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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

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 2012.

	Notes	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Revenue/Turnover	4	157,425	197,001
Fair value loss on financial assets measured at fair value through profit or loss		(643)	(797)
Other operating income	5	4,688	3,773
Cost of services provided		(69,598)	(87,118)
Staff costs	7	(52,320)	(68,437)
Depreciation and amortisation expenses	7	(3,431)	(2,743)
Other operating expenses, net		(35,503)	(31,737)
Finance costs		(3,635)	(3,647)
Provision for impairment of interest in an associate		—	(3,000)
Share of results of associates		—	(2,116)
Share of results of jointly controlled entities		(1,107)	(741)
(Loss)/Profit before income tax	7	(4,124)	438
Income tax expense	8	(300)	(200)
(Loss)/Profit for the period, attributable to owners of the Company		(4,424)	238

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Notes	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		76	15
Changes in fair value of financial assets measured at fair value through other comprehensive income		(5,674)	(9,129)
Other comprehensive income for the period, including reclassification adjustments and net of tax		(5,598)	(9,114)
Total comprehensive income for the period, attributable to owners of the Company		(10,022)	(8,876)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company for the period			
— Basic (HK cent)	10	(0.38)	0.02
— Diluted (HK cent)		N/A	0.02

Condensed Consolidated Statement of Financial Position

As at 30 September 2012

		30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	20,225	15,060
Goodwill		14,695	14,695
Development costs		1,466	1,496
Other intangible assets		100	120
Financial assets measured at fair value through other comprehensive income	12	71,712	77,386
Interest in an associate	13	—	—
Interests in jointly controlled entities	14	23,482	24,589
Other assets	15	5,770	5,841
		137,450	139,187
Current assets			
Trade receivables	16	691,625	759,473
Loan receivables	17	1,312	1,829
Prepayments, deposits and other receivables	18	17,627	15,498
Financial assets measured at fair value through profit or loss	19	2,619	11,052
Tax recoverable		114	374
Trust time deposits held on behalf of customers		359,743	300,264
Trust bank balances held on behalf of customers		353,868	289,404
Cash and cash equivalents		56,537	60,013
		1,483,445	1,437,907

Condensed Consolidated Statement of Financial Position

As at 30 September 2012

		30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
	Notes		
Current liabilities			
Trade payables	20	974,549	877,247
Borrowings	21	226,501	265,747
Accruals and other payables		48,699	53,866
Finance lease payables		10	132
Tax payables		181	141
		1,249,940	1,197,133
Net current assets		233,505	240,774
Total assets less current liabilities		370,955	379,961
Non-current liabilities			
Deferred tax liabilities		36	36
		36	36
Net assets		370,919	379,925
EQUITY			
Equity attributable to Company's owners			
Share capital	22	3,977	3,977
Reserves		366,942	375,948
Total equity		370,919	379,925

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Share option reserve	Shares held for Share Award Scheme	Award shares reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total
	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)
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 shares under rights issue	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 Schemes arrangements	—	—	—	—	—	—	3,225	—	—	—	3,225
Dividend approved in respect of previous year	—	—	—	—	—	—	—	—	—	(4,773)	(4,773)
Transactions 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 operations	—	—	—	—	—	—	—	—	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 Changes In Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Share option reserve	Shares held for Share Award Scheme	Award shares reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total
	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)
At 1 April 2012	3,977	185,024	(7,683)	10,708	7,394	(8,778)	2,956	936	124	185,267	379,925
Share Award Scheme arrangements	—	—	—	—	—	—	1,016	—	—	—	1,016
Transactions with owners	—	—	—	—	—	—	1,016	—	—	—	1,016
Loss for the period	—	—	—	—	—	—	—	—	—	(4,424)	(4,424)
Other comprehensive income											
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	76	—	76
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	(5,674)	—	—	—	—	—	—	—	(5,674)
Total comprehensive income for the period	—	—	(5,674)	—	—	—	—	—	76	(4,424)	(10,022)
Forfeiture of share options	—	—	—	—	(100)	—	—	—	—	100	—
At 30 September 2012	3,977	185,024	(13,357)	10,708	7,294	(8,778)	3,972	936	200	180,943	370,919

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	2,441	(12,972)
Net cash used in investing activities	(5,801)	(22,220)
Net cash (used in)/generated from financing activities	(124)	58,477
Net (decrease)/increase in cash and cash equivalents	(3,484)	23,285
Cash and cash equivalents at the beginning of the period	60,013	122,510
Effect of foreign exchange rate changes, on cash held	8	6
Cash and cash equivalents at the end of the period	56,537	145,801

Notes to the Interim Financial Statements

1. GENERAL INFORMATION

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 18th and 19th Floors, Aon China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 for the six months ended 30 September 2012 were approved for issue by the Board on 27 November 2012.

