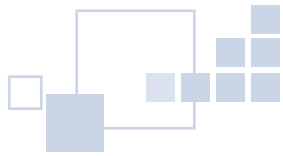


Interim Report

2004





INTERIM REPORT

The board of directors (the "Directors") of Quam Limited (the "Company") is pleased to present the unaudited interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 (the "Period") together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

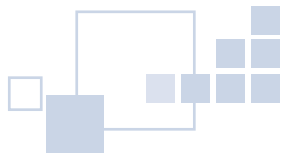
For the six months ended 30 September 2004

	Notes	2004 HK\$'000 Unaudited	2003 HK\$'000 Unaudited
Turnover			
Operations	2	41,976	27,542
Net realised and unrealised (losses)/gains on short term investments and other investments	2	(4,665)	10,687
		<u>37,311</u>	<u>38,229</u>
Other revenue and gains	2	1,507	3,045
Total revenue		<u>38,818</u>	<u>41,274</u>
Less:			
Cost of services		(11,256)	(8,540)
Interest expenses for financial service operations		(1,298)	(1,031)
Staff costs		(22,008)	(16,549)
Depreciation and amortisation expenses		(4,111)	(4,153)
Other operating expenses		(11,341)	(7,856)
		<u>(50,014)</u>	<u>(38,129)</u>
(Loss)/Profit from operations	4	(11,196)	3,145
Finance costs		–	–
(Loss)/Profit before taxation		(11,196)	3,145
Taxation	5	–	–
(Loss)/Profit attributable to shareholders		<u>(11,196)</u>	<u>3,145</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share – basic	6	<u>(10.52)</u>	<u>2.96</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

	Notes	30 September 2004 HK\$'000 Unaudited	31 March 2004 HK\$'000 Audited
Non-current assets			
Fixed assets	8	6,292	5,987
Intangible assets	9	10,387	11,333
Goodwill	10	13,708	14,695
Long term investments	11	4,742	4,820
Long term loan receivable	12	14,060	14,580
Other assets		2,505	3,805
		<u>51,694</u>	<u>55,220</u>
Current assets			
Trade receivables	13	119,293	106,286
Short term loan receivables	12	35,420	24,566
Prepayments, deposits and other receivables		6,585	4,424
Short term investments		35,303	30,216
Trust time deposits held on behalf of customers		67,249	66,011
Trust bank balances held on behalf of customers		110,312	65,174
Cash and cash equivalents		20,615	22,933
		<u>394,777</u>	<u>319,610</u>
Current liabilities			
Trade payables	14	208,872	151,351
Short term loan payables		11,700	-
Tax payable		328	328
Other payables and accruals		24,589	24,100
Customer deposit	12	35,092	-
Interest-bearing bank loans, secured	15	38,500	59,945
		<u>319,081</u>	<u>235,724</u>
Net current assets		<u>75,696</u>	<u>83,886</u>
Total assets less current liabilities		<u>127,390</u>	<u>139,106</u>
Non-current liabilities			
Deferred tax		36	36
Customer deposit	12	14,060	14,580
		<u>14,096</u>	<u>14,616</u>
Net assets		<u>113,294</u>	<u>124,490</u>
Capital and Reserves			
Share capital	16	1,064	1,064
Reserves		112,230	123,426
Shareholders' funds		<u>113,294</u>	<u>124,490</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	2004 HK\$'000 Unaudited	2003 <i>HK\$'000</i> Unaudited
Net cash (outflow)/inflow from operating activities	<u>(12,222)</u>	<u>1,679</u>
Net cash (outflow)/inflow from investing activities	<u>(1,925)</u>	<u>3,478</u>
Net cash inflow from financing	<u>11,829</u>	<u>969</u>
(Decrease)/Increase in cash and cash equivalents	(2,318)	6,126
Cash and cash equivalents at 1 April	<u>22,933</u>	<u>17,001</u>
Cash and cash equivalents at 30 September	<u>20,615</u>	<u>23,127</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	15,024	11,139
Time deposits with original maturity of less than three months	<u>5,591</u>	<u>11,988</u>
	<u>20,615</u>	<u>23,127</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital	Share premium	Goodwill on acquisition	Contributed surplus	Accumulated losses	Capital redemption reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 April 2004	1,064	374,349	(47,398)	204,223	(408,680)	932	124,490
Transfer of share premium to contributed surplus*	-	(374,349)	-	374,349	-	-	-
Transfer of contributed surplus to accumulated losses*	-	-	-	(512,864)	512,864	-	-
Loss for the Period	-	-	-	-	(11,196)	-	(11,196)
At 30 September 2004	<u>1,064</u>	<u>-</u>	<u>(47,398)</u>	<u>65,708</u>	<u>92,988</u>	<u>932</u>	<u>113,294</u>
At 1 April 2003	1,064	374,349	(47,398)	204,223	(416,410)	932	116,760
Profit for the Period	-	-	-	-	3,145	-	3,145
At 30 September 2003	<u>1,064</u>	<u>374,349</u>	<u>(47,398)</u>	<u>204,223</u>	<u>(413,265)</u>	<u>932</u>	<u>119,905</u>

