



# Quam Limited

*(Incorporated in Bermuda with limited liability)*  
Stock Code: 952

## Interim Report 2007



# Contents

Condensed Consolidated Income Statement	2
Condensed Consolidated Balance Sheet	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Cash Flow Statement	6
Notes to the Interim Financial Statements	7
Management Discussion and Analysis	29
Additional Information	33
Report on Review of Interim Financial Information	41
Corporate Information	42

# Condensed Consolidated Income Statement

For the six months ended 30 September 2007

The board of directors (the “Board” or the “Directors”) of Quam Limited (the “Company”) presents the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2007.

	Notes	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
<b>Revenue/Turnover</b>	4	217,492	82,690
Fair value gain on financial assets at fair value through profit or loss		5,800	4,503
Other operating income	5	10,817	7,384
Cost of services provided		(76,408)	(23,361)
Staff costs		(55,592)	(36,161)
Depreciation and amortisation expenses		(1,768)	(1,756)
Provision for impairment of goodwill		–	(43)
Other operating expenses, net		(35,548)	(13,695)
<b>Profit from operations</b>	6	64,793	19,561
Finance costs		(5,993)	(4,416)
Share of results of an associate	14	1,080	258
<b>Profit before income tax</b>		59,880	15,403
Income tax expense	7	(4,650)	(2,587)
<b>Profit for the period, attributable to equity holders of the Company</b>		55,230	12,816
<b>Dividends</b>	8	9,367	4,389
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>	9		
– Basic		9.26 cents	2.46 cents*
– Diluted		8.36 cents	2.39 cents*

\* Restated

# Condensed Consolidated Balance Sheet

As at 30 September 2007

	Notes	30 September 2007 HK\$'000 Unaudited	31 March 2007 HK\$'000 Audited
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	8,192	3,882
Goodwill	11	14,695	14,695
Other intangible assets	12	4,097	4,981
Available-for-sale financial assets	13	32,408	6,958
Interest in an associate	14	1,730	651
Other assets	15	2,550	2,450
		<b>63,672</b>	<b>33,617</b>
<b>Current assets</b>			
Trade receivables	16	575,343	488,981
Short term loan receivables		—	1,267
Prepayments, deposits and other receivables		8,480	6,625
Financial assets at fair value through profit or loss	17	25,047	17,064
Amount due from an associate	14	689	1,242
Trust time deposits held on behalf of customers		109,366	136,557
Trust bank balances held on behalf of customers		184,059	106,207
Cash and cash equivalents		57,742	62,445
		<b>960,726</b>	<b>820,388</b>
<b>Current liabilities</b>			
Trade payables	18	431,127	404,881
Borrowings	19	251,301	215,619
Provision for tax		6,033	1,383
Other payables and accruals		91,760	47,529
Finance lease payables		894	201
		<b>781,115</b>	<b>669,613</b>
<b>Net current assets</b>			
Total assets less current liabilities		<b>179,611</b>	<b>150,775</b>
<b>Non-current liabilities</b>			
Finance lease payables		2,436	403
Deferred tax liabilities		36	36
		<b>2,472</b>	<b>439</b>
<b>Net assets</b>			
		<b>240,811</b>	<b>183,953</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	2,061	1,617
Reserves		238,750	182,336
<b>Total equity</b>		<b>240,811</b>	<b>183,953</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

