QUAM LIMITED

華富國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2009, together with the comparative figures for the previous financial period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Notes	**Six months ended 30 September 2009** *HK$'000* **Unaudited**	Six months ended 30 September 2008 *HK$'000* Unaudited
Revenue/Turnover	*4*	**148,817**	156,915
Fair value gain/(loss) on financial assets at fair value through profit or loss		**7,752**	(10,542)
Other operating income	*5*	**16,804**	12,623
Cost of services provided		**(90,879)**	(86,770)
Staff costs	*6*	**(40,890)**	(41,062)
Depreciation and amortisation expenses		**(2,229)**	(2,337)
Other operating expenses, net		**(22,528)**	(24,231)
Finance costs		**(1,500)**	(2,805)
Share of results of an associate		**399**	(723)
Profit before income tax	*6*	**15,746**	1,068
Income tax expense	*7*	**—**	—
Profit for the period, attributable to equity holders of the Company		**15,746**	1,068
Other comprehensive income/(expense)			
Exchange loss on translation of financial statements of foreign operations		**—**	(65)
Share of other comprehensive income of an associate		**298**	—
Changes in fair value of available-for-sale financial assets		**4,762**	(13,575)
Other comprehensive income/(expense) for the period		**5,060**	(13,640)
Total comprehensive income/(expense) for the period, attributable to equity holders of the Company		**20,806**	(12,572)
Earnings per share for profit attributable to equity holders of the Company during the period	*9*		
— Basic		**2.03 cents**	0.14 cent
— Diluted		**1.99 cents**	0.13 cent

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2009

	Notes	30 September 2009 HK$'000 Unaudited	31 March 2009 HK$'000 Audited
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**8,713**	9,367
Goodwill		**14,695**	14,695
Other intangible assets		**575**	1,209
Available-for-sale financial assets		**63,308**	58,546
Interest in associates		**35,824**	34,877
Other assets		**3,081**	2,550
		126,196	121,244
Current assets			
Trade receivables	*10*	**349,424**	229,712
Short term loan receivables		**17,180**	18,563
Prepayments, deposits and other receivables		**9,592**	8,854
Financial assets at fair value through profit or loss		**12,812**	6,464
Tax recoverable		**2,042**	2,042
Trust time deposits held on behalf of customers		**114,832**	41,613
Trust bank balances held on behalf of customers		**309,138**	269,669
Cash and cash equivalents		**123,775**	119,440
		938,795	696,357
Current liabilities			
Trade payables	*11*	**547,944**	446,362
Borrowings		**145,379**	52,596
Other payables and accruals		**36,377**	32,989
Finance lease payables		**1,433**	1,643
		731,133	533,590
Net current assets		**207,662**	162,767
Total assets less current liabilities		**333,858**	284,011
Non-current liabilities			
Finance lease payables		**1,113**	1,730
Borrowings		**25,000**	—
Deferred tax liabilities		**36**	36
		26,149	1,766
Net assets		**307,709**	282,245
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**2,627**	2,567
Reserves		**305,082**	279,678
Total equity		**307,709**	282,245

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complies with Hong Kong Accounting Standard ("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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for financial instruments classified as available-for-sale and 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 2009, except for the adoption of new standards and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed below.

The interim financial statements are unaudited, but has been reviewed by Grant Thornton 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 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised 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 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosure — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS39 (Amendments)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement — Embedded Derivatives
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
Various	Annual Improvements to HKFRSs 2008

The impact of these new and revised HKFRSs on the condensed consolidated interim financial statements is not significant except for the following:

HKAS 1 (Revised) Presentation of Financial Statements

The adoption of HKAS 1 (Revised): Presentation of Financial Statements makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example, exchange difference arising on the translation of overseas operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has affected the identified and reportable operating segments for the Group, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

3. SEGMENT INFORMATION

On adoption of HKFRS 8 Operating Segments, the Group has identified its operating segments and prepared 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 review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major strategic business units. Each of the Group's strategic business unit offer products and services which are subject to risk and returns that are different to those of the other strategic business units.

