



Quam Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 00952)



INTERIM REPORT 2011





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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

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

	Notes	Six months ended 30 September 2011 HK\$'000 Unaudited	Six months ended 30 September 2010 HK\$'000 Unaudited
Revenue/Turnover	5	197,001	127,334
Fair value (loss)/gain on financial assets measured at fair value through profit or loss		(797)	3,124
Other operating income	6	3,773	4,777
Cost of services provided		(87,118)	(61,942)
Staff costs	7	(68,437)	(43,109)
Depreciation and amortisation expenses	7	(2,743)	(2,010)
Other operating expenses, net	7	(31,737)	(25,180)
Finance costs		(3,647)	(1,472)
Provision for impairment of interest in an associate		(3,000)	—
Share of results of jointly controlled entities		(741)	(1,153)
Share of results of an associate		(2,116)	(4,024)
Profit/(Loss) before income tax	7	438	(3,655)
Income tax expense	8	(200)	—
Profit/(Loss) for the period, attributable to owners of the Company		238	(3,655)
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		15	25
Changes in fair value of financial assets measured at fair value through other comprehensive income		(9,129)	7,986
Other comprehensive income for the period		(9,114)	8,011
Total comprehensive income for the period, attributable to owners of the Company		(8,876)	4,356
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period	10		
— Basic		0.02 cent	(0.38) cent*
— Diluted		0.02 cent	N/A

* Restated

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	15,246	14,303
Goodwill	12	14,695	14,695
Development costs	13	1,517	1,355
Other intangible assets	13	140	160
Financial assets measured at fair value through other comprehensive income	18	65,244	74,373
Interest in an associate	14	24,081	29,197
Interests in jointly controlled entities	14	39,493	19,986
Other assets	15	5,717	6,869
		166,133	160,938
Current assets			
Trade receivables	16	728,436	656,130
Loan receivables	17	4,270	4,410
Prepayments, deposits and other receivables		13,999	10,649
Financial assets measured at fair value through profit or loss	18	9,826	14,141
Trust time deposits held on behalf of customers		278,821	211,957
Trust bank balances held on behalf of customers		316,165	439,834
Cash and cash equivalents		145,801	122,510
		1,497,318	1,459,631
Current liabilities			
Trade payables	19	963,917	967,771
Borrowings	20	178,747	243,377
Other payables and accruals		73,341	49,658
Finance lease payables		429	714
Tax payables		1,004	439
		1,217,438	1,261,959
Net current assets		279,880	197,672
Total assets less current liabilities		446,013	358,610
Non-current liabilities			
Finance lease payables		10	134
Borrowings	20	38,888	—
Deferred tax liabilities		36	36
		38,934	170
Net assets		407,079	358,440
EQUITY			
Equity attributable to the Company's owners			
Share capital	21	3,977	3,161
Reserves		403,102	355,279
Total equity		407,079	358,440

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Equity attributable to owners of the Company										
	Share capital	Share premium	Investments revaluation reserve	Contributed surplus	Share option reserve	Shares held	Award Scheme	Capital redemption reserve	Exchange reserve	Retained profits	Total
						for Share					
						Award					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
At 1 April 2010	3,159	126,404	(1,757)	20,708	7,732	—	936	78	195,369	352,629	
Exercise of share options	1	69	—	—	(21)	—	—	—	—	49	
Share option arrangements	—	—	—	—	782	—	—	—	—	782	
Shares purchased for Share Award Scheme	—	—	—	—	—	(3,862)	—	—	—	(3,862)	
Transaction with owners	1	69	—	—	761	(3,862)	—	—	—	(3,031)	
Loss for the period	—	—	—	—	—	—	—	—	(3,655)	(3,655)	
Other comprehensive income											
Exchange gain on translation of financial statements of foreign operation	—	—	—	—	—	—	—	25	—	25	
Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	7,986	—	—	—	—	—	—	7,986	
Total comprehensive income for the period	—	—	7,986	—	—	—	—	25	(3,655)	4,356	
At 30 September 2010	3,160	126,473	6,229	20,708	8,493	(3,862)	936	103	191,714	353,954	