* A special resolution was passed by the shareholders of the Company at the Annual General Meeting dated 13 September 2004 resolving that with effect from the date of the resolution:

- (a) the entire amount of HK\$374,349,181 standing to the credit of the share premium account of the Company on 31 March 2004 be cancelled (the "Share Premium");
- (b) the credit arising from the Share Premium reduction be credited to the contributed surplus account where it may be applied in accordance with the Bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company; and
- (c) the directors of the Company be and are hereby authorized generally to do such acts, deeds and things as they may deem in their absolute discretion, necessary, desirable or appropriate to effect and implement the Share Premium reduction.

On the basis of the special resolution and pursuant to the Bye-laws of the Company, it was resolved by the Directors of the Company that with effect from 13 September 2004, that an amount of HK\$512,864,000 standing in the contributed surplus account of the Company be used to eliminate the entire accumulated losses standing in the Company as at 31 March 2004.



NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. PRINCIPAL ACCOUNTING POLICIES

The interim report has been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements have been prepared under the historical cost convention as modified by the periodic remeasurement of other equity securities.

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2004.

2. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents income from securities and futures broking, margin financing and money lending, the provision of advisory and placement fee income, the provision of website management and related services, advertising and sales of content, the provision of fund management services and the provision of credit information services, dividend income, and realised and unrealised (losses)/gains from short term trading in investments.

	Six months ended 30 September 2004 HK\$'000 Unaudited	Six months ended 30 September 2003 HK\$'000 Unaudited
Turnover		
Advertising and content fee income	1,336	1,258
Website management and related services fee income	7,098	5,335
Credit information service fee income	1,932	1,824
Commission income on securities and futures broking	14,351	8,851
Advisory and placement fee income	9,933	6,591
Income from margin financing and money lending operations	6,922	3,111
Fund management fee income	404	572
	41,976	27,542
Net realised and unrealised (losses)/gains on short term investments and other investments	(4,665)	10,687
	<u>37,311</u>	<u>38,229</u>
Other revenue and gains		
Interest income from banks and others	55	135
Exchange gains, net	246	-
Long outstanding trade and other payables written back	-	2,154
Sundry income	1,206	756
	<u>1,507</u>	<u>3,045</u>
Total revenue	<u>38,818</u>	<u>41,274</u>

3. SEGMENT INFORMATION

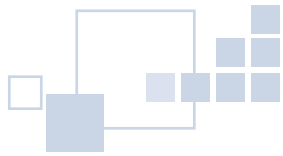
Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segments; and (ii) on a secondary segment report basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the securities broking segment engages in securities and futures dealing, provision of fund management services, margin financing services and money lending;
- (ii) the website management segment engages in the management of a website, advertising and referral tools services to online customers, and credit information services;
- (iii) advisory and placement segment engages in the provision of corporate finance advisory and placement services; and
- (iv) the investments segment engages in investment holding and trading.

(a) Business segments

	Securities broking		Advisory and placement		Website management		Investments		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>21,677</u>	<u>12,534</u>	<u>9,933</u>	<u>6,591</u>	<u>10,366</u>	<u>8,417</u>	<u>(4,665)</u>	<u>10,687</u>	<u>37,311</u>	<u>38,229</u>
Segment results	3,550	3,715	(1,648)	(3)	(3,616)	(6,654)	(4,665)	10,687	(6,379)	7,745
Interest income and unallocated gains									55	135
Unallocated corporate expenses									(4,872)	(4,735)
(Loss)/Profit from operations									(11,196)	3,145
Finance costs									-	-
(Loss)/Profit before taxation									(11,196)	3,145
Taxation									-	-
(Loss)/Profit attributable to shareholders									<u>(11,196)</u>	<u>3,145</u>



(b) Geographical segments

The Group's operations and assets are predominantly in Hong Kong and accordingly a geographical analysis has not been presented. The Group has minor activities in Shenzhen, the People's Republic of China, which accounts for less than 1% of the Group's turnover.