Summary details of the operating segments are as follows:

(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 structured and managed separately, according to the nature of their operations and the services they provide. The adoption of HKFRS 8 has changed the identified operating segments for the Group compared to annual financial statements for the year ended 31 March 2009. In annual financial statement for the year ended 31 March 2009, the brokerage segment was separated into securities broking and placement segment and margin financing and money lending segment.

The Group's inter-segment transactions were related to advisory, asset management and website management and related service income. Inter-segment revenue are determined by directors.

Segment information for the six months ended 30 September 2009 and 2008 is as follows:

2009	**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	**123,143**	**10,715**	**4,483**	**10,476**	**—**	**—**	**148,817**
Inter-segment sales	**—**	**1,000**	**1,000**	**2,824**	**—**	**(4,824)**	**—**
Total	**123,143**	**11,715**	**5,483**	**13,300**	**—**	**(4,824)**	**148,817**
Segment results	**2,423**	**1,547**	**(469)**	**(809)**	**17,841**		**20,533**
Interest income from banks and others							**1,048**
Employee share-based compensation							**(2,112)**
Elimination of profits on intra-group transactions							**(3,670)**
Other unallocated head office and corporate expenses							**(452)**
Share of results of an associate							**399**
Profit before income tax							**15,746**
Income tax expense							**—**
Profit for the period							**15,746**

2008	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	126,854	11,156	6,444	12,461	—	—	156,915
Inter-segment sales	—	2,000	2,000	8,911	—	(12,911)	—
Total	126,854	13,156	8,444	21,372	—	(12,911)	156,915
Segment results	9,322	2,846	335	4,171	(10,114)		6,560
Interest income from banks and others							2,044
Employee share-based compensation							(3,104)
Elimination of profits on intra-group transactions							(1,007)
Other unallocated head office and corporate expenses							(2,702)
Share of results of an associate							(723)
Profit before income tax							1,068
Income tax expense							—
Profit for the period							1,068

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2009 ***HK$'000*** **Unaudited**	Six months ended 30 September 2008 *HK$'000* Unaudited
Advertising and content fee income	**1,661**	1,882
Website management and related services fee income	**8,815**	10,579
Commission and performance fee income on securities and futures broking	**116,954**	107,252
Advisory fee income	**10,715**	11,156
Placement and underwriting fee income	**87**	9,479
Income from margin financing and money lending operations	**5,590**	8,795
Asset management fee income	**4,483**	6,444
Wealth management service fee income	**512**	1,328
	148,817	156,915

5. OTHER OPERATING INCOME

	Six months ended 30 September 2009 ***HK$'000*** **Unaudited**	Six months ended 30 September 2008 *HK$'000* Unaudited
Interest income from banks and others	**1,048**	2,044
Exchange gains, net	**790**	635
Long outstanding trade and other payables written back	**—**	1,887
Write back of provision for impairment of trade receivables	**1,036**	3,735
Dividend income from listed securities	**11,338▲**	1,563
Sundry income	**2,592**	2,759
	16,804	12,623

▲ *Including dividend income of HK$11,017,000 derived from the investment in Seamico Securities Public Company Limited, which has been classified as available-for-sale financial asset.*

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 September 2009	Six months ended 30 September 2008
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Amortisation of other intangible assets	**634**	884
Depreciation of property, plant and equipment		
Owned assets	**1,045**	922
Leased assets	**550**	531
	2,229	2,337
Staff costs (including directors' remuneration):		
Salaries and other allowances	**38,011**	37,191
Retirement benefits scheme contribution	**767**	767
Employee share-based compensation	**2,112**	3,104
	40,890	41,062
Consultancy fee for marketing and promotion#	**50,512**	48,667
Provision for impairment of trade receivables	**21**	2,847

Included in cost of services provided

7. INCOME TAX EXPENSE

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 for the six months ended 30 September 2008 and 30 September 2009.