This interim financial statements are unaudited, but have 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). These 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 2012.

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 34 "Interim Financial Reporting" issued by the HKICPA and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Interim Financial Statements

3. 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 2012, except for the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Advertising and content fee income	2,020	3,013
Advisory fee income	24,900	27,299
Asset management fee income	3,564	5,078
Commission and performance fee income on securities, futures and options broking	94,969	124,929
Income from margin financing and money lending operations	16,906	16,584
Placement and underwriting fee income	4,418	4,992
Website management and related service fee income	9,314	10,887
Wealth management service fee income	1,334	4,219
	157,425	197,001

Notes to the Interim Financial Statements

5. OTHER OPERATING INCOME

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Dividend income from listed securities measured at fair value through other comprehensive income	1,041	—
Exchange gains, net	853	1,940
Interest income from banks and others	1,704	1,108
Sundry income	1,090	725
	4,688	3,773

6. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

Notes to the Interim Financial Statements

6. SEGMENT INFORMATION (CONTINUED)

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. During the six months ended 30 September 2012, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Six months ended 30 September 2012

	Brokerage HK\$'000 (Unaudited)	Advisory HK\$'000 (Unaudited)	Asset management HK\$'000 (Unaudited)	Website management HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue						
From external customers	117,627	24,900	3,564	11,334	—	157,425
From other segments	—	—	—	1,514	—	1,514
Reportable segment revenue	117,627	24,900	3,564	12,848	—	158,939
Reportable segment result	2,401	4,588	(2,125)	(2,209)	(1,905)	750

Six months ended 30 September 2011

	Brokerage HK\$'000 (Unaudited)	Advisory HK\$'000 (Unaudited)	Asset management HK\$'000 (Unaudited)	Website management HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue						
From external customers	150,724	27,299	5,078	13,900	—	197,001
From other segments	—	—	—	9,809	—	9,809
Reportable segment revenue	150,724	27,299	5,078	23,709	—	206,810
Reportable segment result	4,669	2,097	(3,884)	5,743	(2,530)	6,095

Notes to the Interim Financial Statements

6. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Reportable segment result	750	6,095
Elimination of intra-group transactions	—	8,389
Provision for impairment of interest in an associate	—	(3,000)
Share of results of associates	—	(2,116)
Share of results of jointly controlled entities	(1,107)	(741)
Unallocated corporate expenses	(3,767)	(8,189)
(Loss)/Profit before income tax	(4,124)	438

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
(Loss)/Profit before income tax is arrived at after charging:		
Amortisation of development costs and other intangible assets	246	208
Depreciation of property, plant and equipment	3,185	2,535
	3,431	2,743
Consultancy fee for marketing and promotion [#]	4,430	19,343
Provision for impairment of trade receivables	876	175
Staff costs (including directors' remuneration):		
— Salaries, allowances and bonuses	50,124	64,060
— Share awards expense	1,016	3,225
— Share options expense	—	155
— Retirement benefits scheme contributions	1,180	997
	52,320	68,437

[#] Included in cost of services provided

Notes to the Interim Financial Statements

8. INCOME TAX EXPENSE

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Current tax		
— Hong Kong Profits Tax	300	200

For the six months ended 30 September 2012 and 2011, 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.

9. DIVIDENDS

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Final dividend in respect of the previous financial year ended 31 March 2011, approved and paid during the six months ended 30 September 2011, 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 2012 (2011: Nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the period of HK\$4,424,000 (2011: profit of HK\$238,000) and on the weighted average of 1,172,227,055 (2011: 963,057,669) ordinary shares in issue less shares held for Share Award Scheme during the period.

Notes to the Interim Financial Statements

10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share

Diluted loss per share for the six months ended 30 September 2012 was not presented because the impact of the exercise of share option and the vesting of share awards was anti-dilutive.