4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations is arrived after charging/(crediting):

	Six months ended 30 September 2004 HK\$'000 Unaudited	Six months ended 30 September 2003 HK\$'000 Unaudited
Amortisation of goodwill	987	987
Amortisation of intangible assets	946	947
Depreciation on fixed assets	2,178	2,219
Retirement benefits costs	520	367
Loss/(Gain) on disposal of fixed assets	17	(4)
Net realised (gains) on disposal of short term investments included in turnover	(84)	(1,653)
Net unrealised losses/(gains) on disposal of short term investments included in turnover	5,209	(7,534)
Net realised (gains) on other investments included in turnover	(460)	(1,500)
Provision for bad and doubtful debts	495	4
	<u>495</u>	<u>4</u>

5. TAXATION

No Hong Kong profits tax nor taxes assessable from elsewhere has been provided as the Group either had no assessable profits or had available tax losses brought forward from prior years to offset against assessable profits for the Period (2003: Nil).

No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses can be carried forward indefinitely.



6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation for basic (loss)/earnings per share is based on the loss for the Period attributable to shareholders of HK\$11,196,000 (2003: HK\$3,145,000 profit) and on 106,413,998 (2003: 106,413,998) ordinary shares in issue during the Period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share has not been presented for the six months ended 30 September 2004 and 2003 as the share options outstanding during the periods had no dilutive effect on the basic earnings for the periods.

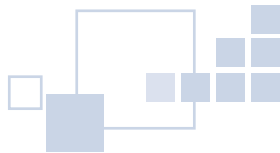
7. RELATED PARTY TRANSACTIONS

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

		30 September 2004 HK\$'000 Unaudited	30 September 2003 HK\$'000 Unaudited
	<i>Notes</i>		
Related companies			
Consultancy fee income received	(i)	1,363	1,414
Commission income on broking	(ii)	7	53
Interest income on margin financing	(ii)	44	17
Directors			
Commission income on broking	(ii)	49	519
Interest income on margin financing	(ii)	200	105
Close family members of the directors			
Commission income on broking	(ii)	11	14
Interest income on margin financing	(ii)	22	7

Notes:

- (i) Consultancy fees of THB1,000,000 (approximately HK\$200,000) (2003: THB1,000,000) per month were received from a related company for the provision of advisory services and were charged based on mutually agreed terms.
- (ii) The commission and interest charged to the above parties were in accordance with the terms similar to those offered to unrelated customers.



8. FIXED ASSETS

	Leasehold improvements	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited	Unaudited
Net book value at 1 April 2004	1,070	4,917	5,987
Additions	1,120	1,380	2,500
Disposals	(4)	(13)	(17)
Depreciation	(558)	(1,620)	(2,178)
Net book value at 30 September 2004	1,628	4,664	6,292

9. INTANGIBLE ASSETS

	Trading rights	Database	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited	Unaudited
Net book value at 1 April 2004	10,288	1,045	11,333
Amortisation	(884)	(62)	(946)
Net book value at 30 September 2004	9,404	983	10,387

10. GOODWILL

The amount of goodwill capitalised as an asset, arising from the acquisition of subsidiaries, is as follows:

	<i>HK\$'000</i>
	Unaudited
Net book value at 1 April 2004	14,695
Amortisation	(987)
Net book value at 30 September 2004	13,708



11. LONG TERM INVESTMENTS

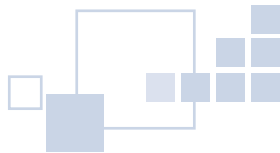
	30 September 2004 HK\$'000 Unaudited	31 March 2004 HK\$'000 Audited
Club debenture	653	653
Investment securities		
Unlisted equity Investments, at cost	17,829	17,829
Other equity securities		
Hong Kong listed equity securities, at fair value	51	129
Unlisted held-to-maturity securities, at amortised cost	472	472
	19,005	19,083
Provision for impairment	(14,263)	(14,263)
	4,742	4,820

12. LONG TERM AND SHORT TERM LOAN RECEIVABLES AND CUSTOMER DEPOSITS

As at 30 September 2004, the Group had granted loans of YEN200 million (approximately HK\$14.06 million) and USD4.5 million (approximately HK\$35.09 million) to two customers which were included in long term loan receivable and short term loan receivables respectively in the balance sheet. To secure the repayment of the respective loan by the respective customer, a party related to the customer has made a cash deposit of the same amount to the Group which was included as customer deposit under non-current liabilities and current liabilities respectively in the balance sheet and pledged them as security against the loan. The Group earns net interest income of 0.5% per annum on the outstanding loan balances.

