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 2015

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 2015, 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 2015

	Notes	**Six months ended 30 September 2015 *HK$'000* (Unaudited)**	Six months ended 30 September 2014 *HK$'000* (Unaudited)
Revenue/Turnover	4	**320,739**	196,310
Fair value (loss)/gain on financial assets measured at fair value through profit or loss		**(1,687)**	642
Other operating income and gains	5	**7,217**	4,471
Cost of services provided		**(139,535)**	(80,886)
Staff costs	6	**(84,320)**	(61,524)
Depreciation and amortisation expenses	6	**(3,455)**	(3,530)
Other operating expenses		**(40,399)**	(29,870)
Finance costs		**(12,400)**	(8,905)
Loss on disposal of an associate		**—**	(177)
Share of results of joint ventures		**(551)**	(285)
Profit before income tax	6	**45,609**	16,246
Income tax expense	7	**(4,837)**	(1,633)
Profit for the period, attributable to owners of the Company		**40,772**	14,613

* *For identification purpose only*

	Notes	Six months ended 30 September 2015 HK$'000 (Unaudited)	Six months ended 30 September 2014 HK$'000 (Unaudited)
Other comprehensive income, including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
— Exchange gain/(loss) on translation of financial statements of foreign operations		**2**	(2)
Item that will not be reclassified subsequently to profit or loss			
— Changes in fair value of financial assets measured at fair value through other comprehensive income		**(10,740)**	596
Other comprehensive income for the period, including reclassification adjustments and net of tax		**(10,738)**	594
Total comprehensive income for the period, attributable to owners of the Company		**30,034**	15,207
Earnings per share for profit attributable to owners of the Company for the period	9		
— Basic *(HK cents)*		**2.800**	1.231
— Diluted *(HK cents)*		**2.705**	1.229

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	**30 September 2015** *HK$'000* **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**17,229**	17,126
Goodwill		**14,695**	14,695
Development costs		**2,240**	2,854
Other intangible assets		**242**	272
Financial assets measured at fair value through other comprehensive income		**16,019**	26,759
Other financial assets measured at amortised cost		**24,096**	24,144
Interests in joint ventures		**41,896**	42,447
Other assets		**13,436**	17,790
Deferred tax assets		**445**	445
		130,298	146,532
Current assets			
Trade receivables	10	**1,474,546**	2,131,904
Loan receivables		**225**	306
Prepayments, deposits and other receivables		**23,950**	17,381
Financial assets measured at fair value through profit or loss		**8,848**	9,059
Tax recoverable		**—**	31
Trust time deposits held on behalf of clients		**543,335**	345,956
Trust bank balances held on behalf of clients		**1,380,877**	811,316
Cash and cash equivalents		**79,417**	67,102
		3,511,198	3,383,055
Current liabilities			
Trade payables	11	**2,662,914**	1,884,355
Borrowings		**153,388**	1,050,203
Accruals and other payables		**81,452**	70,942
Finance lease payables		**154**	455
Tax payables		**5,999**	1,162
		2,903,907	3,007,117
Net current assets		**607,291**	375,938
Total assets less current liabilities		**737,589**	522,470

	Notes	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Non-current liabilities			
Borrowings		**97,070**	95,612
		97,070	95,612
Net assets		**640,519**	426,858
EQUITY			
Equity attributable to Company's owners			
Share capital		**5,035**	4,017
Reserves		**635,484**	422,841
Total equity		**640,519**	426,858

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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 and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2015, 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. The application of these new and amended HKFRSs has had no impact on the disclosures or on the amounts recognised in the Group's condensed consolidated interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 placing 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 financial information 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 2015, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

	Brokerage	Advisory	Asset management	Website management	Investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 September 2015						
Revenue						
From external customers	**236,067**	**25,499**	**50,718**	**8,455**	**—**	**320,739**
From other segments	**—**	**1,500**	**—**	**3,068**	**—**	**4,568**
Reportable segment revenue	**236,067**	**26,999**	**50,718**	**11,523**	**—**	**325,307**
Reportable segment result	**39,538**	**(1,323)**	**11,174**	**121**	**(763)**	**48,747**
30 September 2015						
Reportable segment assets	**3,500,180**	**26,110**	**27,823**	**6,726**	**24,867**	**3,585,706**
Reportable segment liabilities	**2,960,809**	**7,834**	**6,524**	**9,880**	**—**	**2,985,047**
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
31 March 2015						
Reportable segment assets	3,393,838	31,048	15,498	3,391	35,818	3,479,593
Reportable segment liabilities	3,066,027	12,631	6,870	7,842	—	3,093,370