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

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 carrying amount at 1 April 2011	2,224	610	3,962	7,507	14,303
Additions	—	—	1,408	2,063	3,471
Disposals	—	—	—	(2)	(2)
Depreciation	(1)	(8)	(863)	(1,663)	(2,535)
Translation differences	—	—	—	9	9
Net carrying amount at 30 September 2011	2,223	602	4,507	7,914	15,246
Net carrying amount at 1 April 2012	2,222	595	3,763	8,480	15,060
Additions	—	—	6,402	1,949	8,351
Disposals	—	—	—	(1)	(1)
Depreciation	(1)	(7)	(1,386)	(1,791)	(3,185)
Translation differences	—	—	—	—	—
Net carrying amount at 30 September 2012	2,221	588	8,779	8,637	20,225

Notes to the Interim Financial Statements

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Listed equity securities in Thailand, at market value	(a)	32,598	33,270
Unlisted equity securities	(b)	39,114	44,116
		71,712	77,386

Notes:

- (a) The balance represents the equity investments in Seamico Securities Public Company Limited ("Seamico"), a company listed on The Stock Exchange of Thailand ("SET"), whose fair value is determined based on quoted market bid price available on the SET at the reporting date. Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing, two directors of the Company, are also directors and minority shareholders of Seamico.
- (b) Fair value of the unlisted equity securities has been determined by using a valuation technique of discounted cash flow method. The valuation involves assumptions and estimates, including discount rates which ranged from 12% to 23% (31 March 2012: 13% to 21%) and the expected future cash flows from the unlisted equity securities. The directors believe that the estimated fair value resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair value, which are recorded in the condensed consolidated statement of comprehensive income, are reasonable, and that they were the most appropriate value at the reporting date.

Because the financial performance of these unlisted investments did not meet the expectation made in the previous year, management has revised assumptions and estimates about their expected future cash flows and has quantified this as a reduction in fair value by approximately HK\$5,002,000 in the current period (six months ended 30 September 2011: HK\$1,468,000).

13. INTEREST IN AN ASSOCIATE

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Share of net assets	—	—

Notes to the Interim Financial Statements

13. INTEREST IN AN ASSOCIATE (CONTINUED)

Particulars of the associate, which is an unlisted corporate entity, as at 30 September 2012 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of interest held by the Group
Global Alliance Partners Limited	Hong Kong	99,900 ordinary shares of US\$1 each	25.03

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Share of net assets	23,482	24,589

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

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

The Group does not have control over the significant financial and operating policies of the above entities despite of the 73% ownership interest as unanimous consent with the minority shareholders is required. Thus, these entities were classified as jointly controlled entities of the Group.

Notes to the Interim Financial Statements

15. OTHER ASSETS

Other assets mainly comprise deposits with the Stock Exchange and clearing houses.

16. TRADE RECEIVABLES

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
<i>Securities transactions</i>		
— Brokers and clearing house	18,891	5,444
— Cash clients	9,772	25,230
— Margin clients	402,135	482,026
<i>Futures and options contracts</i>		
— Brokers and clearing houses	276,717	262,671
<i>Advisory, placement and other services</i>		
— Clients receivables	10,144	9,260
	717,659	784,631
Less: Provision for impairment	(26,034)	(25,158)
Trade receivables, net	691,625	759,473

Notes:

- (a) Amounts due from cash clients, brokers and clearing houses are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). There are no credit terms granted to clients for its advisory, placement and other services. The amounts due from cash clients bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).
- (b) Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 30 September 2012, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK\$5,909,096,000 (31 March 2012: HK\$1,830,606,000). The amounts due from margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

Notes to the Interim Financial Statements

16. TRADE RECEIVABLES (CONTINUED)

Notes: (continued)