	Equity attributable to owners of the Company											
	Share capital	Share premium	Investments revaluation reserve	Contributed surplus	Share option reserve	Shares held	Award Scheme	Award reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total
						for Share						
						Award						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
At 1 April 2011	3,161	126,541	4,950	10,708	8,311	(12,446)	2,657	936	115	213,507	358,440	
Issue of new shares	795	58,865	—	—	—	—	—	—	—	—	59,660	
Transaction costs attributable to issue of new shares	—	(1,568)	—	—	—	—	—	—	—	—	(1,568)	
Exercise of share options	21	1,186	—	—	(391)	—	—	—	—	—	816	
Share option arrangements	—	—	—	—	155	—	—	—	—	—	155	
Share Award Scheme arrangements	—	—	—	—	—	—	3,225	—	—	—	3,225	
2010/2011 final dividend paid	—	—	—	—	—	—	—	—	—	(4,773)	(4,773)	
Transaction with owners	816	58,483	—	—	(236)	—	3,225	—	—	(4,773)	57,515	
Profit for the period	—	—	—	—	—	—	—	—	—	238	238	
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operation	—	—	—	—	—	—	—	—	15	—	15	
Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	(9,129)	—	—	—	—	—	—	—	(9,129)	
Total comprehensive income for the period	—	—	(9,129)	—	—	—	—	—	15	238	(8,876)	
Cancellation of share award	—	—	—	—	—	—	(585)	—	—	585	—	
At 30 September 2011	3,977	185,024	(4,179)	10,708	8,075	(12,446)	5,297	936	130	209,557	407,079	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September 2011 HK\$'000 Unaudited	Six months ended 30 September 2010 HK\$'000 Unaudited
Net cash (outflow)/inflow from operating activities	(12,972)	11,571
Net cash outflow from investing activities	(22,220)	(5,303)
Net cash inflow/(outflow) from financing activities	58,477	(4,264)
Increase in cash and cash equivalents	23,285	2,004
Cash and cash equivalents at 1 April	122,510	73,365
Effect of foreign exchange rate changes	6	—
Cash and cash equivalents at 30 September	145,801	75,369

For the six months ended 30 September 2011

1. GENERAL INFORMATION

Quam Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is Room 3408, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in the following activities:

- securities and futures dealing, placement services, margin financing and money lending, the provision of fund management services and wealth management services
- website management and related services
- provision of advisory services
- investment holding and securities trading

The unaudited interim financial statements were approved for issue by the Board of Directors of the Company on 28 November 2011.

2. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complies with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss which are stated at fair value.

The accounting policies adopted in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed below.



3. PRINCIPAL ACCOUNTING POLICIES (Continued)

This interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

This interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2011.

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

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

Improvements to HKFRSs 2010

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

HKAS 24 (Revised) — Related Party Disclosures

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

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

- (i) the brokerage segment engages in securities and futures dealing, provision of placement services, underwriting services, discretionary securities and futures dealing services, margin financing and money lending services, money lending arrangement and guarantee business, and wealth management services;
- (ii) the advisory segment engages in the provision of corporate finance advisory and general advisory services;
- (iii) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;
- (iv) the website management segment engages in the management of a website, advertising, referral tools to online customers and research services; and
- (v) the investments segment engages in investment holding and securities trading.

Each of these operating segments is managed separately, as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices. During the six months ended 30 September 2011, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.



4. SEGMENT INFORMATION (Continued)

Segment information for the six months ended 30 September 2011 is as follows:

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

4. SEGMENT INFORMATION (Continued)

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

2010	Brokerage HK\$'000 Unaudited	Advisory HK\$'000 Unaudited	Asset management HK\$'000 Unaudited	Website management HK\$'000 Unaudited	Investments HK\$'000 Unaudited	Eliminations HK\$'000 Unaudited	Total HK\$'000 Unaudited
Segment revenue							
Sales to external customers	93,042	17,732	4,175	12,385	—	—	127,334
Inter-segment sales	—	—	—	5,498	—	(5,498)	—
Total	93,042	17,732	4,175	17,883	—	(5,498)	127,334
Segment results	2,629	581	(1,165)	1,148	1,523		4,716
Interest income from banks and others							868
Share option arrangements							(782)
Elimination of intra-group transactions							(1,449)
Other unallocated head office and corporate expenses							(1,831)
Share of results of associates							(4,024)
Share of results of jointly controlled entities							(1,153)
Loss before income tax							(3,655)
Income tax expense							—
Loss for the period							(3,655)



5. REVENUE/TURNOVER

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

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

6. OTHER OPERATING INCOME

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

For the six months ended 30 September 2011

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 September 2011 HK\$'000 Unaudited	Six months ended 30 September 2010 HK\$'000 Unaudited
Amortisation of other development costs (note 13)	188	—
Amortisation of other intangible assets (note 13)	20	20
Depreciation of property, plant and equipment (note 11)		
Owned assets	2,300	1,531
Leased assets	235	459
	2,743	2,010
Staff costs (including directors' remuneration):		
Salaries and other allowances	64,060	41,505
Retirement benefits scheme contribution	997	822
Share options granted	155	782
Share awards granted	3,225	—
	68,437	43,109
Consultancy fee for marketing and promotion#	19,343	24,598
Other operating expenses, net*	31,737	25,180
Provision for impairment of trade receivables	175	1,552

Included in cost of services provided

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



8. INCOME TAX EXPENSE

For the six months ended 30 September 2011, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

For the six months ended 30 September 2010, no Hong Kong profits tax was provided in the financial statements as companies within the Group either did not derive any assessable profit in Hong Kong or had unused tax losses brought forward to offset against the assessable profits in Hong Kong.

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

9. DIVIDENDS

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

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

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

For the six months ended 30 September 2011

10. EARNINGS/(LOSS) PER SHARE

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

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

For the six months ended 30 September 2010, diluted loss per share was not presented because the impact of the exercise of the share options was anti-dilutive.

