

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the period from 1 April 2014 to 30 September 2014 (the "Period"), the Group reported an after tax profit of HK$14,613,000 (2013: HK$14,287,000) and a dividend of HK0.5 cent per share. It is pleasing to see that the Group continues to maintain its profit and dividend momentum despite higher manpower costs, expenses associated with our HK$100,229,000 notes issue completed in April this year, and lower trading volume and margins. Higher contributions were generated mostly from our Corporate Finance and Equity Capital Markets ("ECM") divisions, while contributions at Securities Trading and Asset Management were below expectations.

This first six months of our fiscal year were challenging indeed. Not only on account of market volatility, but more so from the lack of correlation between the index and turnover. Unfortunately despite high overseas merger and acquisition ("M&A") activities by Chinese companies, the local market did not benefit.

The Asset Management division was able to expand on the back of its strong performance in the previous year. The Quam China Focus Fund ("QCF") attracted new money inflow which resulted in higher assets under management ("AUM") for the Period from US$66,000,000 to US$72,000,000. In terms of performance fees, QCF had a reduced contribution as compared to the previous year, although the growth in AUM is a testament to the track record the fund has achieved. On the other hand, our Quam Middle East Fund, being co-managed by our partners, Invest AD, achieved a higher level of performance fees for the Period on the back of increased AUM. The fund is on target to achieve three years of continuous growth. The contribution from Quam Mongolia Fund was negative while Quam Global Alpha Fund remained flat. Despite all the challenges faced by our fund management division, we are well on our way to achieve our target of managing US$150,000,000 of assets split between our different funds and discretionary funds associated with the Hong Kong immigration investor program by our fiscal year end.

The securities operation was able to maintain its share of contribution to the Group, although, the investment climate during the earlier part of the Period was subdued due to macro-economic concerns such as China's slower growth, monetary tightening in the United States and finally, as strange as it sounds, the World Cup effect. On the equities side, the trading volumes were down by 19% while the futures contract trading volumes also experienced a drop of 12% as compared to same period last year. Yet, despite the reduction in volume, our margin financing book increased and so did our assets under custody. The ratio of the loan book versus turnover showed the market simply has excess liquidity.

Our Equity Capital Market (ECM) team was able to close several transactions by acting as book runner for three initial public offerings ("IPOs") and several ECM advisory mandates. The activities contributed greater revenues to the Group as compared to the period last year. The ongoing book for the second half looks very positive indeed.

The activities pursued by our wealth management division have expanded satisfactorily during this period. Their new focus is on the immigration investor program known as Capital Investment Entrant Scheme (CIES), promoting Quam funds and our trading activities in shares, futures and bonds.

The corporate finance division continued its market lead with the completion of two IPO sponsorships, a steady pipeline of IPO mandates, as well as financial advisory and merger and acquisition (M&A) activities. We expect further growth in the coming year as the regulatory environment tightens and fewer players are active in the market. The fee income for this period amounted to HK$30,554,000 as compared to HK$21,538,000 in the previous period.

Quamnet performed better with the further restructuring of its operations. The company is now focusing on subscriptions, events and media, and online investor relations services. Much effort is now being dedicated to promoting our service to the Mainland China market in light of the Shanghai-Hong Kong Stock Connect program.

The first half period reflected the full contribution from an increase in liquidity following the issue of notes with warrants in April this year. Costs associated with the issue and its utilization, have been well absorbed and have been used towards our securities and futures business. Total capital available to the Group now amounts close to HK$500,000,000, representing total equity of approximately HK$400,000,000 and note payable of approximately HK$100,000,000 which matures in April 2017.

Review Of Operations

Securities and futures dealing and placement

Securities and futures dealing commissions for the Period amounted to HK$106,968,000 (2013: HK$124,314,000), a decrease of 13.95% over the same period last year. Both securities and future trading had a reduction in business volume in line with market sentiment, but particularly so, during the earlier months of the Period. The securities margin loan book grew, however, over the same period by over 25% with average loan book of HK$729,000,000 over the Period as compared to HK$583,000,000 previously, contributing to an increase in overall interest revenue. This was well supported by additional bank facilities and our Company fund raising exercise earlier this year.

Our major external challenges can be summarized as follows: IT adjustments to reflect new changes imposed on brokers by the Hong Kong Exchanges and Clearing Limited, the start of the Shanghai-Hong Kong Stock Connect, extension of after-hours futures trading and finally imposition of US Foreign Account Tax Compliance Act (FATCA) and changes associated by this new reporting requirement. Internally, we launched our US online trading capabilities and added on smartphone applications for authenticated client communication during the Period.