13. TRADE RECEIVABLES

The Group's trade receivables as at 30 September 2004 mainly consisted of receivables for securities and future broking businesses 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 except for margin client receivables which are repayable on demand. 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 aging analysis of the trade receivables as at the balance sheet date, based on due date and net of provision, is as follows:

	30 September 2004 HK\$'000 Unaudited	31 March 2004 HK\$'000 Audited
Repayable on demand	102,884	75,325
Within 180 days	15,289	30,951
180 days-360 days	1,115	5
Over 360 days	5	5
	<u>119,293</u>	<u>106,286</u>

Included in the Group's margin client receivables were amounts due from two directors of HK\$3,500,000 (31 March 2004: HK\$5,988,000) in respect of transactions in securities as at 30 September 2004.

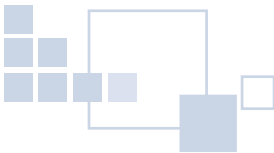
14. TRADE PAYABLES

Included in the Group's trade payables as at 30 September 2004 were client payables of HK\$192,314,000 (31 March 2004: HK\$150,198,000) for which funds had been or would be segregated to the Group's trust bank/time deposits accounts for settlements in accordance with the Securities and Futures (Client Money) Rules, and were repayable on demand.

The aging analysis of the trade payables as at the balance sheet date, based on due date, is as follows:

	30 September 2004 HK\$'000 Unaudited	31 March 2004 HK\$'000 Audited
Repayable on demand	96,978	52,139
Within 180 days	111,836	99,096
Over 180 days	58	116
	<u>208,872</u>	<u>151,351</u>

Included in the above client payables was an amount due to a director of HK\$19,000 (31 March 2004: HK\$50,000) in respect of transactions in securities as at 30 September 2004.



15. INTEREST-BEARING BANK LOANS, SECURED

As at 30 September 2004, the Group had bank loans of HK\$38,500,000 (31 March 2004: HK\$59,900,000) which were secured by marketable securities of HK\$196,000,000 (31 March 2004: HK\$280,900,000) pledged to the Group by margin clients.

16. SHARE CAPITAL

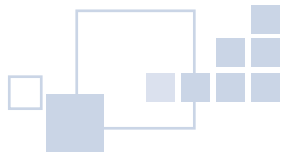
	30 September 2004 HK\$'000 Unaudited	31 March 2004 HK\$'000 Audited
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each*	<u>100,000*</u>	<u>100,000*</u>
Issued and fully paid:	No. of shares	Par value amount HK\$'000
At 1 April 2004 and at 30 September 2004	<u>106,413,998</u>	<u>1,064</u>

*** CORRECTUM**

The authorised capital of the Company has been restated to the correct figure as registered with the Companies Registry of Bermuda under the Companies Act 1981. In the annual reports for the years ended 31 March 2003 and 2004, the interim report for the six months ended 30 September 2003, and the circulars to shareholders dated 9 September 2002 and 22 September 2004, it was incorrectly stated that the authorised capital of the Company was HK\$2,000,000 comprising of 200,000,000 ordinary shares at par value of HK\$0.01 per share. This mis-reporting was the result of the assumption that under the capital reorganisation involving a consolidation of 50 paid up shares to 1 paid up share had extended to the authorised share capital of the Company, which was effected on 4 October 2002 after passing the special resolution proposed at the adjournment of the Annual General Meeting dated 3 October 2002. Our legal advisers have provided their opinion to the Directors of the Company that the mis-reporting was not of such material degree to be significantly misleading, thereby harming the interests of the Company's shareholders and the investing public, and also does not alter the underlying assets, business operations, management or financial position of the Company or the relative rights of shareholders of the Company.

17. COMMITMENTS

The Group leases certain of its office premises and retail branches under operating lease arrangements. Leases for these premises are negotiated for terms ranging from one to three years.