## Equity attributable to equity holders of the Company

	Share	Share	Contributed	Share	Capital	Exchange	Retained	Proposed	Total
	Capital	premium	surplus	option	redemption	reserve	profits	final	
	HK\$'000	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	dividend	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 April 2006	1,135	4,677	65,708	-	932	31	51,803	-	124,286
Exercise of share options	35	2,340	-	-	-	-	-	-	2,375
Bonus issue	293	(293)	-	-	-	-	-	-	-
Translation differences (net income recognised directly in equity)	-	-	-	-	-	6	-	-	6
Profit for the period	-	-	-	-	-	-	12,816	-	12,816
Total recognised income and expense for the period	-	-	-	-	-	6	12,816	-	12,822
Share-based compensation	-	-	-	2,206	-	-	-	-	2,206
Transfer of contributed surplus	-	-	(25,000)	-	-	-	25,000	-	-
At 30 September 2006	1,463	6,724	40,708	2,206	932	37	89,619	-	141,689
At 1 April 2007	1,617	30,950	30,708	4,236	932	50	108,992	6,468	183,953
Additional final dividend 2007	-	-	-	-	-	-	(308)	308	-
Exercise of share options*	105	8,314	-	(2,755)	-	-	-	-	5,664
Bonus issue	339	(339)	-	-	-	-	-	-	-
Translation differences (net income recognised directly in equity)	-	-	-	-	-	26	-	-	26
Profit for the period	-	-	-	-	-	-	55,230	-	55,230
Total recognised income and expense for the period	-	-	-	-	-	26	55,230	-	55,256
Share-based compensation	-	-	-	2,714	-	-	-	-	2,714
Final dividend	-	-	-	-	-	-	-	(6,776)	(6,776)
Transfer of contributed surplus**	-	-	(10,000)	-	-	-	10,000	-	-
At 30 September 2007	2,061	38,925	20,708	4,195	932	76	173,914	-	240,811

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

- \* Mr. Kenneth Lam Kin Hing, executive director of the Company, had exercised his rights to convert his 2,916,666 share options at the exercise price of HK\$0.28 each into 2,916,666 ordinary shares of HK\$0.005 each of the Company on 26 June 2007.

Other participants of the Group had exercised their rights to convert their 1,000,000 share options at the exercise price of HK\$0.28 each into 1,000,000 ordinary shares of HK\$0.005 each of the Company on 28 May 2007.

Some employees of the Group had exercised their rights to convert their 11,261,331 share options at the exercise price of HK\$0.28 each into 11,261,331 ordinary shares of HK\$0.005 each of the Company during 11 June 2007 to 1 August 2007.

Some employees of the Group had exercised their rights to convert their 228,000 share options at the exercise price of HK\$0.475 each into 228,000 ordinary shares of HK\$0.005 each of the Company during 26 June 2007 to 18 July 2007.

Mr. Bernard Pouliot, executive director of the Company, had exercised his rights to convert his 5,250,000 share options at the exercise price of HK\$0.1555 each into 5,250,000 ordinary shares of HK one third of one cent each of the Company on 11 September 2007.

Some employees of the Group had exercised their rights to convert their 3,150,000 share options at the exercise price of HK\$0.1555 each into 3,150,000 ordinary shares of HK one third of one cent each of the Company during 30 August 2007 to 27 September 2007.

- \*\* It was resolved by the directors of the Company that an amount of HK\$10,000,000 be transferred from the contributed surplus account to the retained profits in accordance with the Bye-laws of the Company with effect from 30 September 2007.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Net cash outflow from operating activities	(21,384)	(10,503)
Net cash (outflow)/inflow from investing activities	(20,071)	4,381
Net cash inflow from financing activities	36,752	15,776
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,703)</b>	9,654
Cash and cash equivalents at 1 April	62,445	21,484
Cash and cash equivalents at 30 September	57,742	31,138
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	54,360	27,379
Time deposits with original maturity of less than three months	3,382	3,759
	57,742	31,138

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 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 2007 except for the adoption of new standards, amendments to standards and interpretations which are effective for accounting periods beginning on or after 1 April 2007 as set out below:

Amendment to HKAS 1	“Presentation of Financial Statements” – Capital Disclosures
HKFRS 7	“Financial Instruments: Disclosures”
HK(IFRIC) Interpretation 7	“Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies”
HK(IFRIC) Interpretation 8	“Scope of HKFRS 2”
HK(IFRIC) Interpretation 9	“Reassessment of Embedded Derivatives”
HK(IFRIC) Interpretation 10	“Interim Financial Reporting and Impairment”
HK(IFRIC) Interpretation 11	“HKFRS 2 – Group and Treasury Share Transactions”

The adoption of the above has no material impact to the Group’s condensed consolidated interim balance sheet and income statement.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted. The directors of the Company is currently assessing the impact of these standards and interpretations but are not yet in position to state whether they would have material financial impact on the Group’s financial statements.