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 2015	Six months ended 30 September 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment result	**48,747**	17,727
Other operating income and gains	**435**	—
Loss on disposal of an associate	**—**	(177)
Share of results of joint ventures	**(551)**	(285)
Unallocated corporate expenses	**(3,022)**	(1,019)
Profit before income tax	**45,609**	16,246

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2015 *HK$'000* **(Unaudited)**	Six months ended 30 September 2014 *HK$'000* (Unaudited)
Advertising and content fee income	**871**	1,285
Advisory fee income	**25,499**	30,554
Asset management and performance fee income	**50,718**	10,652
Commission and brokerage income on securities, futures and options dealing	**183,859**	106,968
Interest income from margin financing and money lending services	**33,065**	25,382
Placing and underwriting fee income	**18,385**	9,133
Website management, financial information service and related service fee income	**7,584**	8,329
Wealth management service fee income	**758**	4,007
	320,739	196,310

5. OTHER OPERATING INCOME AND GAINS

	Six months ended 30 September 2015 *HK$'000* **(Unaudited)**	Six months ended 30 September 2014 *HK$'000* (Unaudited)
Dividend income from financial assets measured at fair value through other comprehensive income held at the end of the reporting period	**924**	—
Exchange gains, net	**2,546**	1,008
Interest income from banks and other financial assets measured at amortised cost	**2,811**	2,591
Sundry income	**936**	872
	7,217	4,471

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2015	Six months ended 30 September 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Amortisation of development costs and other intangible assets	**644**	672
Depreciation of property, plant and equipment	**2,811**	2,858
	3,455	3,530
Impairment of trade receivables	**1,116**	1,028
Net losses on disposals of property, plant and equipment	**—**	7
Staff costs (including directors' emoluments):		
— Fees, salaries, allowances and bonuses	**79,877**	58,088
— Share awards expense	**449**	—
— Retirement benefits scheme contributions	**1,641**	1,526
— Other staff benefits	**2,353**	1,910
	84,320	61,524

7. INCOME TAX EXPENSE

	Six months ended 30 September 2015	Six months ended 30 September 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits Tax	**4,837**	1,633

For the six months ended 30 September 2015 and 2014, 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 mainly the affairs of the fund management operation and the operations of website management and financial information services.

As the IRD's enquiries may date back to earlier tax periods, the IRD has issued protective assessments on certain group entities for the years of assessment 2005/06, 2006/07, 2007/08 and 2008/09 and the Group has lodged objections to these assessments. A hold over of the tax claimed for these assessments was agreed by the IRD 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 and HK$250,000 in respect of the year of assessment 2008/09 during the period.

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, 2007/08 and 2008/09 were not properly calculated and any tax liability were 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 2015.

8. DIVIDENDS

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

	Six months ended 30 September 2015 *HK$'000* **(Unaudited)**	Six months ended 30 September 2014 *HK$'000* (Unaudited)
Interim dividend declared and payable after the interim period of HK1.0 cent (2014: HK0.5 cent) per ordinary share	**15,106**	5,972

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 2015 *HK$'000* **(Unaudited)**	Six months ended 30 September 2014 *HK$'000* (Unaudited)
Final dividend declared, approved and paid during the interim period of HK0.5 cent (2014: HK0.5 cent) per ordinary share	**7,551****	5,972

** During the period from 1 April 2015 to 17 August 2015 (i.e. the record date for final dividend), new shares had been issued and allotted. The actual final dividend paid in respect of the year ended 31 March 2015 was HK$7,551,000, as compared to HK$6,027,000 that was disclosed as "proposed final dividend" in the annual report for the year ended 31 March 2015.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2015 is based on profit attributable to owners of the Company for the period of approximately HK$40,772,000 (2014: 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 1,456,305,935 (2014: 1,187,074,893).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2015 is based on profit attributable to owners of the Company for the period of approximately HK$40,772,000 (2014: HK$14,613,000) and on the weighted average number of 1,507,148,657 (2014: 1,188,570,410) ordinary shares outstanding during the period, after adjusting for the effects of all dilutive potential shares, calculated as follows:

	Weighted average number of ordinary shares	
	Six months ended 30 September 2015 (Unaudited)	Six months ended 30 September 2014 (Unaudited)
For purpose of basic earnings per share	**1,456,305,935**	1,187,074,893
Effect of share awards	**5,598,274**	—
Effect of share options	**5,177,707**	1,495,517
Effect of Warrants	**40,066,741**	—
For the purpose of diluted earnings per share	**1,507,148,657**	1,188,570,410

The Company has outstanding share options which were granted on 9 June 2006, 29 February 2008 and 6 June 2008 with exercise price of HK$0.1296, HK$0.8340 and HK$0.7623 respectively. The Company also has outstanding Warrants which were issued on 4 April 2014. The computation of diluted earnings per share for the six months ended 30 September 2014 does not assume an exercise of those share options granted on 29 February 2008 and 6 June 2008 and Warrants because their exercise price was higher than the average market price for shares for that period.