- (c) Included in amounts due from futures brokers was HK\$20,148,000 (31 March 2012: HK\$40,975,000) due from MF Global Hong Kong Limited ("MF Global HK"), which was a broker utilised by the Group for dealing in futures contracts. In October 2011, MF Global HK was placed in provisional liquidation. Based on the current information issued by the provisional liquidators (the provisional liquidators were appointed as the liquidators on 4 October 2012), a provision for impairment of HK\$6,701,000 (31 March 2012: HK\$6,701,000) has been recognised.
- (d) No ageing analysis based on invoice date is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the Group's trade receivables as at the reporting date, based on due date and net of provision, is as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Repayable on demand	388,678	469,341
0–30 days	277,699	245,399
31–60 days	1,722	1,059
61–90 days	1,375	386
91–180 days	1,615	42,780
181–360 days	20,496	181
Over 360 days	40	327
	691,625	759,473

17. LOAN RECEIVABLES

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
<i>Money lending services</i>		
Gross loan receivables	1,355	1,872
Less: Provision for impairment	(43)	(43)
Loan receivables, net	1,312	1,829

Notes to the Interim Financial Statements

17. LOAN RECEIVABLES (CONTINUED)

The loan receivables are unsecured, bear interest at annual rate of 5% (31 March 2012: 5%). 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 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
On demand	1,355	1,872

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in other receivables of the Group are balance due from MF Global HK of HK\$1,482,000 (31 March 2012: HK\$3,015,000). Due to the circumstances described in note 16(c) to the financial statements, a provision for impairment of HK\$299,000 (31 March 2012: HK\$299,000) has been recognised on this amount.

19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Listed equity securities, at market value		
— Hong Kong	191	453
— Overseas	31	28
	222	481
Unlisted equity securities		
— Overseas	2,397	10,571
	2,619	11,052

Notes to the Interim Financial Statements

20. TRADE PAYABLES

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
<i>Securities transactions</i>		
— Brokers and clearing house	3,547	60,471
— Cash clients	374,696	308,926
— Margin clients	83,206	81,575
<i>Futures and options contracts</i>		
— Clients payables	508,057	421,198
<i>Asset management, advisory and other services</i>		
— Clients payables	5,043	5,077
	974,549	877,247

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

Accounts payable to clients attributable to dealing 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.

Notes to the Interim Financial Statements

20. TRADE PAYABLES (CONTINUED)

No ageing analysis is disclosed in respect of accounts payable attributable to dealing in securities and futures and options contracts as, in the opinion of directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the accounts payable of the Group attributable to other services is as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Within 180 days	4,986	5,020
Over 180 days	57	57
	5,043	5,077

21. BORROWINGS

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Bank loans		
— secured	139,867	198,102
— unsecured	40,000	21,000
Other loans		
— unsecured	46,634	46,645
	226,501	265,747

Notes to the Interim Financial Statements

21. BORROWINGS (CONTINUED)

At the reporting date, the borrowings were repayable as follows:

	Bank loans (note (a))		Other loans (note (b))	
	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
On demand	179,867	219,102	7,756	7,764
Within one year	—	—	38,878	38,881
	179,867	219,102	46,634	46,645

Notes:

- (a) Bank loans of the Group of HK\$139,867,000 (31 March 2012: HK\$198,102,000) were secured by marketable securities pledged to the Group by margin clients with total market value of HK\$459,760,000 (31 March 2012: HK\$554,447,000) as collateral against the margin client receivables. Specific written authorisation has been obtained by the Group from the margin clients for such use over the client securities.
- (b) As at 30 September 2012, other loans of HK\$46,634,000 (31 March 2012: HK\$46,645,000) was repayable on 31 December 2012. The lender had the right to request for early repayment of up to US\$1,000,000 (31 March 2012: US\$1,000,000) with one month written notice.

22. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each (Unaudited)	HK\$'000 (Unaudited)
<i>Authorised</i>		
At 1 April 2011, 30 September 2011, 1 April 2012 and 30 September 2012	30,000,000,000	100,000
<i>Issued and fully paid</i>		
1 April 2011	948,342,499	3,161
Issue of shares upon exercise of share options	6,223,170	21
Issue of shares under Rights Issue (note)	238,641,417	795
At 30 September 2011, 1 April 2012 and 30 September 2012	1,193,207,086	3,977

Note: On 30 September 2011, 238,641,417 ordinary shares of HK 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 aspects with other ordinary shares in issue.

Notes to the Interim Financial Statements

23. OPERATING LEASE COMMITMENTS

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

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Within one year	24,583	14,746
In the second to fifth years, inclusive	29,122	7,671
	53,705	22,417

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (31 March 2012: one to three years). None of the leases include contingent rentals.