For the six months ended 30 September 2011, the calculation of diluted earnings per share for the period is based on the unaudited profit for the period attributable to owners of the Company of HK\$238,000 as used in the calculation of the basic earnings per share and the weighted average of 964,831,762 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 963,057,669 ordinary shares in issue during the period, as used in the calculation of the basic earnings per share, plus the weighted average number of 1,774,093 ordinary shares deemed to be issued at no consideration as if the share options have been exercised.



11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Net book value at 1 April 2010	2,227	623	2,176	6,723	11,749
Additions	—	—	1,153	2,075	3,228
Depreciation	(1)	(7)	(603)	(1,379)	(1,990)
Translation differences	—	—	—	3	3
Net book value at 30 September 2010	2,226	616	2,726	7,422	12,990
Net book value at 1 April 2011	2,224	610	3,962	7,507	14,303
Additions	—	—	1,408	2,063	3,471
Disposal	—	—	—	(2)	(2)
Depreciation	(1)	(8)	(863)	(1,663)	(2,535)
Translation differences	—	—	—	9	9
Net book value at 30 September 2011	2,223	602	4,507	7,914	15,246

12. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Net carrying amount at the beginning and at the end of the period/year	14,695	14,695

For the six months ended 30 September 2011

13. OTHER INTANGIBLE ASSETS

Development cost

	HK\$'000 Unaudited
Net book value at 1 April 2010 and 30 September 2010	—
Net book value at 1 April 2011	1,355
Capitalised during the period	350
Amortisation	(188)
Net book value at 30 September 2011	1,517

Other intangible assets

	Trading rights HK\$'000 Unaudited
Net book value at 1 April 2010	200
Amortisation	(20)
Net book value at 30 September 2010	180
Net book value at 1 April 2011	160
Amortisation	(20)
Net book value at 30 September 2011	140

All amortisation are included in "depreciation and amortisation expenses" in the condensed consolidated statement of comprehensive income.



14. INTEREST IN AN ASSOCIATE/INTERESTS IN JOINTLY CONTROLLED ENTITIES

(a) Interest in an associate

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Share of net assets	14,887	17,003
Goodwill on acquisition	12,194	12,194
Less: provision for impairment	(3,000)	—
	24,081	29,197

Particulars of the associate at 30 September 2011 are as follows:

Name of associate	Place of incorporation	Particulars of issued capital	Percentage of interest held by the Group
McMillen Advantage Capital Limited	Hong Kong	5,025,000 ordinary shares of HK\$1 each and 13,186,893 ordinary shares of US\$1 each	22.69%

(b) Interests in jointly controlled entities

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Share of net assets	39,493	19,986

Details of the Group's interest in jointly controlled entities which are unlisted corporate entities, are as follows:

Name of joint venture	Form of business structure	Country/place of incorporation and operation	Particulars of issued and paid up capital	% of interest held	Principal activities
Suzhou Gaohua Venture Investment Management Ltd.	Co-operative joint venture	PRC	Registered capital of RMB7,000,000	73%	Financial advisory consultancy
Suzhou QUAM-SND Venture Capital Enterprise	Co-operative joint venture	PRC	Registered capital of RMB30,472,726	72%	Financial advisory consultancy

15. OTHER ASSETS

Other assets comprise deposits with stock and futures exchanges and clearing companies.

For the six months ended 30 September 2011

16. TRADE RECEIVABLES

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

The Group's trade receivables as at 30 September 2011 mainly consisted of receivables of the securities and futures broking business and advisory and placement business. For the advisory and placement business, billings are normally due on presentation. For the securities and futures broking business, the Group allows a credit period up to the settlement dates of their respective transactions (normally two business days after the respective trade dates) except for margin client receivables which are repayable on demand and therefore, no aging analysis is disclosed.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise the credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables related to a large number of diversified customers, and there is no significant concentration of credit risk.

The carrying amounts of the Group's trade receivables approximate to their fair values.

The aging analysis of the Group's trade receivables as at the reporting date, based on due date and net of provision, is as follows:

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



16. TRADE RECEIVABLES (Continued)

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

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

17. LOAN RECEIVABLES

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Gross loan receivables — unsecured (note (a))	4,313	4,453
Less: provision for impairment of loan receivables (note (b))	(43)	(43)
Net carrying amount	4,270	4,410

Notes:

- (a) The loan receivables bear interest at annual rates ranging from 5% to 10% (31 March 2011: 5% to 7%). The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loan receivables at the reporting date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Repayable on demand	2,204	4,453
In more than three months but not more than one year	2,109	—
	4,313	4,453

For the six months ended 30 September 2011

17. LOAN RECEIVABLES (Continued)

Notes: (Continued)

- (b) There was no movement in the provision for impairment of loan receivables for the period ended 30 September 2011 and for the year ended 31 March 2011.