10. TRADE RECEIVABLES

	30 September 2015 ***HK$'000*** **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
Securities transactions		
— Brokers and clearing house	**6,141**	76,051
— Cash clients	**20,415**	14,819
— Margin clients	**678,631**	865,285
Subscription of securities		
— Clients	**—**	480,274
Futures and options contracts		
— Brokers and clearing houses	**770,941**	679,993
Asset management, advisory and other services		
— Clients	**22,292**	38,240
	1,498,420	2,154,662
Less: Provision for impairment	**(23,874)**	(22,758)
Trade receivables, net	**1,474,546**	2,131,904

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 allotment 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 amounts due from clients for subscription of securities bear interest at a fixed rate of 1.7% 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 2015, the market value of securities pledged by margin clients to the Group as collateral was approximately HK$4,483,973,000 (31 March 2015: HK$4,790,009,000). 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 approximately HK$3,905,000 (31 March 2015: HK$3,907,000) 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 2015: HK$2,201,000) has been recognised.

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

	30 September 2015 *HK$'000* **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
Repayable on demand	**665,231**	851,552
0–30 days	**785,859**	1,258,524
31–60 days	**1,871**	3,261
61–90 days	**4,467**	2,198
91–180 days	**14,431**	13,492
181–360 days	**781**	711
Over 360 days	**1,906**	2,166
	1,474,546	2,131,904

11. TRADE PAYABLES

	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Securities transactions		
— Brokers and clearing house	**62,713**	5,298
— Cash clients	**1,001,522**	715,932
— Margin clients	**232,781**	133,206
Futures and options contracts		
— Clients	**1,362,800**	1,028,269
Financial information and other services		
— Clients	**3,098**	1,650
	2,662,914	1,884,355

Notes:

(a) Accounts payable to cash clients, brokers and clearing house attributable to dealings in securities transactions 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 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Within 180 days	**3,041**	1,593
Over 180 days	**57**	57
	3,098	1,650

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period from 1 April 2015 to 30 September 2015 (the "Period"), the Group reports an after tax profit of HK$40,772,000 (2014: HK$14,613,000) and recommends an interim dividend of HK1.0 cent per share. Group revenue increased to HK$320,739,000 (2014: HK$196,310,000) during the Period.

The Company benefited greatly from the activities in the market from April to June. We enjoyed unprecedented volume of trading coupled with active capital market fund raising. The main beneficiaries were both the brokerage business and the asset management business which contributed the bulk of the profit for the first half. The period July to September was victim of a big market correction and sudden fall in volumes. Both our trading volume and margin financing portfolio shrank rapidly. We are, however, pleased to report that the quality of our assets has remained very healthy due a large extent to our prudent risk management and the agility of our team to react to downward market pressure.

As mentioned in our previous annual report, we did close a capital fund raising exercise in early April which gave us the means to support our ever increasing brokerage activities. Since then our capital base expanded further with conversion of both warrants and options and it stands at approximately HK$640,519,000 as at 30 September 2015 when compared with HK$426,858,000 at the end of March 2015.

Looking ahead, we hope to be able to launch the Quam Direct brokerage business before the end of the calendar year while expanding our reach in the fund management business via the launch of UCITS (Undertakings for the Collective Investment of Transferable Securities) funds in Europe. We are at the last stage of registration of the first UCITS fund with The Commission de Surveillance du Secteur Financier (CSSF), the Luxembourg regulator and expect the launch will be in November/ December 2015. This will expand our reach for our existing funds while giving us the opportunity to widen the range of products. We are looking at the establishment of certain offices in a number of European countries that will further facilitate distribution and support.

As is publicly known, we are now in the final stage of the proposed large cash injection from CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. ("China Minsheng Bank") and other mainland investors into Quam Limited. This capital injection combined with the reach that the China Minsheng Bank and its shareholders have in China should bring a good number of opportunities to the Group. Already, in the first half of our financial year, we have been working closely with them to identify business that would enhance Quam's platform. Once the integration is completed, this should be full steam ahead!

REVIEW OF OPERATIONS

Securities and futures dealing and placement

Securities and futures dealing commissions for the Period amounted to HK$183,859,000 (2014: HK$106,968,000), an increase of 72% over the same period last year. The robust capital markets during April to June significantly contributed to this revenue increase, including significant increase in our securities margin loan portfolio. Due to this unprecedented activity, we took measures to raise additional capital to buffer the needs of this significant business activity. The average securities margin loan book had a big boost during the Period with an average increase of over 26% over the same period of last year. However, this level of activity was concentrated mainly during the peak months between April to June but has been subdued since then.