HKAS 23 (Revised)	“Borrowing Costs” <sup>1</sup>
HKFRS 8	“Operating Segments” <sup>1</sup>
HK(IFRIC) Interpretation 12	“Service Concession Arrangements” <sup>2</sup>
HK(IFRIC) Interpretation 13	“Customer Loyalty Programmes” <sup>3</sup>
HK(IFRIC) Interpretation 14	“HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008



# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 3. SEGMENT INFORMATION

### (a) Primary reporting format – business segments

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

Summary details of the business segments are as follows:

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

The Group's inter-segment transactions were related to placement, margin financing, advisory and website management and related service income. Inter-segment revenue are determined by directors and are based on pricing policies similar to those contracted with independent third parties, where applicable.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 3. SEGMENT INFORMATION (Continued)

### (a) Primary reporting format – business segments (Continued)

Segment information for the six months ended 30 September 2007 and 2006 is as follows:

2007	Margin							Total HK\$'000 Unaudited
	Securities broking and placement HK\$'000 Unaudited	financing and money lending 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	
Segment revenue								
Sales to external customers	111,854	16,911	11,045	66,315	11,367	-	-	217,492
Inter-segment sales	-	-	1,068	-	5,670	-	(6,738)	-
<b>Total</b>	<b>111,854</b>	<b>16,911</b>	<b>12,113</b>	<b>66,315</b>	<b>17,037</b>	<b>-</b>	<b>(6,738)</b>	<b>217,492</b>
<b>Segment results</b>	<b>10,765</b>	<b>4,986</b>	<b>4,379</b>	<b>32,127</b>	<b>2,565</b>	<b>3,388</b>		<b>58,210</b>
Unallocated income								7,484
Unallocated corporate income and expenses								(6,894)
Share of results of an associate								1,060
Profit before income tax								59,880
Income tax expense								(4,650)
<b>Profit for the period</b>								<b>55,230</b>

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 3. SEGMENT INFORMATION (Continued)

### (a) Primary reporting format – business segments (Continued)

2006	Securities	Margin	Advisory	Asset	Website	Investments	Eliminations	Total
	broking and placement	financing and money lending						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>Segment revenue</b>								
<b>Sales to external customers</b>	41,650	11,281	14,904	3,570	11,285	-	-	82,690
<b>Inter-segment sales</b>	-	-	780	-	397	-	(1,177)	-
<b>Total</b>	<b>41,650</b>	<b>11,281</b>	<b>15,684</b>	<b>3,570</b>	<b>11,682</b>	<b>-</b>	<b>(1,177)</b>	<b>82,690</b>
<b>Segment results</b>	<b>6,893</b>	<b>2,435</b>	<b>5,751</b>	<b>630</b>	<b>(3,721)</b>	<b>3,433</b>		<b>15,421</b>
Unallocated income								4,105
Unallocated corporate income and expenses								(4,381)
Share of results of an associate								258
<b>Profit before income tax</b>								<b>15,403</b>
Income tax expense								(2,587)
<b>Profit for the period</b>								<b>12,816</b>

### (b) Secondary reporting format – 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 and Shanghai, the People's Republic of China, which account for less than 1% of the Group's revenue.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 4. REVENUE/TURNOVER

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

	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
Advertising and content fee income	1,472	1,483
Website management and related services fee income	9,895	8,018
Commission income on securities and futures broking	84,085	33,681
Advisory fee income	11,045	14,904
Placement and underwriting fee income	25,639	7,969
Income from margin financing and money lending operations	16,911	11,281
Fund management fee income	66,315	3,570
Credit information service fee income	–	1,784
Wealth management service income	2,130	–
	<b>217,492</b>	<b>82,690</b>

## 5. OTHER OPERATING INCOME

	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
Interest income from banks and others	7,484	4,105
Exchange gains, net	558	704
Gain on disposal of available-for-sale financial assets	–	90
Bad debt written back	183	–
Sundry income	2,592	2,485
	<b>10,817</b>	<b>7,384</b>