At each of the reporting date, certain of the Group's loan receivables were individually determined to be impaired. The Group encountered difficulties in collection of these loan receivables and appropriate provision for impairment has been made against these loan receivables. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. Included in the above provision for impairment is a provision for individually impaired loan receivables of HK\$43,000 (31 March 2011: HK\$43,000) with a gross carrying amount of HK\$43,000 (31 March 2011: HK\$43,000). The individually impaired loan receivables relate to customers that were in default or delinquency in repayments. The Group did not hold any collateral in respect of these impaired loan receivables.

- (c) The directors consider that the carrying amounts of loan receivables approximate their fair values.

18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

(a) Financial assets measured at fair value through profit or loss

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Listed equity securities, at market value: (note b)		
— Hong Kong	6	6,928
— Elsewhere	23	23
Overseas unlisted equity securities at fair value (note c)	9,797	7,190
	9,826	14,141

Notes:

- (a) Financial assets measured at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the condensed consolidated statement of cash flows.
- (b) The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date.
- (c) Overseas unlisted equity securities represent the Group's investments in an investment fund. The fair value of the investment is determined with reference to the investment fund's net asset value as at the reporting date.



18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME (Continued)

(b) Financial assets measured at fair value through other comprehensive income

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Listed equity securities in Thailand, at fair value	29,480	40,077
Unlisted securities, at fair value	35,764	34,296
	65,244	74,373

The fair value of the Group's unlisted securities has been estimated using a valuation technique of discounted cash flow method based on assumptions and estimates including the discount rates which were ranged from 15% to 21% (31 March 2011: from 15% to 22%). The valuation requires the directors to make estimates about the expected future cash flows. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and related change in fair values, which are recorded in condensed consolidated statement of comprehensive income, are reasonable, and that they were the most appropriate values at the reporting date.

Particulars of the investee companies, disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance as the Group held equity interests exceeding 20% of the issued share capital of the investee companies, are as follow:

Name	Place of incorporation	Percentage of issued share capital held by the Group		Carrying value of the Group's investments as at	
		2011	2010	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Gigabyte International Holdings Limited ("Gigabyte")	British Virgin Islands	47.7%	47.7%	5,900	7,700

For the six months ended 30 September 2011

18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME (Continued)

(b) Financial assets measured at fair value through other comprehensive income (Continued)

The Group has not accounted for Gigabyte as an associate because Gigabyte's main asset is a 4.11% (31 March 2011: 4.11%) interest in an Internet Telecommunication Services Company ("Teleco"). The primary business activity of Teleco is provision of internet access, internet hosting and related services. Gigabyte has no significant influence over Teleco and has no board representation in that company. The directors consider Gigabyte to be an investment holding vehicle for its interest in Teleco, and hold it for no other reason. The investment in Gigabyte has accordingly been accounted for as financial assets measured at fair value through other comprehensive income.

19. TRADE PAYABLES

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

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



19. TRADE PAYABLES (Continued)

Accounts payable to cash clients attributable to dealing in securities transactions represents clients' undrawn monies/excess deposits placed with the Group. Accounts payable to clients attributable to dealing in futures and options contracts transactions includes margin deposits received from clients for their trading of futures and options contracts and clients' undrawn monies/excess deposits placed with the Group. All these accounts payable together with margin clients payable are repayable on demand and therefore, no aging analysis is disclosed.

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

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

20. BORROWINGS

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Bank loans (secured)	170,947	196,694
Other loans (unsecured)	46,688	46,683
	217,635	243,377
Less: Amount due within one year shown under current liabilities	(178,747)	(243,377)
Amount due after one year shown under non-current liabilities	38,888	—

At 30 September 2011, the Group's borrowings were repayable as follows:

	30 September 2011		31 March 2011	
	Bank loans HK\$'000 Unaudited	Other loans HK\$'000 Unaudited	Bank loans HK\$'000 Audited	Other loans HK\$'000 Audited
On demand	170,947	7,800	196,694	10,779
Within one year	—	—	—	35,904
In the second year	—	38,888	—	—
	170,947	46,688	196,694	46,683

For the six months ended 30 September 2011

20. BORROWINGS (Continued)

- (a) The bank loans of the Group were secured by marketable securities of HK\$338,440,000 (31 March 2011: HK\$396,000,000) pledged to the Group by margin clients. The bank loans of the Group bear floating interest rates ranging from 1.31% to 2.17% per annum (31 March 2011: 0.60% to 2.47% per annum).
- (b) As at 30 September 2011, other loan of HK\$46,688,000 bears fixed interest rate at 6% per annum and is repayable on 31 December 2012, and of which lender has the right to request early repayment of up to HK\$7,800,000 with one month written notice.
- As at 31 March 2011, other loan of HK\$11,683,000 and HK\$35,000,000 bears fixed interest rate at 6% per annum and is repayable on 30 June 2011 and 31 July 2011 respectively, and of which lender has the right to request early repayment of up to HK\$779,000 and HK\$10,000,000 with one month written notice.
- (c) The carrying amounts of the borrowings are denominated in the following currencies:

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Hong Kong dollars	205,947	231,694
United States dollars	11,688	11,683
	217,635	243,377