24. CAPITAL COMMITMENTS

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Contracted but not provided for capital contribution to jointly-controlled entities	40,690	40,684

Notes to the Interim Financial Statements

25. 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, in which certain directors of the Company have a direct/indirect equity interest, during the period:

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Related companies		
Newer Challenge Holdings Limited, a company in which Mr. Bernard POULIOT has 100% interests		
— Interest income from margin financing	2	—
Porto Global Limited, a company in which Mr. Bernard POULIOT has 100% interests		
— Securities and futures trading fee	1	—
Directors		
Mr. Bernard POULIOT		
— Securities and futures trading fee	32	109
— Interest income from margin financing	263	258
Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	1	309
— Interest income from margin financing	—	2

Notes to the Interim Financial Statements

25. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Close family members of the directors		
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT		
— Securities and futures trading fee	—	17
— Interest income from margin financing	—	1
Mr. Nicolas POULIOT, son of Mr. Bernard POULIOT		
— Securities and futures trading fee	2	—
— Interest income from margin financing	10	—
Mr. Stefan Andre POULIOT, son of Mr. Bernard POULIOT		
— Securities and futures trading fee	3	—
— Interest income from margin financing	12	—
Mrs. CHAN CHAN Yeuk Lan, mother-in-law of Mr. Bernard POULIOT		
— Securities and futures trading fee	28	42
Ms. Mona KWOK Ka Wai, spouse of Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	1	24

Notes to the Interim Financial Statements

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

	Six months ended 30 September 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Short-term employee benefits	3,988	3,960
Share-based payment	124	374
Post-employment benefits	21	18
	4,133	4,352

Management Discussion and Analysis

BUSINESS REVIEW

For the period from 1 April 2012 to 30 September 2012 (the "Period"), the Group reports an after tax loss of HK\$4,424,000 (2011: after tax profit of HK\$238,000). However, during the Period, we incurred additional premises-related costs arising from double rental and reinstatement for the transition of our offices from Landmark to Aon China Building amounting to approximately HK\$5,200,000. An operating profit would have been derived if such was allowed to be amortised. The Group's revenue for the Period amounted to HK\$157,425,000 (2011: HK\$197,001,000) reflecting a decrease of 20.1% from the corresponding period last year.

The financial markets continued to be subdued during the Period with the average daily turnover of The Stock Exchange of Hong Kong Limited ("Stock Exchange") 48% lower than the same period last year indicating bearishness in the financial markets as the global economy awaited news of European sovereign debt restructuring, the lead up to US elections and the change in leadership in China in November. Despite grim market conditions, the Group's resilience was evident in maintaining its market share on Stock Exchange and our Category B status. We recorded further steady growth in our futures business in terms of volume and turnover. The corporate finance team continued its positive trend since last year as a result of a healthy deal pipeline and steady advisory fee income. We continued the restructuring of our asset management division by streamlining our staff cost base. In an encouraging trend toward the end of the Period, we saw a slowing of redemptions and the emergence of new subscriptions. Modest performance fees were also captured for the month of September. Quamnet was successful in landing a number of strategic event contracts towards the end of the Period, revenues from which were only partially recognised in the current period, with the remaining to be reflected in the second half. Trimming of staff at the beginning of 2012 and shifting some costs to a variable basis further improved the operating margin of Quamnet amidst slower advertising and investor relations sales.

During the Period, a major relocation of the Head office, securities, corporate finance and asset management divisions was carried out after the expiry of our Landmark premises lease. These business units were relocated to Aon China Building. This move will provide savings in lease expenditures in the longer term and provide added benefits by consolidating our operations and making them more efficient. Quamnet was also relocated to the same offices in October with the expiry of its lease in North Point.

Our receivables from the liquidation of MF Global Hong Kong Limited were reduced through a second interim payment in July. The total payout to date amounts to 70% of the clients money receivable. The liquidator has informed creditors of its expectation regarding the remaining 30% of clients money, which could result in a full repayment pending certain recoveries. We have made a provision in our last annual financial results of HK\$7,000,000, but management considers it too early to reduce such provision in light of the current information, which still carries many uncertainties.