As at 30 September 2009, a provision was made for deferred tax liabilities of HK$36,000 (31 March 2009: HK$36,000) calculated at the rate of 16.5% (31 March 2009: 16.5%) in respect of the temporary differences arising from accelerated depreciation allowances.

8. DIVIDENDS

(a) Dividends attributable to the interim period

	Six months ended 30 September 2009	Six months ended 30 September 2008
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Interim dividend declared after the interim period of HK1.0 cent per ordinary share (2008: HK0.5 cent per ordinary share)	**7,882**	3,857

The interim dividend has not been recognised as a liability at the balance sheet date. The amount of interim dividend is based on 788,193,323 shares in issue on 26 November 2009 (2008: 771,371,541 shares in issue on 4 December 2008).

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

	Six months ended 30 September 2009	Six months ended 30 September 2008
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Final dividend in respect of the financial year ended 31 March 2008, approved and paid during the following interim period, of HK2.5 cent per ordinary share	**—**	17,531

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately HK$15,746,000 (2008: HK$1,068,000) and on the weighted average of 776,343,733 (2008: 751,909,385) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the unaudited profit for the period attributable to equity holders of the Company of HK$15,746,000 (2008: HK$1,068,000) as used in the calculation of the basic earnings per share and the weighted average of 792,364,488 (2008: 797,578,255) 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 776,343,733 (2008: 751,909,385) ordinary shares in issue during the period, as used in the calculation of the basic earnings per share, plus the weighted average number of 16,020,755 (2008: 45,668,870) ordinary shares deemed to be issued at no consideration as if the share options have been exercised.

10. TRADE RECEIVABLES

	30 September 2009 HK$'000 Unaudited	31 March 2009 HK$'000 Audited
Trade receivables	**364,764**	246,068
Less: provision for impairment of receivables	**(15,340)**	(16,356)
Trade receivables — net	**349,424**	229,712

The Group's trade receivables as at 30 September 2009 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, 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 balance sheet date, based on due date and net of provision, is as follows:

	30 September 2009 HK$'000 Unaudited	31 March 2009 HK$'000 Audited
Repayable on demand		
— margin clients receivables	**88,368**	94,557
0–30 days	**258,274**	134,228
31–60 days	**2,017**	220
61–90 days	**219**	274
91–180 days	**540**	224
181–360 days	**1**	97
Over 360 days	**5**	112
	349,424	229,712

Included in the Group's margin clients receivable was an amount due from a director of HK$3,816,000 (31 March 2009: HK$2,865,000) in respect of transactions in securities as at 30 September 2009.

11. TRADE PAYABLES

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

	30 September 2009 *HK$'000* **Unaudited**	31 March 2009 *HK$'000* Audited
Repayable on demand:		
Securities transactions		
— margin clients payable	**57,005**	34,208
— cash clients payable	**296,927**	166,074
Futures and options contracts		
— clients payable	**182,650**	235,154
	536,582	435,436
Within 180 days	**11,300**	10,864
Over 180 days	**62**	62
	547,944	446,362

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.

Included in above, there were amounts due to directors of HK$316,000 (31 March 2009: HK$230,000) in respect of transactions in securities as at 30 September 2009.

Included in above, there was an amount due to a director of HK$8,843,000 (31 March 2009: HK$6,711,000) in respect of transactions in futures as at 30 September 2009.

12. POST BALANCE SHEET EVENT

In November 2009, a private equity fund "Suzhou QUAM-SND Venture Capital Enterprise" is in the process of being set up. Under the terms of the fund agreement, the Group will have a capital commitment of RMB51 million. The Group was required to pay 20% of this capital commitment i.e. RMB10 million within one month of the fund being approved. The remaining capital commitment will be called with a period of five years. Submission for fund approval was made in November 2009. The Group is also currently in the process of establishing an offshore private equity fund of funds, to seek investors for the investment to the Suzhou QUAM-SND Venture Capital Enterprise fund, which would reduce the Group's capital commitment to fund in the future.

13. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised): Presentation of Financial Statements, and HKFRS 8: Operating Segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in current period. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period from 1 April 2009 to 30 September 2009 (the "Period"), the Group reports a profit of HK$15.7 million (2008: HK$1.1 million) and the total comprehensive income of HK$20.8 million (2008: loss of HK$12.6 million). The Group's revenue for the Period amounted to HK$148.8 million (2008: HK$156.9 million) reflecting a marginally lower volume of business.

The Group's net performance for the Period improved from the previous six months when the global financial crisis was at its most critical point and market sentiment was at its weakest. However, the Group's total revenue was lower than the comparable six months in the previous year. We believe the business and financial climate will continue to be challenging in the near future. Nevertheless, we are optimistic that the world economy is gradually on the mend.

Brokerage income from securities trading increased over last year's comparable period. Despite this improvement, our margin loan portfolio remained at similar levels, reflecting the cautious approach taken by our clients. Our Equity Capital Markets (ECM) business during the Period was affected by the negative market sentiment. Our futures business continues to perform positively and in line with our expectations as a result of volatility in certain futures products and commodities, which provide active trading opportunities for our clients. We continue our marketing efforts, including, among other initiatives, a futures simulation promotion with the Hong Kong Futures Exchange resulting in new futures account openings. To support the growth of this business, several major I.T. infrastructure projects were completed which enhanced the stability and system redundancy of our trading platform. In addition, we have commenced the development of an integrated Customer Relationship Management (CRM) system for the brokerage operation in order to improve its internal operational efficiency and to provide a unified management tool for our clients. The initial rollout is expected within twelve months.

The corporate advisory and merger and acquisition activities of the Group had mixed results. The advisory team was expanded which resulted in additional mandates and the build-up of a solid book of business. In line with general market trends, merger and acquisition activity was slow. The market for merger and acquisition activities is only slowly coming back as market sentiment generally begins to recover. In contrast to income from merger and acquisition activities, income from equity fundraising increased slightly as compared to the previous period. We now see signs of increased investment activity and thus we have confidence that in the second half of the financial year, more mandates will be completed.

On the asset management front, the strategic decision to close the Opportunity Fund in July led to a reduction of assets under management during the Period, which negatively affected revenues. However, with the focus now on the Greater China Fund and the newly launched fund of funds, the Quam Multi-Strategy Fund, in April 2009, we were able to effectively minimize the impact of the closing of the Opportunity Fund. During the period, we decided to abort our plans to launch a Quam Private Equity Fund and instead focused on developing private equity in China with local partners. As a first step, in this strategy, we announced the formation of a joint venture management company with Suzhou High-Tech Venture Capital Group Co. Ltd., the investment arm of the Suzhou government. Efforts are now focused on setting up the first fund with capital expected to come from Quam, Mainland investors and overseas investors.

Quamnet's operations were affected by the market downturn, which had the effect of slowing down subscription levels and adversely impacting advertising revenues. However, cost reductions in rental expense and staff levels have helped offset the impact of the loss in revenue. Marketing efforts in China continue via a new collaboration with Ten cent's QQ.com, and other websites. Quamnet continues to focus on growing the number and type of its proprietary subscription-based advisory services and its investment training business.

During the Period, we received two dividend payments in respect of our investment in Seamico in Thailand. In May 2009, Seamico's brokerage business was merged with Krung Thai Bank's brokerage business in order to form KT ZMICO Securities Company Limited. The merger of Seamico with Thailand's largest state controlled bank created Thailand's second largest brokerage in terms of market share. Furthermore, profitability improved dramatically as market volume increased. The directors and management recognize that the interim results had a qualified conclusion by the auditors in their interim review. The basis of this opinion and conclusion relates to the application of accounting standard HKAS 39 which the Company currently adopts. This was in respect to our investment in Seamico Securities Public Company Limited ("Seamico"). We feel that there is no permanent diminution in value of the investment because (i) during the Period, there was a HK$4.7m write up in the value of the investment through the available-for-sale financial assets revaluation reserve in equity, (ii) Seamico declared and paid two dividends to all its shareholders for which the Company received in aggregate over HK$11m, (iii) that the net asset per share of Seamico as based on the latest results announced by Seamico was much higher than the last quoted bid price on The Stock Exchange of Thailand at the balance sheet date.