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 6. PROFIT FROM OPERATIONS

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

	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
Amortisation of other intangible assets (note 12)	884	905
Depreciation of property, plant and equipment (note 10)		
Owned assets	765	851
Leased assets	119	–
	<b>1,768</b>	1,756
Staff costs (including directors' remuneration):		
Salaries and other allowances	52,170	33,505
Retirement benefits scheme contribution	708	575
Employee share-based compensation	2,714	2,081
	<b>55,592</b>	36,161
Consultancy fee for marketing and promotion #	18,042	6,483
Gain on disposal of property, plant and equipment	(1)	(152)
Provision for impairment of trade receivables	10,034	65
Provision for shortfall in collateral	9,000	–

# included in cost of services provided

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006 : 17.5%) on the estimated assessable profit for the period.

	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
Current tax		
– Hong Kong		
Tax for the period	4,650	2,587

As at 30 September 2007, a provision was made for deferred tax liabilities of HK\$36,000 (31 March 2007 : HK\$36,000) calculated at the rate of 17.5% (31 March 2007 : 17.5%) in respect of the temporary differences arising from accelerated depreciation allowances.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 7. INCOME TAX EXPENSE (Continued)

As at 30 September 2007, the principal components of the Group's unrecognised deferred tax assets/(liabilities) calculated at 17.5% (31 March 2007 : 17.5%) on the cumulative temporary differences are analysed as follows:

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Accelerated depreciation allowances	(429)	(219)
Tax losses	19,849	20,332
Other temporary differences	2,247	498
	<b>21,667</b>	<b>20,611</b>

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

## 8. DIVIDENDS

- (a) Dividends attributable to the interim period

	<b>Six months ended 30 September 2007 HK\$'000 Unaudited</b>	Six months ended 30 September 2006 HK\$'000 Unaudited
Interim dividend declared after the interim period of HK1.50 cents per share (2006 : HK1.50 cents per share)	<b>9,367</b>	4,389

The interim dividend has not been recognised as a liability at the balance sheet date. The amount of interim dividend is based on 624,458,356 shares in issue on 6 December 2007 (2006 : 292,611,890 shares in issue on 20 December 2006).

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

	<b>Six months ended 30 September 2007 HK\$'000 Unaudited</b>	Six months ended 30 September 2006 HK\$'000 Unaudited
Final dividend in respect of the financial year ended 31 March 2007, approved and paid during the following interim period, of HK2.0 cents per share (31 March 2006 : Nil)	<b>6,776</b>	-

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 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\$55,230,000 (2006 : HK\$12,816,000) and on the weighted average of 596,507,436 (2006 : 521,908,848, restated) ordinary shares in issue during the period.

During the period, the Company made a bonus issue of ordinary shares on the basis of one new share of par value of HK\$0.005 each for every five existing shares of par value of HK\$0.005 each on 21 August 2007 ("Bonus Issue"). On 30 August 2007, the Company subdivided two existing issued and unissued ordinary share of par value of HK\$0.005 each into three ordinary shares of par value of HK one third of one cent each ("Share Subdivision"). The comparative figures of basic and diluted earnings per share have been restated for the effect of the Bonus Issue and the Share Subdivision.

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\$55,230,000 (2006 : HK\$12,816,000) and the weighted average of 660,375,092 (2006 : 535,824,536, restated) 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 596,507,436 (2006 : 521,908,848, restated) ordinary shares in issue during the period, as used in the calculation of the basic earnings per share, plus the weighted average number of 63,867,656 (2006 : 13,915,688, restated) ordinary shares deemed to be issued at no consideration as if the share options have been exercised.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold improvements</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited
Net book value at 1 April 2006	558	3,265	3,823
Additions	–	945	945
Disposals	–	(74)	(74)
Depreciation	(222)	(629)	(851)
Translation differences	2	12	14
<b>Net book value at 30 September 2006</b>	<b>338</b>	<b>3,519</b>	<b>3,857</b>