At 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2004 HK\$'000 Unaudited	31 March 2004 HK\$'000 Audited
Payable within one year	5,487	3,776
Payable in the second to fifth year inclusive	6,431	1,605
	<u>11,918</u>	<u>5,381</u>

18. COMPARATIVE FIGURES

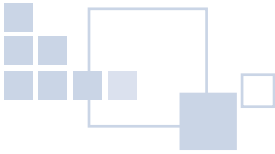
Certain of the comparative figures in the condensed consolidated income statement have been reclassified to conform with the current period's presentation.

In the "Condensed Consolidated Income Statement", the reclassifications that have been made to the comparative figures for the six months ended 30 September 2003, to be consistent with the classifications in the annual audited financial statements for the year ended 31 March 2004 mainly include the following:

- (i) An amount of HK\$1,537,000 representing article content fees and broking information expenses has been reclassified from "Other operating expenses" to "Cost of services".
- (ii) The "Long outstanding trade and other payables written back" of HK\$2,154,000 has been reclassified from "Other operating expenses" to "Other revenue and gains".
- (iii) Sales commissions paid of HK\$139,000 have been reclassified from "Other operating expenses" to "Staff costs".

In respect to the note 2 "Turnover, Other Revenue And Gains", the following reclassifications have been made to the comparative figures for the six months ended 30 September 2003, to be consistent with the classifications in the annual audited financial statements for the year ended 31 March 2004:

- (i) Underwriting fees of HK\$178,000 have been reclassified from "Commission income on securities and future broking" to "Advisory and placement fee income".
- (ii) Arrangement fees of HK\$330,000 have been reclassified from "Sundry income" to "Income from margin financing and money lending operations".
- (iii) Handling fees of HK\$313,000 have been reclassified from "Commission income on securities and future broking" to "Sundry income".



INTERIM DIVIDEND

The Directors do not recommend any interim dividend.

FINANCIAL REVIEW

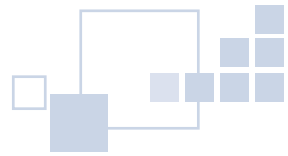
The Group's turnover for the Period before net realised and unrealised gains/losses on short term investments was HK\$42.0 million (2003: HK\$27.5 million) representing an increase of 53 per cent over the corresponding period. Net realised and unrealised gains/losses on short term investments resulted in a loss of HK\$4.7 million (2003: HK\$10.7 million gain), an adverse swing of HK\$15.4 million as compared to previous period. The loss attributable to shareholders for the Period was approximately HK\$11.2 million (2003: HK\$3.1 million profit).

REVIEW OF OPERATIONS

The Group's operations for the Period were characterised by a slow down in the investment and market sentiment after a strong performance in the previous six months following the end of the SARS epidemic. Our businesses are closely correlated to market sentiment hence the loss for the Period. Staff costs were higher due to our staff expansion in the second half of last financial year, together with bonus payment and incremental adjustments to certain key employees.

Securities and futures dealing and financing operations

The equity securities brokerage turnover of HK\$7.7 million (2003: HK\$7.4 million) for the Period had a nominal increase over the same period last year. After coming off a strong six-month stock market recovery, the market consolidated and was adversely affected by the increase in oil prices and the ongoing US Presidential campaign. The futures broking business however, continued its strong growth with a turnover of HK\$6.3 million (2003: HK\$1.0 million) which was greatly attributed to the online trading platform launched in July 2003. Despite higher volume and greater marketing, development costs were incurred thereby contributing to a lower than expected margin for this line of business. However, in both instances, business in the second half has picked up substantially and we expect greater contributions from this division. We continue to develop and enhance our online trading capabilities in both securities and futures, and have also initiated training and mock trading sessions and seminars to educate investors on the use of our online trading system. We are also in the process of migrating our futures dealing business with our securities business under one entity and this should be completed by mid 2005. This will allow further savings, minimise duplication and free up financial resources for the Group. The Group in September, has taken an equity stake in Capital Partners Securities Company Limited, a Japanese securities and investment banking operation, with a strategic view to mutually develop and distribute products to each others' institutional and ECM clients.



The securities margin financing business increased with an average securities margin lending portfolio of approximately HK\$104 million (2003: HK\$35.5 million). Money lending finance has been reduced in our block share financing business as fewer opportunities were available due to market sentiment. Interest and arrangement fee revenue for the Period was HK\$6.9 million (2003: HK\$3.1 million).