Elsewhere in our investment portfolio, McMillen Advantage Capital Limited in Dubai has seen improved operating results over the previous year with an increase in brokerage revenues and the completion of several ECM deals. In Tokyo, Capital Partners Securities Co., Ltd. has turned around and so far this year has reported positive earnings.

The Global Alliance Partners (GAP) network which was established in 2008 continues to collaborate on deal flow and meets half yearly to formulate strategic direction. Quam Group has taken the lead with the appointment of Mr. Bernard Pouliot as Chairman of GAP. Recently, GAP members met in Dubai to formulate business strategies while considering new members to enlarge the GAP network. GAP's network includes partners in Hong Kong, Vietnam, Thailand, UAE, Japan and USA (New York). GAP intends to add new partners in the coming year.

We have been planning for quite some time to expand our reach in the regions by adding a presence in Taiwan and expect to announce some development to that effect in the second half of this financial year.

Review of Operations

Securities and futures dealing and placement

Securities and futures dealing commissions were HK$117.0 million (2008: HK$107.3 million), an increase of 9% over the same period last year. The increase in commission revenue resulted from improved volumes in securities dealing compared to the same period last year. Futures dealing grew at a similar rate. ECM placement and underwriting fee income stood at HK$0.1 million (2008: HK$9.5 million).

Securities margin lending at the end of the Period was down to HK$88.4 million (31 March 2009: HK$94.6 million). However, impairment provisions on margin financing were reduced as a result of improved collateral coverage from clients. Bank borrowings during the Period were minimal as internal resources provided sufficient funding for our requirements.

Corporate financial advisory services

Corporate finance and advisory services revenue for the Period amounted to HK$11.7 million, including inter-company services of HK$1.0 million (2008: HK$13.2 million, including inter-company services of HK$2.0 million). Work undertaken during the Period covered a wide range of activities including sponsorship advisory, takeover and financial restructuring related activities, general financial advisory, independent financial advisory, fundraising and merger and acquisition.

Whilst the current turbulent financial markets are impacting the type of corporate finance advisory services being provided, the reduction in activities such as cross border merger and acquisition was, to a large extent, supplemented by other types of mandates such as sponsorship advisory, public company takeovers, distressed asset and financial restructuring work.

Asset Management

The Revenue for the Period dropped to HK$4.5 million (2008: HK$6.4 million) as a result of the closure of the Opportunity Fund in July 2009, redemptions and the absence of a performance fee. The Quam Greater China Fund total assets under management (AUM) now stand at over US$50.0 million and performance is slightly below the high water mark. We expect a performance fee contribution in the third quarter. A new fund of funds was established in April 2009 and we are pleased with the subscriptions to date. However, revenue contributions from this fund during the Period were still modest and will remain so until AUM increase substantially. Its AUM presently stand at US$12.2 million.

Investment Website — www.quamnet.com and QuamIR

Revenue for the Period was lower at HK$10.5 million (2008: HK$12.5 million) due to market downturn. Quamnet added another China content distribution partnership with QQ.com, which complements existing partnerships with iFeng.com, Hexun.com, and Sina.com. In Hong Kong, new subscription services with high-profile investment advisors were launched in the period, including a daily market trading strategies video service featuring Alex Wong, and a foreign currency trading advice service from Patrick Wong. Quamnet has also established co-marketing relationships with several leading local media groups to broaden the reach of its subscriber acquisition. Quamnet will continue to add new subscription services and is increasing the breadth and depth of its financial conferences and investment training course business.

Liquidity and Financial Resources

The Group's cash and short term deposits at 30 September 2009 stood at approximately HK$123.8 million (2008: HK$125.2 million).