	<b>Leasehold improvements</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited
Net book value at 1 April 2007	103	3,779	3,882
Additions	679	4,510	5,189
Disposals	–	(2)	(2)
Depreciation	(133)	(751)	(884)
Translation differences	–	7	7
<b>Net book value at 30 September 2007</b>	<b>649</b>	<b>7,543</b>	<b>8,192</b>



# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 11. GOODWILL

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

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Net carrying amount at beginning of the period/year	<b>14,695</b>	14,695
Net carrying amount at end of the period/year	<b>14,695</b>	14,695

## 12. OTHER INTANGIBLE ASSETS

	<b>Trading rights HK\$'000 Unaudited</b>	<b>Database HK\$'000 Unaudited</b>	<b>Total HK\$'000 Unaudited</b>
Net book value at 1 April 2006	6,750	797	7,547
Amortisation	(884)	(21)	(905)
Disposals	–	(776)	(776)
Net book value at 30 September 2006	5,866	–	5,866

	<b>Trading rights HK\$'000 Unaudited</b>	<b>Database HK\$'000 Unaudited</b>	<b>Total HK\$'000 Unaudited</b>
Net book value at 1 April 2007	4,981	–	4,981
Amortisation	(884)	–	(884)
Net book value at 30 September 2007	4,097	–	4,097

All amortisation are included in “Depreciation and amortisation expenses” in the income statement.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 September 2007 HK\$'000 Unaudited	31 March 2007 HK\$'000 Audited
Unlisted equity securities		
At cost (note (a))	18,699	18,706
Less: Provision for impairment	(11,748)	(11,748)
<b>Listed equity securities</b>	<b>6,951</b>	<b>6,958</b>
At market value	25,457	-
	<b>32,408</b>	<b>6,958</b>

Note:

- (a) The investment in unlisted equity securities are stated at cost less accumulated impairment losses as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

Name	Place of incorporation	Percentage of issued share capital held by the Group		Carrying value of the Group's investments as at 30 September 2007
		2007	2006	HK\$'000
Gigabyte International Holdings Limited ("Gigabyte")	British Virgin Islands	47.7	47.7	3,987

The Group has not accounted for Gigabyte as an associate because Gigabyte's main asset is a 4.11% (2006 : 4.45%) interest in an Internet Telecommunication Services Company ("Teleco"). The primary business activity of Teleco is provision of internet access, internet hosting and related services. Gigabyte has no significant influence over Teleco and has no board representation in that company. The directors consider Gigabyte to be an investment holding vehicle for its interest in Teleco, and hold it for no other reason. The investment in Gigabyte has accordingly been accounted for as an available-for-sale financial asset based on its interest in Teleco.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 14. INTEREST IN AN ASSOCIATE

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Share of net assets	<b>1,730</b>	651

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Amount due from an associate	<b>689</b>	1,242

The amount due is unsecured, interest-free and repayable on demand.

Particulars of the associate at 30 September 2007 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of interest held by the Group
Verify Limited	Mauritius	10,000 ordinary shares of US\$1 each	25%

## 15. OTHER ASSETS

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

## 16. TRADE RECEIVABLES

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Trade receivables	<b>595,205</b>	498,809
Less: provision for impairment of receivables	<b>(19,862)</b>	(9,828)
Trade receivables – net	<b>575,343</b>	488,981

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 16. TRADE RECEIVABLES (Continued)

The Group's trade receivables as at 30 September 2007 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 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 aging analysis of the trade receivables as at the balance sheet date, based on due date and net of provision, is as follows:

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Repayable on demand – margin clients receivable	233,095	204,938
Within 180 days	341,857	282,449
180 days – 360 days	100	1,467
Over 360 days	291	127
	<b>575,343</b>	<b>488,981</b>

Included in the Group's margin clients receivable were amounts due from directors of HK\$4,581,000 (31 March 2007 : HK\$3,298,000) in respect of transactions in securities as at 30 September 2007.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Listed equity securities, at market value:		
Hong Kong	11,641	11,767
Elsewhere	13	13
Overseas unlisted equity securities, at fair value <sup>#</sup>	13,393	5,284
	<b>25,047</b>	<b>17,064</b>
Market value of listed investments	<b>11,654</b>	<b>11,780</b>