21. SHARE CAPITAL

	30 September 2011	
	Number of ordinary shares of HK one third of one cent each Unaudited	HK\$'000 Unaudited
Authorised:		
At 1 April 2011 and at 30 September 2011	30,000,000,000	100,000
Issued and fully paid:		
At 1 April 2011	948,342,499	3,161
Exercise of share options	6,223,170	21
Issue of shares due to Rights Issue (note a)	238,641,417	795
At 30 September 2011	1,193,207,086	3,977



21. SHARE CAPITAL (Continued)

	30 September 2010	
	Number of ordinary shares of HK one third of one cent each Unaudited	HK\$'000 Unaudited
Authorised:		
At 1 April 2010 and at 30 September 2010	30,000,000,000	100,000
Issued and fully paid:		
At 1 April 2010	947,613,987	3,159
Exercise of share options	370,532	1
At 30 September 2010	947,984,519	3,160

Note:

- (a) On 30 September 2011, 238,641,417 ordinary shares of Hong Kong one third of one cent each were issued by way of Rights Issue at a subscription price of HK\$0.25 per share. These shares rank pari passu in all respects with other ordinary shares in issue.

22. OPERATING LEASE COMMITMENTS

At 30 September 2011, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Within one year	17,510	16,705
In the second to fifth years, inclusive	6,746	10,701
	24,256	27,406

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years. None of the leases includes contingent rentals.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

23. CAPITAL COMMITMENTS

	30 September 2011 HK\$'000 Unaudited	31 March 2011 HK\$'000 Audited
Investment in equity interest		
— contracted but not provided for	23,958	41,916

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with the directors, close family members of the directors and related companies, of which certain directors of the Company are also directors or have a direct/indirect equity interest, during the period:

	Six months ended 30 September 2011 HK\$'000 Unaudited	Six months ended 30 September 2010 HK\$'000 Unaudited
Related companies		
Securities and futures trading fee:		
Baroque Investments Limited, a company in which Mr. Bernard POULIOT has indirect interests	—	3
Interest income on margin financing:		
Baroque Investments Limited, a company in which Mr. Bernard POULIOT has indirect interests	—	2
Directors		
Securities and futures trading fee:		
Mr. Bernard POULIOT	109	98
Mr. Kenneth LAM Kin Hing	309	480
Interest income on margin financing:		
Mr. Bernard POULIOT	258	183
Mr. Kenneth LAM Kin Hing	2	21



24. RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 September 2011 HK\$'000 Unaudited	Six months ended 30 September 2010 HK\$'000 Unaudited
Close family members of the directors		
Securities and futures trading fee:		
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT	17	4
Ms. CHAN Chan Yeuk Lan, mother-in-law of Mr. Bernard POULIOT	42	40
Ms. Mona KWOK Ka Wai, spouse of Mr. Kenneth LAM Kin Hing	24	65
Interest income on margin financing:		
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT	1	—

Note:

The trading fee, interest and performance fee charged to the above parties were in accordance with terms similar to those offered to unrelated customers.

Compensation of key management personnel

Included in staff costs are key management personnel compensation and comprises the following categories:

	Six months ended 30 September 2011 HK\$'000 Unaudited	Six months ended 30 September 2010 HK\$'000 Unaudited
Short term employee benefits	3,960	3,300
Share options granted	58	245
Share awards granted	316	—
Retirement benefits scheme contributions	18	18
	4,352	3,563

BUSINESS REVIEW

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

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

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

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

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

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

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

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



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

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

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

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

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

REVIEW OF OPERATIONS

Securities and futures dealing and placement

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

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

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

Corporate financial advisory services

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

Asset Management

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

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

www.quamnet.com and QuamIR

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

FINANCIAL REVIEWS

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as with banking facilities provided by its principal bankers in Hong Kong. We have increased the number of banking facilities as well as increase in total credit lines during the Period to cater for the increase in dealing activity as a result of new sales force. As of 30 September 2011, the Group had available aggregate banking facilities of approximately HK\$420,000,000 (31 March 2011: HK\$369,000,000), secured by legal charges on certain securities owned by the Group's margin and money lending clients. At 30 September 2011, approximately HK\$170,900,000 (31 March 2011: HK\$196,700,000) of these banking and short-term loan facilities were utilized.

Capital Structure

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

Gearing Ratio

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





EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2011, the Group had 198 full time employees and 2 part time employees in Hong Kong (2010: 153 full time employees and 3 part time employees in Hong Kong), together with 77 full time employees based in the People's Republic of China (2010: 66 full time employees and 2 part time employees based in the People's Republic of China). Competitive total remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid with reference to individual performance appraisals, prevailing market conditions and company financial results. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group has maintained a share option scheme and a restricted share award scheme in order to recognize and motivate the contribution of high performing employees of the Group, to provide incentives for retention purposes and to attract personnel for further development of the Group.

RISK MANAGEMENT

The Group adopts stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations.

Credit Risk

The Group's credit committee within the securities and futures operation meets regularly to review credit limits for clients and identify and assess risk associated with financial products. The credit committee, which is appointed by the Executive Committee of the Company and ultimately authorized by the Board, is responsible for the approval of individual stocks acceptable for margin lending. The stock list is revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual stocks and/or for each individual client.