The Group generally finances its operations with internally generated cash flow and banking and short-term loan facilities provided by its principal bankers in Hong Kong and short term loans from a third party. At 30 September 2009, the Group had available aggregate banking facilities of approximately HK$263.0 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients. As of 30 September 2009, the Group had no investment securities pledged (2008: HK$3.4 million) to secure banking facilities. On 30 September 2009, approximately HK$10.1 million of these banking and short-term loan facilities were utilized.

The Group's gearing ratio, largely the result of the margin and money lending business and with the addition of IPO financing facilities, was 56.2% at 30 September 2009 (31 March 2009: 19.8%), being calculated as borrowings over net assets. It should be noted that two IPO financing facilities were utilized to the amount of HK$125.3 million at 30 September 2009 (2008: nil) and were fully repaid on 5 October 2009 and 7 October 2009, respectively.

Employees and Remuneration Policies

As of 30 September 2009, the Group had approximately 152 full time employees and 2 part time employees in Hong Kong, together with 36 full time employees and 3 part time employees based in the People's Republic of China. Competitive remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid on an annual basis with reference to individual performance appraisals and prevailing market conditions and trends. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group operates a share option scheme with options granted to certain employees and directors of the Group on a discretionary basis.

Risk Management

The Group also adopts very 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 has a credit committee in the securities and futures operation who are charged with the responsibility of approving credit limit for individual customers. The credit committee, which is delegated 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 at a specified ratio. The stock list will be revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual stocks or on any individual customer and his or her associates.

The credit control department is responsible for monitoring and making margin calls to customers whose trades exceed their respective 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.

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 Financial Resources Rules.

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

Market Risk

If the loanable value of a margin customer's portfolio falls below his margin loan and the customer fails to meet margin calls, the Group will be exposed to the defaulter's liabilities. The Group's exposure to underwriting commitments will also be affected if the prices of the underlying stocks come down.

The Group has adopted an investment policy to cap its underwriting commitments. The net exposure commitment per issue should not exceed 25% net asset value of the Group and the aggregate of underwriting commitments at any one time should not exceed 40% net asset value of the Group. Such policy may be varied at the discretion of the Board.

Operational Risk

Systems are installed to monitor availability and performance of various IT systems and a team will act and report to senior management in accordance with laid-down procedures in the event of disruption, instability and other situations which may warrant to trigger contingency procedure to protect interests of clients.

The Group maintains and constantly updates the operation manuals of its major operations when regulatory or industry changes occur. We have also put in place competent compliance, outsourced internal audit function with their respective aims at detecting systemic risks and recommending policy changes; carrying out checks on statutory compliance and Company's rules and regulations; and implementing ongoing checks and verification.

Prospects

Externally, as doom and gloom gradually dissipates from the economic front, we expect further market activities in the coming period, a view that is substantiated by a growing order book, mandates, work in progress and the gradual increase of our AUM.

We are fortunate to be based in Hong Kong at the door step of the biggest expanding market in the world, China. The stimuli package implemented by the Chinese government has provided a strong back stop to the stuttering world economy.

Despite the worries of inflation, we believe firmly that China is marching ahead to become the number one economy in the world in the next decade.

We are naturally excited by this prospect and intend to fully take advantage of it by continuing to develop our existing platform and infrastructure.

We foresee foreign investment products to be appealing to the emerging middle class in China and intend to tap into this expanding market with a wider range of products and services across the wealth management sector.

Quam is realizing this strategy with offices across China in cities such as Shenyang, Shanghai, Shenzhen, Ningbo and soon Chengdu and Xiamen.

We are entering the field of private equity by linking up with second tiers cities such as Suzhou and soon Xian. We intend to expand this activity to other cities as well in China. The challenge as we can see will always be one of recruiting and retaining the right people for the job.

Internally, we continued to enhance our compliance and risk management, with additional staff and improved risk management systems. We have also allocated resources to strengthen our IT capability and reliability. We have cut costs both in terms of manpower and office space by redeploying back office functions to lower cost areas, including Shenzhen.