<sup>#</sup> The overseas unlisted equity securities represents the Group's investments in an investment fund. The fair value of this investment is determined with reference to the investment fund's net asset value as at the balance sheet date.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The carrying amounts of the above financial assets at fair value through profit or loss are classified as held for trading.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

## 18. TRADE PAYABLES

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

	30 September 2007 HK\$'000 Unaudited	31 March 2007 HK\$'000 Audited
Repayable on demand:		
<i>Securities transactions</i>		
– margin clients payable	130,515	65,846
– cash clients payable	214,021	222,030
<i>Futures and options contracts</i>		
– clients payable	52,919	75,831
	<b>397,455</b>	<b>363,707</b>
Within 180 days	33,618	41,119
Over 180 days	54	55
	<b>431,127</b>	<b>404,881</b>

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 was nil amount due to director (31 March 2007 : HK\$7,000 for a director) in respect of transactions in securities as at 30 September 2007.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 19. BORROWINGS

	<b>30 September 2007</b>	31 March 2007
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Audited
Bank loans (secured)	<b>211,301</b>	175,619
Other loan (unsecured)	<b>40,000</b>	40,000
<b>Total</b>	<b>251,301</b>	215,619

At 30 September 2007, the Group's borrowings were repayable as follows:

	<b>30 September 2007</b>		31 March 2007	
	<b>Bank loans HK\$'000 Unaudited</b>	<b>Other loan HK\$'000 Unaudited</b>	Bank loans HK\$'000 Audited	Other loan HK\$'000 Audited
On demand	<b>211,301</b>	–	175,619	–
Within one year	–	<b>40,000</b>	–	40,000
<b>Total</b>	<b>211,301</b>	<b>40,000</b>	175,619	40,000

- (a) The bank loans of the Group were secured by marketable securities of HK\$213 million (31 March 2007 : HK\$213 million) pledged to the Group by margin clients and certain of the Group's listed equity securities included under financial assets at fair value through profit or loss and cash at bank amounting to HK\$5.6 million (31 March 2007 : HK\$5.4 million) and HK\$574,000 (31 March 2007 : HK\$137,000) respectively. The bank loans of the Group bear floating interest rates ranging from 5.9% to 8.25% per annum (31 March 2007 : 4.3% to 7.5% per annum).
- (b) Other loan of HK\$40,000,000 (31 March 2007 : HK\$40,000,000) bears fixed interest rate at 8% per annum (31 March 2007 : 7.3% per annum) and is repayable on 31 July 2008.
- (c) The carrying amounts of short term borrowings approximate their fair value.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 19. BORROWINGS (Continued)

(d) The carrying amount of the borrowings are denominated in the following currencies:

	30 September 2007 HK\$'000 Unaudited	31 March 2007 HK\$'000 Audited
Hong Kong dollars	235,000	200,100
United States dollars	16,301	15,519
	<b>251,301</b>	<b>215,619</b>

## 20. SHARE CAPITAL

	Notes	30 September 2007		HK\$'000 Unaudited
		Number of ordinary shares of HK\$0.005 each Unaudited	Number of ordinary shares of HK one third of one cent each Unaudited	
Authorised:				
At 1 April 2007		20,000,000,000	-	100,000
Share subdivision		(20,000,000,000)	30,000,000,000	-
At 30 September 2007		-	30,000,000,000	100,000
Issued and fully paid:				
At 1 April 2007		323,411,890	-	1,617
Exercise of share options	(a)	15,405,997	-	77
Bonus Issue	(b)	67,763,577	-	339
Share subdivision	(c)	(406,581,464)	609,872,196	-
Exercise of share options	(d)	-	8,400,000	28
At 30 September 2007		-	618,272,196	2,061

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 20. SHARE CAPITAL (Continued)