Our funds, under Wealth Management, and portfolios under our advisory services have remained steady, with revenues slightly down as management and performance fees are correlated to the net asset value of the funds under management – HK\$404,000 (2003: HK\$572,000). We expect however to launch a number of new private funds. In addition, we will be marketing our extended wealth management services under a new brand “Quam Advantage”. This product is addressed to high networth individuals that need, on an individual basis, tailor made solutions to their investments.

Finally, in order to facilitate our expanding business, the Group relocated both the securities and futures business as well as the corporate finance business to new premises. This will permit a greater co-ordination between these activities, and will contain our future rental expenses over the next 3 years on the back of rising rental costs.

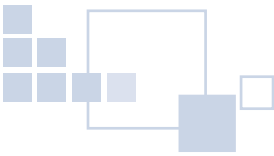
Corporate financial advisory and placements

The corporate finance business for the Period has been stable with revenue up slightly at approximately HK\$5.6 million (2003: HK\$4.2 million), despite weak market sentiment. However, we expect the second half-year to be better, based on the work in progress and deals in the pipeline. More activity in the securities market combined with greater optimism should continue, leading to further growth in the equity markets for new and secondary issues.

Placement activities, in the secondary market were higher with revenue of HK\$4.4 million (2003: HK\$2.2 million). Despite higher gross placement revenues, the net contribution was reduced as weak market sentiment called for a need to increase sub-underwriting fees payable to third parties. As much as this business is driven by market sentiment, we are confident that this shall return and thus expect increased activity in such offering to our clients and through our ECM network.

Website and financial and credit information services

Subscriptions growth during the Period leveled off after a significant increase in the prior year attributed to the resurgence of market confidence. Revenue was up at HK\$10.3 million (2003: HK\$8.4 million). Since the end of March, our churn rate had increased to 8%. The subscription revenues contribute up to 51% of the turnover of Quamnet.com. Advertising and investor relations (26%), credit services (20%) and other services (3%) contribute to the balance of revenues.



However, since early September, we have seen a rapid pick-up in revenues in all sectors of activities, which augurs well for the second half. Our initiatives of employee vetting services under the brand “TrustPlus” at Quam Data Services as well as our cooperation with the Open University in respect to the LiPACE tutorial classes covering the subject of “value investing” have increased the Company’s reach, penetration and exposure.

Our penetration in China is gradual and needs to pick up more momentum. We have spent much effort in expending our products and services in that market.

Conclusion

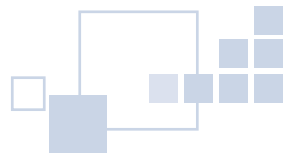
On the whole, this Period has been disappointing due to the slowdown in the market. However, despite this situation, our market share has expanded and we have been able to attract new business and develop new markets. We are confident that the second half will be more productive and are well placed to meet these challenges.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s cash and bank and short term bank deposit balances as at 30 September 2004 was approximately HK\$20.6 million. Furthermore, the Group has marketable securities of approximately HK\$35.3 million as at 30 September 2004.

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and term loans from other third parties. As at 30 September 2004, the Group had available aggregate banking facilities of approximately HK\$105 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients. As at 30 September 2004, approximately HK\$38.5 million was utilised on these banking facilities and HK\$11.7 million from other third parties which are unsecured.

The Group’s gearing ratio, largely the result of the securities margin lending business, was 44.3% as at 30 September 2004 (31 March 2004: 48.1%).



DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2004, the interests and short positions of the Directors and Chief Executive of the Company in shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register or required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position in shares in the Company

Name of Directors	Number of ordinary shares held and nature of interests				Percentage of shareholding
	Personal	Family	Corporate	Total	
Mr. Bernard Pouliot	87,352	1,500,000 <i>(Note 1)</i>	25,294,328 <i>(Note 2)</i>	26,881,680	25.26
Mr. Kenneth Lam Kin Hing	3,395,697	–	20,274,810 <i>(Note 3)</i>	23,670,507	22.24
Mr. Richard David Winter	1,992,573	–	–	1,992,573	1.87

Notes:

1. The family interests of Mr. Bernard Pouliot are held by his wife, Ms. Chan Wai Yin, Elizabeth.
2. The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, the controlling shareholders of the Company, which are wholly beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.
3. The corporate interests are held by Olympia Asian Limited, a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.