We are also looking to further expand our footprint in Taiwan and to actively seek financial services business opportunities in there. The latter is important in our Greater China strategy. We think that the proposed, but aborted, "Through-Train" investment in Hong Kong from China will reopen by 2010. The proof of this concept is the positioning of the large Chinese securities houses looking to establish a strong foothold in Hong Kong. The recent purchase of Taifook Securities by Hai Tong Securities is a proof of this.

The focus going forward is to broaden the range of products and services the Group offers particularly in our asset management, brokerage business and private equity initiatives. If possible acquisitions would be contemplated, we intend to leverage as well the capability of our Global Alliance Partners.

As we can appreciate, the challenges ahead of us are numerous but healthy. We are fortunate to have a solid and dedicated staff. Thus we have decided to reflect our attitude by adopting a new slogan which is **"One partner, One purpose, One passion: YOU!"** We believe that without "you" our stakeholders whether clients, staff, suppliers, bankers and shareholders, we would not be where we are today.

We thus take this opportunity to thank all our stakeholders, for their trust and support and look forward to report at the end of the year with results ahead of expectations.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK1.0 cent per share for the six months ended 30 September 2009 (2008: HK0.5 cent per share). The interim dividend will be payable on Wednesday, 6 January 2010 to shareholders whose name appear on the Register of Members of the Company on Thursday, 17 December 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 14 December 2009 to Thursday, 17 December 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 December 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. The code of conduct 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 2009.

CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2009 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") as set out in Appendix 14 to the Listing Rules, save for the deviations from code provisions A.2.1 and A.4.1.

Mr. Bernard POULIOT is the Chairman of the Company since 19 April 2000 and the managing director of the Group. The Company does not have any office with the title "Chief Executive Officer". This constitutes a deviation from 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. However, the Board considers that in view of the current operation, structure, size and resources of the Group together with substantial experience of financial services business, extensive management experience and leadership within the Group of Mr. POULIOT, that it is currently most beneficial and efficient to maintain the existing leadership structure.

On the other hand, on 31 July 2009, the Company had entered into service agreements with all the independent non-executive directors for a term of one year with effect from the said date. The tenure is renewable following the expiration of the term and each independent non-executive director is still subject to the retirement by rotation and re-election pursuant to the provisions of the Bye-laws of the Company. Therefore, the Company had already complied with code provision A.4.1 of the CG Code which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Such move also reflected the Company's commitment in maintaining high standards of corporate governance.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has met with Messrs. Grant Thornton, 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 2009.

EXTRACT FROM THE INDEPENDENT REVIEW REPORT

The interim financial report for the six months ended 30 September 2009 has been reviewed by the external auditors of the Group. The independent interim review report contained a qualified conclusion. The following is the extract from the independent review report:

"Basis for qualified conclusion

Included in the available-for-sale financial assets in the condensed consolidated balance sheet as at 30 September 2009 is the Group's investment in Seamico Securities Public Company Limited ("Seamico") of HK$45,160,000 which represents the fair value of the Group's Seamico shares at that date, based on the last bid price. Under paragraph 61 of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"), a significant or prolonged decline in fair value of an investment in an equity instrument below its cost is objective evidence of impairment, the amount of which should be reflected as a charge to the profit or loss. The Seamico shares have been trading below their carrying cost for over 16 months, and in our opinion have been impaired as they satisfy the condition of a prolonged decline. Had the Group made the impairment provision required under HKAS 39, the Group's profit for the year would have been reduced by HK$17,358,000 with a corresponding increase in the available-for-sale financial assets revaluation reserve of the same amount, with no impact to the total comprehensive income attributable to the equity holders of the Company.

Qualified conclusion

Except for the effect of the matter described in the preceding paragraph, 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."

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2009 of the Group is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.quamlimited.com. The Interim Report 2009 of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

On behalf of the Board
Quam Limited
TSANG Chung Him
Company Secretary

Hong Kong, 26 November 2009

As at the date of this announcement, the board of directors of Quam Limited comprises three executive directors, namely Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER and three independent non-executive directors, namely Mr. Gordon KWONG Che Keung, Mr. Robert Stephen TAIT and Mr. Douglas Howard MOORE.