Since the write-down of investment in McMillen Advantage Capital Limited ("MAC") last year, we have asked MAC's management to consider ways to accelerate the realisation of non-core assets and the return of capital that has been approved by the courts. Our other outside investments remained unchanged, albeit with some valuation adjustments affecting the other comprehensive income.

Management Discussion and Analysis

We have decided a cutback on operations for the private equity business and focus efforts on its present portfolio of investments.

Despite the difficult market conditions during the Period, we saw some positive improvements in our business at the end of September, with daily turnover increases and inflows of investment to our managed funds.

REVIEW OF OPERATIONS

Securities and futures dealing and placement

Securities and futures dealing commissions fell for the Period to HK\$94,969,000 (2011: HK\$124,929,000), a decrease of 24.0% from the same period last year as a result of the bearish markets.

The securities margin lending book also fell slightly as a result with less demand during the quiet months when trading volume was down. Interest income was HK\$16,906,000 (2011: HK\$16,584,000). The margin loan book at the end of the Period stood at HK\$388,678,000 (31 March 2012: HK\$469,341,000 and 30 September 2011: HK\$358,416,000) and was well supported by sufficient banking facilities.

Equity Capital Market ("ECM") business activity slowed as market bearishness impacted investor appetite for new and secondary deals. Although a good pipeline was established, timing of market recovery will be crucial to completion of such works in progress. Placement and underwriting fee income for the Period declined to HK\$4,418,000 as compared to HK\$4,992,000 in 2011.

Corporate financial advisory services

Corporate finance activity remains strong, with revenue for the Period amounting to HK\$24,900,000 (2011: HK\$27,299,000). The deal pipeline is solid with further growth and expansion of staffing expected.

Asset Management

Revenue for the Period for management fees amounted to HK\$3,564,000 (2011: HK\$5,078,000). The decrease was a result of a decrease in Assets Under Management ("AUM"). Net results for the business were improved by tighter control of overheads and marketing expenses during the Period. We have reduced certain overhead costs, which has resulted in an average saving of 42% in manpower costs and 43% for other overhead costs. Headcount numbers have reduced by 53%.

Total AUM in our funds stood at US\$57,200,000 (2011: US\$67,600,000) at the end of the Period, resulting from redemption and market performance. However, a new fund of funds was launched in September with expectation of raising another US\$10,000,000 by the end of December.

Management Discussion and Analysis

www.quamnet.com and QuamIR

Quamnet's revenue for the Period stood at HK\$11,334,000 (2011: HK\$13,900,000), a fall of 18.5% period on period. This was caused by the bearish market which reduced corporate spending on advertising and content fees, and individuals spending on research and columnists products. The restructuring in certain overhead costs at the end of the last financial year, has resulted in an average saving of 24% in manpower costs and 26% for other overhead costs. Headcount numbers have reduced by 15% as well.

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. As of 30 September 2012, the Group had available aggregate banking facilities of approximately HK\$477,500,000 (31 March 2012: HK\$415,000,000), secured by legal charges on certain securities owned by the Group's margin and money lending clients. At 30 September 2012, approximately HK\$179,867,000 (31 March 2012: HK\$219,102,000) of these banking and short-term loan facilities were utilized.

Capital Structure

The Group's cash and short term deposits at 30 September 2012 stood at approximately HK\$56,537,000 (31 March 2012: HK\$60,013,000).

Gearing Ratio

The Group's gearing ratio was 61.1% at 30 September 2012 (31 March 2012: 69.9%), being calculated as borrowings over net assets.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2012, the Group had 172 full time employees and 3 part time employees in Hong Kong (2011: 198 full time employees and 2 part time employees in Hong Kong), together with 59 full time employees based in the People's Republic of China (2011: 77 full 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

PROSPECTS

With US elections and the leadership transition in China completed in November, all eyes are watching for any new impetus and direction from Governments amidst the world's economic stagnation and ongoing European financial crisis. Asia seems to be the preferred choice for growth as Europe and the US continue quantitative easing programs resulting in liquidity flows into Asia. However, the outlook for Hong Kong we think will be mixed. Capital markets will continue to be driven by volatility in the near term. With increasing inflation pressure, we believe the need to protect wealth with investment assets is an obvious solution, while growth spurred from any increase in consumption may not be enough to lead to an imminent recovery. Our views towards current business prospects remains cautious, and we have positioned the Group to capture benefits from this volatile trend through our brokerage operations, and to promote the closer integration between our wealth management and asset management division, with short term money management and medium term capital preservation strategies generating absolute returns for our customer base.