Save as disclosed above, as at 30 September 2004, none of the Directors of the Company or their respective associates had or was deemed to have any interests or short positions 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).

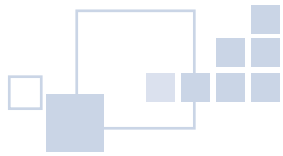
DIRECTORS' RIGHT TO ACQUIRE SHARES

The Company has two share option schemes, namely employee share option scheme adopted on 4 September 1997 and terminated on 30 September 2002 (the "Old Scheme") and new share option scheme adopted on 30 September 2002 (the "New Scheme").

The following table discloses details of share options outstanding of the Company under the New Scheme and the Old Scheme and movements during the Period:

Name of category of participant	Date granted [#]	Exercise period	Exercise price HK\$	Number of Share Options				
				At 1 April 2004	Lapsed during the Period	Exercise during the Period	Cancelled during the Period	At 30 September 2004
Old Scheme								
Employees								
In aggregate	5/3/2001	5/9/2001 to 8/9/2011	1.1875	596,800	28,480	-	37,760	530,560
				596,800	28,480	-	37,760	530,560
New Scheme								
Directors								
Mr. Bernard Pouliot	29/7/2002	29/7/2002 to 28/7/2012	0.6700	3,543,586	-	-	-	3,543,586
Mr. Kenneth Lam Kin Hing	29/7/2002	29/7/2002 to 28/7/2012	0.6700	3,543,586	-	-	-	3,543,586
Mr. Richard David Winter	29/7/2002	29/7/2002 to 28/7/2012	0.6700	3,543,586	-	-	-	3,543,586
				10,630,758	-	-	-	10,630,758

[#] The vesting period of the share options is from the date of the grant until the commencement of the exercise period.



Save as disclosed above, at no time during the six months ended 30 September 2004 was the Company and any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, so far as known to the Directors of the Company, the persons (other than the Directors and chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

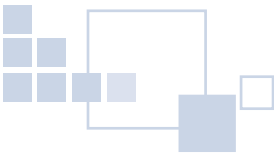
Long position in shares in the Company

Name of Shareholders	Number of Shares beneficially held	Percentage of shareholding
Olympia Asian Limited (<i>Note 1</i>)	20,274,810	19.05
Newer Challenge Holdings Limited (<i>Note 2</i>)	18,873,250	17.73
Porto Global Limited (<i>Note 2</i>)	6,421,078	6.03

Notes:

1. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.
2. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.

Save as disclosed above, as at 30 September 2004, the Directors of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the shares, underlying shares and debentures in the Company as recorded in the register required to be kept under section 336 of the SFO.



EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2004, the Group had a total full time staff of 133 and part time staff of 3. This included 17 staff based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on discretionary annual basis based on performance and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme and medical insurance. Share options are granted to certain staff and directors of the Group.

BOARD OF DIRECTORS

Executive Directors

Mr. Bernard Pouliot, *Chairman*

Mr. Kenneth Lam Kin Hing, *Deputy Chairman*

Mr. Richard David Winter, *Deputy Chairman*

Non-executive Director

Mr. Esmond Quek Keng Liang (appointed on 13 September 2004)

Independent Non-executive Directors

Mr. Gordon Kwong Che Keung

Mr. Jeremy King

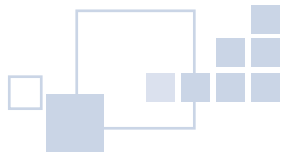
Mr. Steven Kwan Ying Wai

PURCHASE, REDEMPTION OR SALE OF SHARES

During the six months ended 30 September 2004, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the Period.



COMPLIANCE WITH THE CODE OF BEST PRACTICE

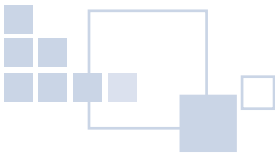
None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules, except that independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim report for the six months ended 30 September 2004.

By order of the Board
Bernard Pouliot
Chairman

Hong Kong
9 December 2004



INDEPENDENT REVIEW REPORT

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

**To the Board of Directors of
Quam Limited**
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim report set out on pages 1 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim report is the responsibility of, and has been approved by, the Directors.

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

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquires of group management and applying analytical procedures to the interim report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim report for the six months ended 30 September 2004.

Grant Thornton
Certified Public Accountants

Hong Kong
9 December 2004