The credit control department is responsible for monitoring and making margin calls to clients exceeding their limits. Failure to meet margin calls will result in liquidation of the customer's positions. The credit control department runs stress tests on loan portfolios to determine the impact on the firm's financial position and exposure.

Liquidity Risk

The Group's operating units are subject to various liquidity requirements as prescribed by the authorities and regulator. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including Financial Resources Rules.

As a safeguard, the Group has maintained long term facilities and stand-by banking facilities to meet any contingency in its operations. In periods of high market volatility, the management believes the Group's working capital is adequate to meet its financial obligations.

Market Risk

The Group offers margin trading in securities and futures and options products. Clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying interest. The margins to be maintained for futures and options products are based on requirements set by the exchanges. The margin ratios for securities margin loans are based on a combination of factors including indicative acceptable lending rates from our bankers, the quality of the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. All margin ratios are assessed by the Credit Committee. In situations where there may be sudden volatile market movement (e.g. market gap opening) affecting client's positions, the liquidation of these positions can be compromised due to market liquidity and therefore, expose the Group to credit and delivery risk.

The Group's exposure to underwriting commitments is subject to market volatility and sentiment. In that respect, the Group follows strict limits as to the maximum exposure to any underwriting commitment. The net exposure commitment per issue should not exceed 25% of net asset value of the Group and the aggregate of underwriting commitments at any one time should not exceed 40% of net asset value of the Group. The Board has the ultimate say in establishing those policies.

PROSPECTS

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

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

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



INTERIM DIVIDEND

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

DIRECTORS' INTERESTS

As at 30 September 2011, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Position

Number of ordinary shares of Hong Kong one third of one cent each held

Name of directors	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of total interests in the share in issue (Note 6)	Underlying shares (share options) (Note 4)	Restricted Shares (Note 5)	Approximate percentage of total interests (including underlying and restricted shares) in the share in issue (Note 6)
Mr. Bernard POULIOT	114,661,757	11,137,500 (Note 1)	262,198,857 (Note 2)	387,998,114	32.51%	2,997,346 (Note 5)	1,000,000	32.85%
Mr. Kenneth LAM Kin Hing	183,443,554	—	150,540,458 (Note 3)	333,984,012	27.99%	2,997,346 (Note 5)	1,000,000	28.32%
Mr. Richard David WINTER	97,787,398	—	—	97,787,398	8.19%	2,997,346 (Note 5)	1,000,000	8.53%

Notes:

- The family interests of Mr. Bernard POULIOT are held by his wife, Ms. Elizabeth CHAN Wai Yin.
- The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, the controlling shareholders of the Company, which are beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.
- The corporate interests are held by Olympia Asian Limited, which is beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.
- Details of interests in underlying shares in respect of share options granted by the Company are set out under the section headed "Share Option Schemes".
- Details of interests in restricted shares under the Restricted Share Award Scheme are set out under the section headed "Share Award Scheme".

6. The approximate percentage shown was the number of securities the relevant director of the Company was interested expressed as a percentage of the number of issued shares as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2011, so far as were known to the Directors, the following persons (other than the Directors) who had interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

Long Position

Name of shareholders	Number of ordinary shares of Hong Kong one third of one cent each held	
	Beneficial interests	Approximate percentage of total interests in the share in issue (Note 3)
Newer Challenge Holdings Limited (Note 1)	164,002,773	13.74%
Olympia Asian Limited (Note 2)	150,540,458	12.61%
Porto Global Limited (Note 1)	98,196,084	8.22%

Notes:

1. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.
2. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.
3. The approximate percentage shown was the number of securities the relevant person was interested expressed as a percentage of the number of issued shares as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.



SHARE OPTION SCHEMES

The Company operates two share option schemes, which are employee share option scheme adopted on 4 September 1997 and terminated on 30 September 2002 (the "Old Scheme") and new share option scheme adopted on 30 September 2002 (the "New Scheme"), for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Despite the fact that no further options may be granted under the Old Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted. For the details of the Old Scheme and the New Scheme, please refer to the Annual Report 2011 of the Company.

Movements of the share options under the Old Scheme and the New Scheme during the six months ended 30 September 2011 are as follows:

Participants	Number of share options							Exercise period of share options	Closing price of the Company's share immediately before the exercise date	
	Outstanding at 1 April 2011	Granted during the period	Adjusted upon Rights Issue on 30 September 2011 (Note 1)	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding at 30 September 2011	Exercisable at 30 September 2011 Date of grant of share options (Note 3)			
Share options granted under the Old Scheme										
Employees under continuous contract										
In aggregate	117,777	—	1,348	—	119,125	—	— 5 March 2001	5 September 2001 to 8 September 2011	0.2200	N/A
	117,777	—	1,348	—	119,125	—				
Share options granted under the New Scheme										
Employees under continuous contract										
In aggregate	2,758,979	—	31,587	—	2,790,566	2,790,566	9 June 2006	9 June 2007 to 8 June 2016 (Note 4)	0.1296	N/A
In aggregate	948,291	—	10,857	—	959,148	959,148	29 February 2008	1 March 2009 to 28 February 2018 (Note 5)	0.8340	N/A
In aggregate	15,617,165	—	178,790	—	299,732	15,496,223	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Directors										
Mr. Bernard POULIOT	2,963,414	—	33,932	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Mr. Kenneth LAM Kin Hing	2,963,414	—	33,932	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Mr. Richard David WINTER	6,223,170	—	71,257	6,294,427	—	—	18 September 2006 (Note 2)	9 June 2007 to 8 June 2016 (Note 4)	0.1296	0.3660
	2,963,414	—	33,932	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
Other Participant										
	296,341	—	3,393	—	299,734	299,734	6 June 2008	6 June 2009 to 5 June 2018 (Note 6)	0.7623	N/A
	34,734,188	—	397,680	6,294,427	299,732	28,537,709	28,537,709			

Notes:

1. The exercise price of the share options, the closing price of the Company's shares immediately before the exercise date and the number of share options exercised disclosed above have been adjusted for the effect of Rights Issue of 30 September 2011.
2. On 9 June 2006, the Board conditionally approved the grant of share options to the Company's executive directors and certain senior management of the Group. Pursuant to the Listing Rules, the grant of the share options was subject to the approval of the independent shareholders of the Company. Pursuant to the ordinary resolutions passed in a special general meeting of the Company held on 18 September 2006, the grant of share options to the aforesaid Company's executive directors and certain senior management of the Group was approved. Therefore, the date of grant of these aforesaid share options was 18 September 2006.
3. The vesting period of the share options is from the date of grant until the commencement of the exercise period or the date the vesting conditions are satisfied, whichever is later.
4. One third of granted share options will be vested on 9 June 2007, 9 June 2008 and 9 June 2009 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
5. One third of granted share options will be vested on 1 March 2009, 1 March 2010 and 1 March 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
6. One third of granted share options will be vested on 6 June 2009, 6 June 2010 and 6 June 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
7. The closing price of the Company's shares immediately before the exercise date disclosed above is the weighted average of the closing price of Stock Exchange immediately before the dates on which the options were exercised.

Save as disclosed above, at no time during the six months ended 30 September 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of the shares in or debentures of the Company or any other body corporate.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Award Scheme and determines the number of restricted shares to be awarded. Existing shares would be purchased by the Trustee from the market out of cash



contributed by the Group and be held in trust for the relevant selected participants. The restricted shares of the Company will be vested only after satisfactory completion of time-based targets and/or time-and-performance-based targets.

The Award Scheme is subject to the administration of the board in accordance with the rules of Award Scheme. The aggregate number of restricted shares awarded by the Board throughout the duration of the Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew for the Award Scheme up to three times and each time for another 5-year terms. Further details of the Award Scheme were set out in the announcement of Company dated 19 August 2010.

Movements of the awarded shares under the Award Scheme during the six months ended 30 September 2011 are as follows:

Name of participants	Date of award	Outstanding as at 1 April 2011	Granted/Vested during the period	Lapsed during the period	Outstanding as at 30 September 2011
Employees under continuous contract					
Time-based					
In aggregate	21 October 2010	22,095,000 (Note 1)	—	300,000	21,795,000
In aggregate	1 March 2011	750,000 (Note 2)	—	500,000	250,000
Performance-based					
In aggregate	21 October 2010	3,350,000 (Note 1)	—	—	3,350,000
Directors					
Time-based					
Mr. Bernard POULIOT	21 October 2010	1,000,000 (Note 1)	—	—	1,000,000
Mr. Kenneth LAM Kin Hing	21 October 2010	1,000,000 (Note 1)	—	—	1,000,000
Mr. Richard David WINTER	21 October 2010	1,000,000 (Note 1)	—	—	1,000,000
		29,195,000	—	800,000	28,395,000

Notes:

- One third of awarded shares will be vested on 21 October 2011, 22 October 2012 and 21 October 2013 respectively.
- One third of awarded shares will be vested on 1 March 2012, 1 March 2013 and 3 March 2014 respectively.