Meanwhile, a collaboration between Quamnet and the securities trading units to establish a platform offering trading tools is set to soft launch in the first quarter of 2013. We view this as both giving a competitive advantage to the securities trading business and adding a new revenue stream to Quamnet as a platform provider.

Our strategy continues on the theme of sticking to our core businesses and "making more from spending less" in these uncertain times.

Additional Information

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 September 2012 (2011: nil).

DIRECTORS' INTERESTS

As at 30 September 2012, 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	Underlying shares (share options)	Awarded shares	Approximate percentage of total interests (including underlying and awarded shares) in the share in issue
					(Note 6)	(Note 4)	(Note 5)	(Note 6)
Mr. Bernard POULIOT	114,995,090	11,137,500 (Note 1)	264,953,857 (Note 2)	391,086,447	32.77%	2,997,346	666,667	33.08%
Mr. Kenneth LAM Kin Hing	186,531,887	—	150,540,458 (Note 3)	337,072,345	28.24%	2,997,346	666,667	28.55%
Mr. Richard David WINTER	98,120,731	—	—	98,120,731	8.22%	2,997,346	666,667	8.53%
Mr. Robert CHAN Tze Leung	519,750	—	—	519,750	0.04%	—	—	0.04%

Additional Information

Notes:

1. The family interests of Mr. Bernard POULIOT are held by his wife, Ms. Elizabeth CHAN Wai Yin.
2. 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.
3. 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.
4. 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".
5. Details of interests in awarded 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 2012.

Save as disclosed above, as at 30 September 2012, 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 the meaning of 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.

Additional Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2012, 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)	164,857,773	13.81%
Olympia Asian Limited (Note 2)	150,540,458	12.61%
Porto Global Limited (Note 1)	100,096,084	8.38%

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 2012.

Save as disclosed above, as at 30 September 2012, 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.

Additional Information

SHARE OPTION SCHEME

The Company operates a share option scheme, which is an employee share option scheme adopted on 30 September 2002 (the "Share Option Scheme"), for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. The Share Option Scheme has already been expired on 29 September 2012. Despite the fact that no further options may be granted under the Share Option Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted. For the details of the Share Option Scheme, please refer to the Annual Report 2012 of the Company.

Movements of the share options under the Share Option Scheme during the six months ended 30 September 2012 are as follows:

Participants	Number of share options					Outstanding at 30 September 2012	Exercisable at 30 September 2012	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share option HK\$ per share
	Outstanding at 1 April 2012	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	Outstanding at 30 September 2012					
Employees under continuous contract										
In aggregate	2,340,965	—	—	—	2,340,965	2,340,965	9 June 2006	9 June 2007 to 8 June 2016 (Note 2)	0.1296	
In aggregate	599,468	—	—	—	599,468	599,468	29 February 2008	1 March 2009 to 28 February 2018 (Note 3)	0.8340	
In aggregate	14,836,809	—	—	359,680	14,477,129	14,477,129	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623	
Directors										
Mr. Bernard POULIOT	2,997,346	—	—	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623	
Mr. Kenneth LAM Kin Hing	2,997,346	—	—	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623	
Mr. Richard David WINTER	2,997,346	—	—	—	2,997,346	2,997,346	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623	
Other Participant	299,734	—	—	—	299,734	299,734	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623	
	27,069,014	—	—	359,680	26,709,334	26,709,334				

Additional Information

Notes:

1. 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.
2. One third of granted share options have been 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.
3. One third of granted share options have been 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.
4. One third of granted share options have been 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.

Save as disclosed above, at no time during the six months ended 30 September 2012 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 ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share 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 Share 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 Share Award Scheme and determines the number of awarded 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 awarded shares of the Company will be vested only after satisfactory completion of time-based targets and/or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares awarded by the Board throughout the duration of the Share 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 Share 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 Share Award Scheme up to three times and each time for another 5-year terms. Further details of the Share Award Scheme were set out in the announcement of Company dated 19 August 2010.