Placement and underwriting fee income arising from ECM business activity for the Period was HK$9,133,000 (2013: HK$5,708,000).

Corporate financial advisory services

The revenue of corporate finance and advisory services amounted to HK$30,554,000 (2013: HK$21,538,000) up by 41.86%. In the Period, of 25 transactions (2013: fifteen) completed, 3 (2013: two) were IPOs and 22 (2013: thirteen) were corporate advisory and M&A mandates.

Asset Management

Revenue from management and performance fees for the Period amounted to HK$10,652,000 (2013: HK$17,205,000), a significant drop as compared to last year which was owed to reduced performance fee contributions from the funds. Nevertheless, total AUM in all our funds, comprised of managed funds and discretionary accounts, increased and now stands at over US$117,517,000 (31 March 2014: US$105,139,000) as at 30 September 2014.

Quamnet

Quamnet's revenue for the Period was HK$9,614,000 (2013: HK$10,010,000), a decrease of 3.96% compared to the period last year. However, net contribution improved because of reduced costs and offering of better margin products.

Financial Reviews

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well through the use of banking facilities and loan from independent third party. We continue to monitor stringently the asset quality of our loan portfolios. At 30 September 2014, the Group had available aggregate banking facilities of approximately HK$789,400,000 (31 Mach 2014: HK$739,400,000), secured by legal charges on certain securities owned by the Group's margin and money lending clients. On 30 September 2014, approximately HK$422,677,000 (31 March 2014: HK$370,336,000) of these banking and short-term loan facilities were utilized.

In addition, the Company completed in April 2014 the issuance of a 6.5% coupon notes due 2017 in an aggregate principal amount of HK$100,229,000 and 190,912,000 unlisted warrants. As at 30 September 2014, the Company had already made two subordinated loans for a total of HK$60,000,000 to Quam Securities Company Limited to meet regulatory capital requirement. The remainder of the funds was lent to Quam Securities to support its securities and futures business. These actions are in line with the designated use of the fund as mentioned in the Company's prospectus dated 14 March 2014.

During the Period, a total of 1,200,400 new shares had been issued and allotted as a result of the exercise of 1,200,400 unlisted warrants generating a gross cash proceed of approximately HK$600,000 for the Company, which have been used as the general working capital of the Group. As at 30 September 2014, the total number of unlisted warrants outstanding was 189,711,600 warrants.

The Group's cash and short term deposits at 30 September 2014 stood at approximately HK$64,867,000 (31 March 2014: HK$162,880,000).

Gearing Ratio

The Group's gearing ratio was 132% at 30 September 2014 (31 March 2014: 101%) being calculated as borrowings and finance lease payables over net assets. The increased borrowings are attributable mainly to the securities margin lending business where the loan book had 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 authorized clients' collateral for re-pledging to secure banking facilities, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks.

Employees And Remuneration Policies

As of 30 September 2014, the Group had 176 full time employees and 2 part time employee in Hong Kong (2013: 174 full time employees and 1 part time employees in Hong Kong), together with 54 full time employees based in the Mainland China (2013: 59 full time employees based in the Mainland China). In addition, the Group has 190 commission sales representatives (2013: 194).

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.

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 risks associated with financial products. The Credit Committee, which is appointed by the Executive Committee of the Company and ultimately reporting to 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 and when concentration risks for particular counters have been reached and posed a strategic risk. 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 further safeguard, the Group has maintained long-term banking facilities to meet any contingency in its operations and has recently further raised additional short term funding to buffer the liquidity requirements from business growth in particular from the securities operation. 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 and counterparts. 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 are confident about the prospects of the Company in the second half. Many ongoing projects should come to fruition, among others the setting-up of an authorized fund in Europe through a SIF (specialized investment fund)/SICAV (société d'investissement à capital variable) structure. We are well prepared for the Shanghai-Hong Kong Stock Connect program and we continue enhancing our "A" share research capabilities.

Finally, the key to our business is the quality and dedication of our staff. We continue to offer training and attractive compensation to recruit and retain good people. We take this opportunity to thank all our stakeholders of the Company and particularly to our dedicated staff.

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 2014 (2013: HK0.5 cent per share). The interim dividend will be payable on 31 December 2014 to shareholders whose names appear on the Register of Members of the Company on 10 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 8 December 2014 to Wednesday, 10 December 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Friday, 5 December 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2014, 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 2014.

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 2014.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2014 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 2014 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

Hong Kong, 20 November 2014

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.