Equity Capital Market (ECM) business activity including placement and underwriting fee income continued its upward trend from last year and the team completed several mandates during the Period. The total fees derived from this business was HK$18,385,000 (2014: HK$9,133,000).

Corporate financial advisory services

The revenue of corporate finance and advisory services amounted to HK$25,499,000 (2014: HK$30,554,000) a drop of 17%. During the Period, a total of 17 (2014: 25) transactions were completed, 2 (2014: 3) were IPOs and 15 (2014: 22) were corporate advisory and M&A mandates.

Asset Management

The asset management operation was able to capitalize the robust capital markets and the major fund "Quam China Focus Fund" enjoyed significant performance which translated into higher performance fee during the Period.

Revenue from management and performance fees for the Period amounted to HK$50,718,000 (2014: HK$10,652,000), a major increase as compared to same period last year. Total assets under management, comprising of managed funds and discretionary accounts, increased and now stands at over US$130,700,000 (31 March 2015: US$129,300,000) as at 30 September 2015, as a result of new subscriptions and organic growth.

Quamnet

Quamnet's revenue for the Period was HK$8,455,000 (2014: HK$9,614,000), a decrease of 12% compared to same period last year.

We continued with our strategy to focus on improving our contribution margins. Overall net contribution from paid-services has been improving since our review of operations. Stock quote data subscriptions saw a pick up over the Period as a result of the robust capital market activity during April to June.

Advertising and investor relations business continued without much significant change over the Period. Revenue from our subscription services was HK$7,215,000 (2014: HK$7,758,000). Advertising, banner and events revenue was HK$660,000 (2014: HK$1,073,000). Investor relations services revenue was HK$580,000 (2014: HK$783,000).

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 substantial banking facilities and loans from independent third parties. We continue to monitor stringently the collateral asset quality of our loan portfolios and the ability for such drawdown from these facilities for our working capital funding needs.

As at 30 September 2015, the Group had available aggregate banking facilities of approximately HK$1,122,200,000 (31 March 2015: HK$984,400,000), mostly secured by legal charges on certain securities owned by the Group's margin and money lending clients. As at 30 September 2015, approximately HK$93,388,000 (31 March 2015: HK$541,127,000) of these banking and short-term loan facilities were utilized.

We completed a top-up share placing in mid-April 2015 raising approximately HK$112,500,000 before expenses, which was deployed towards the securities margin financing operation of the Group. This top-up placement resulted in the issuance of 150,000,000 new shares. Also, during the Period, a total of 155,298,791 new shares have been issued and allotted as a result the exercise of 134,565,600 unlisted warrants and 20,733,191 share options which generating gross cash proceed of approximately HK$67,283,000 and HK$14,347,000 for the Company respectively, which was used as general working capital for the Group. As at 30 September 2015, the total number of unlisted warrants outstanding was 44,209,200 warrants and the total number of share options outstanding was 3,695,130 options.

The Group's cash and short term deposits as at 30 September 2015 stood at approximately HK$79,417,000 (31 March 2015: HK$67,102,000).

Gearing Ratio

The Group's gearing ratio was 39% as at 30 September 2015 (31 March 2015: 269%), being calculated as borrowings and financial lease payable over net assets. The management has applied prudent risk and credit management on the increased lending to clients and borrowings from banks. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2015, the Group had 178 full time employees and 2 part time employees in Hong Kong (2014: 176 full time employees and 2 part time employees in Hong Kong), together with 54 full time employees based in the Mainland China (2014: 54 full time employees based in the Mainland China). In addition, the Group has 156 (2014: 190) commission sales representatives. The total headcount in the Group as at 30 September 2015 is 390 (2014: 422).

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 the Group's financial performance. 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, taking into account loan and stock concentration exposures.

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 can 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 banking facilities to meet contingencies in its operations. The Company will consider the need to raise funding in order to meet the business operations growth which require intensive capital buffer. 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 counter party brokers. 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.

PROSPECTS

While waiting for completion of the transaction with CMBC International Holdings Limited and relevant parties, we will continue expanding the existing business in preparation for the changes expected. Once the additional new funds are injected in the Company, the scope and the reach of our business will be multiplied many fold. The new additional financial capacity, new relationship and our enhanced ability to service our clients, should give us access to larger transactions and generate greater fees. This should have a positive impact on the last quarter of this financial year. Until then our team will continue to work as hard as we did in the first half of this year to deliver results satisfactory to our shareholders.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK1.0 cent per share for the six months ended 30 September 2015 (2014: HK0.5 cent per share). The interim dividend will be payable on 1 December 2015 to shareholders whose name appear on the Register of Members of the Company on 17 November 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 16 November 2015 to Tuesday, 17 November 2015, 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, 13 November 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2015, 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 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 2015.

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 six months ended 30 September 2015, 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 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2015 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 2015 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, 30 October 2015

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.