Additional Information

Movements of the awarded shares under the Share Award Scheme during the six months ended 30 September 2012 are as follows:

Participants	Date of award	Number of awarded shares			
		Outstanding as at 1 April 2012	Vested during the period	Lapsed during the period	Outstanding as at 30 September 2012
Employees under continuous contract					
Time-based					
In aggregate	21 October 2010	12,863,359 (Note 1)	—	566,668	12,296,691
In aggregate	1 March 2011	166,667 (Note 2)	—	—	166,667
Performance-based					
In aggregate	21 October 2010	1,533,335 (Note 1)	—	200,000	1,333,335
Directors					
Time-based					
Mr. Bernard POULIOT	21 October 2010	666,667 (Note 1)	—	—	666,667
Mr. Kenneth LAM Kin Hing	21 October 2010	666,667 (Note 1)	—	—	666,667
Mr. Richard David WINTER	21 October 2010	666,667 (Note 1)	—	—	666,667
		16,563,362	—	766,668	15,796,694

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 7,264,974 shares of the Company have been vested to directors and employees of the Group pursuant to the rules of Share Award Scheme on 22 October 2012, representing approximately 0.61% 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 50,000 awarded shares being lapsed and became returned shares pursuant to the rules of Share Award Scheme. Further to the approval by the Board in October 2012, the vesting date of performance-based awarded shares for two participants was extended to 30 April 2013, upon the satisfaction of the revised performance targets.

Additional Information

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

Changes of information of the Directors since the date of 2012 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 Changes
Mr. Bernard POULIOT	— 333,333 awarded shares has been vested on 22 October 2012 pursuant to the rule of Share Award Scheme
Mr. Kenneth LAM Kin Hing	— 333,333 awarded shares has been vested on 22 October 2012 pursuant to the rule of Share Award Scheme
Mr. Richard David WINTER	— 333,333 awarded shares has been vested on 22 October 2012 pursuant to the rule of Share Award Scheme
Mr. Gordon KWONG Che Keung	— had re-entered into a service agreement with the Company for a term of one year with effect from 31 July 2012 — retired by rotation as independent non-executive director upon conclusion of the annual general meeting of the Company on 6 September 2012; he also ceased to act as Chairman of the Audit Committee and member of the Remuneration Committee of the Company on 6 September 2012
Mr. Kenneth YOUNG Chun Man	— appointed as independent non-executive director, Chairman of the Audit Committee and member of the Remuneration Committee of the Company on 6 September 2012 and had entered into a service agreement with the Company for a term of one year with effect from 6 September 2012
Mr. Robert CHAN Tze Leung	— had re-entered into a service agreement with the Company for a term of one year with effect from 18 October 2012
Mr. Robert Stephen TAIT	— had re-entered into a service agreement with the Company for a term of one year with effect from 31 July 2012

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

Additional Information

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2012, 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 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2012, save for the deviations from code provision A.5.1 and A.6.7.

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

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

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 2012.

On behalf of the Board
Bernard POULIOT
Chairman

Report on Review of Interim Financial Information



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香港干諾道中111號
永安中心25樓

TO THE BOARD OF DIRECTORS OF QUAM LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 27, which comprises the condensed consolidated statement of financial position of Quam Limited as of 30 September 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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 information 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 information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Yu Tsui Fong

Practising Certificate No.: P05440

Hong Kong, 27 November 2012

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Corporate Information

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. Kenneth YOUNG Chun Man*
(Appointed on 6 September 2012)
 Mr. Robert Stephen TAIT*
 Mr. Robert CHAN Tze Leung#

* *Independent Non-executive Director*

AUDIT COMMITTEE

Chairman: Mr. Kenneth YOUNG Chun Man
(Appointed on 6 September 2012)
Members: Mr. Robert Stephen TAIT
 Mr. Robert CHAN Tze Leung

REMUNERATION COMMITTEE

Chairman: Mr. Robert Stephen TAIT
Members: Mr. Kenneth YOUNG Chun Man
(Appointed on 6 September 2012)
 Mr. Robert CHAN Tze Leung
 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

18th and 19th Floors
 Aon China Building
 29 Queen's Road Central
 Hong Kong
(with effect from 13 August 2012)

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
 China Construction Bank (Asia)
 Corporation Limited
 China CITIC Bank International Limited
 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.quamprivatewealth.com

INVESTOR RELATIONS

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