After the period end, a total of 8,681,636 shares of the Company have been vested to directors and employees of the Group pursuant to the rules of Award Scheme on 21 October 2011, representing approximately 0.73% of the shares of the Company in issue, upon the satisfactory completion of time-based targets and/or time-and-performance-based targets. Moreover, there were 266,666 restricted shares being lapsed and became returned shares pursuant to the rules of Award Scheme due to the non-attainment of performance-based targets by relevant participants.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of 2011 Annual Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Change
Mr. Bernard POULIOT	<ul style="list-style-type: none"> — had re-entered into a service agreement with the Company for a term of three year with effect from 1 October 2011 — 333,333 awarded shares has been vested on 21 October 2011 pursuant to the rules of Award Scheme
Mr. Kenneth LAM Kin Hing	<ul style="list-style-type: none"> — had re-entered into a service agreement with the Company for a term of three year with effect from 1 October 2011 — 333,333 awarded shares has been vested on 21 October 2011 pursuant to the rules of Award Scheme
Mr. Richard David WINTER	<ul style="list-style-type: none"> — had re-entered into a service agreement with the Company for a term of three year with effect from 17 September 2011 — 333,333 awarded shares has been vested on 21 October 2011 pursuant to the rules of Award Scheme
Mr. Gordon KWONG Che Keung	<ul style="list-style-type: none"> — had re-entered into a service agreement with the Company for a term of one year with effect from 31 July 2011 — the director's fee has increased from HK\$11,000 to HK\$13,200 per month with effect from 1 August 2011 together with adjustment on the specific fees for participation as chairman of the Audit Committee and member of the Remuneration Committee of the Company
Mr. Robert Stephen TAIT	<ul style="list-style-type: none"> — had re-entered into a service agreement with the Company for a term of one year with effect from 31 July 2011 — the director's fee has increased from HK\$11,000 to HK\$13,200 per month with effect from 1 August 2011 together with adjustment on the specific fees for participation as member of the Audit Committee and chairman of the Remuneration Committee of the Company
Mr. Douglas Howard MOORE	<ul style="list-style-type: none"> — the director's fee has increased from HK\$11,000 to HK\$13,200 per month with effect from 1 August 2011 together with adjustment on the specific fees for participation as members of the Audit Committee and Remuneration Committee of the Company — resigned as independent non-executive director, members of the Audit Committee and Remuneration Committee of the Company on 18 October 2011
Mr. Robert CHAN Tze Leung	<ul style="list-style-type: none"> — appointed as independent non-executive director, members of the Audit Committee and Remuneration Committee of the Company on 18 October 2011

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SHARE CAPITAL

On 17 August 2011, the Board proposed the issue of rights shares at the subscription price of HK\$0.25 per rights share on the basis of one rights share for every four existing shares (the "Rights Issue"). The Rights Issue was completed on 30 September 2011 and 238,641,417 rights shares had been issued which ranked pari passu in all respects with the ordinary shares of the Company.

During the six months ended 30 September 2011, the Company issued and allotted the total of 6,223,170 new shares at par value of Hong Kong one third of one cent each as a result of the exercise of share options. The net proceed to the subscription amounted to approximately HK\$816,000 and were received in cash.

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 2011.

CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2011 of the Company, we reported that the Company had applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Listing Rules, save for the deviations from code provision A.2.1.

On 17 October 2011, the Company has appointed Mr. Kenneth LAM Kin Hing, the Deputy Chairman and executive Director of the Company to be Chief Executive Officer of the Company while Mr. Bernard POULIOT, stepped down as managing director of the Group but remains as the Chairman of the Company. Therefore, the Company has already complied with code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has met with BDO Limited, the external auditor of the Group, to review the accounting policies and practices adopted by the Group and review the unaudited condensed consolidated financial results of the Company for the six months ended 30 September 2011.

On behalf of the Board

Bernard POULIOT

Chairman

Hong Kong, 28 November 2011



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TO THE BOARD OF DIRECTORS OF QUAM LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 27, which comprises the condensed consolidated statement of financial position of Quam Limited as of 30 September 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

BDO Limited

Certified Public Accountants

Yu Tsui Fong

Practising Certificate No. P05440

Hong Kong, 28 November 2011

BOARD OF DIRECTORS

Mr. Bernard POULIOT

Chairman

Mr. Kenneth LAM Kin Hing

Deputy Chairman and Chief Executive Officer

Mr. Richard David WINTER

Deputy Chairman

Mr. Gordon KWONG Che Keung*

Mr. Robert Stephen TAIT*

Mr. Robert CHAN Tze Leung*

(Appointed on 18 October 2011)

* *Independent Non-executive Director*

AUDIT COMMITTEE

Chairman: Mr. Gordon KWONG Che Keung

Members: Mr. Robert Stephen TAIT

Mr. Robert CHAN Tze Leung

(Appointed on 18 October 2011)

REMUNERATION COMMITTEE

Chairman: Mr. Robert Stephen TAIT

Members: Mr. Gordon KWONG Che Keung

Mr. Robert CHAN Tze Leung

(Appointed on 18 October 2011)

Mr. Richard David WINTER

COMPANY SECRETARY

Mr. TSANG Chung Him

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3408

Gloucester Tower

The Landmark

11 Pedder Street, Central

Hong Kong

AUDITOR

BDO Limited

Certified Public Accountants

HONG KONG LEGAL ADVISERS

Charltons

K&L Gates, Solicitors

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited

6 Front Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited

CITIC Bank International Limited

Clariden Leu Ltd

Dah Sing Bank, Limited

The Hongkong and Shanghai Banking

Corporation Limited

Shanghai Commercial Bank Limited

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

00952

WEBSITES OF QUAM GROUP

www.quamlimited.com

www.quamcapital.com

www.quamfunds.com

www.quamir.com

www.quamnet.com

www.quamnet.com.cn

www.quamsecurities.com

www.quamwealth.com

INVESTOR RELATIONS

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