	31 March 2007		HK\$'000 Audited
	Number of ordinary shares of HK\$0.01 each Audited	Number of ordinary shares of HK\$0.005 each Audited	
Authorised:			
At 1 April 2006	10,000,000,000	–	100,000
Share subdivision	(10,000,000,000)	20,000,000,000	–
At 31 March 2007	–	20,000,000,000	100,000
Issued and fully paid:			
At 1 April 2006	113,501,170	–	1,135
Exercise of share options	3,543,586	–	35
Bonus Issue	29,261,189	–	293
Share subdivision	(146,305,945)	292,611,890	–
Exercise of share options	–	800,000	4
Issue of shares	–	30,000,000	150
At 31 March 2007	–	323,411,890	1,617

### Notes:

- (a) Mr. Kenneth Lam Kin Hing, executive director of the Company, had exercised his rights to convert his 2,916,666 share options at the exercise price of HK\$0.28 each into 2,916,666 ordinary shares of HK\$0.005 each of the Company on 26 June 2007.

Other participant of the Group had exercised their rights to convert their 1,000,000 share options at the exercise price of HK\$0.28 each into 1,000,000 ordinary shares of HK\$0.005 each of the Company on 28 May 2007.

Some employees of the Group had exercised their rights to convert their 11,261,331 share options at the exercise price of HK\$0.28 each into 11,261,331 ordinary shares of HK\$0.005 each of the Company during 11 June 2007 to 1 August 2007.

Some employees of the Group had exercised their rights to convert their 228,000 share options at the exercise price of HK\$0.475 each into 228,000 ordinary shares of HK\$0.005 each of the Company during 26 June 2007 to 18 July 2007.



# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 20. SHARE CAPITAL (Continued)

- (b) On 5 July 2007, the directors of the Company recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every five shares of the Company, and this was approved by the shareholders at the annual general meeting of the Company held on 14 August 2007 (the "Bonus Issue"). The bonus shares had been credited as fully paid by way of capitalisation of an amount of about HK\$338,818 in the share premium account of the Company on 21 August 2007. The bonus shares ranked *pari passu* in all respects with the shares of the Company and the Company did not allot any fractions of bonus shares.
- (c) On 5 July 2007, the directors of the Company proposed that two existing issued and unissued shares of par value of HK\$0.005 each in share capital of the Company be subdivided into three ordinary shares of HK one third of one cent each (the "Share Subdivision"). Effective from 30 August 2007, each of the existing issued and unissued ordinary shares of par value of HK\$0.005 each in the share capital of the Company was subdivided into one and half ordinary shares of HK one third of one cent each.
- (d) Mr. Bernard Pouliot, executive director of the Company, had exercised his rights to convert his 5,250,000 share options at the exercise price of HK\$0.1555 each into 5,250,000 ordinary shares of HK one third of one cent each of the Company on 11 September 2007.

Some employees of the Group had exercised their rights to convert their 3,150,000 share options at the exercise price of HK\$0.1555 each into 3,150,000 ordinary shares of HK one third of one cent each of the Company during 30 August 2007 to 27 September 2007.

## 21. OPERATING LEASE COMMITMENTS

At 30 September 2007, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	<b>30 September 2007 HK\$'000 Unaudited</b>	31 March 2007 HK\$'000 Audited
Within one year	<b>9,769</b>	9,173
In the second to fifth years, inclusive	<b>7,743</b>	9,386
	<b>17,512</b>	18,559

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 22. 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:

	Notes	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
<b>Related companies</b>			
Consultancy fee income received	(a)	–	1,058
Securities and futures trading fee:			
Baroque Investments Limited, a company in which Mr Bernard Pouliot has indirect interests	(b)	5	16
Porto Global Limited, a company in which Mr Bernard Pouliot has 100% interest	(b)	–	–
Newer Challenge Holdings Limited, a company in which Mr Bernard Pouliot has 100% interest	(b)	6	2
Interest income on margin financing:			
Baroque Investments Limited, a company in which Mr Bernard Pouliot has indirect interests	(b)	74	244
Porto Global Limited, a company in which Mr Bernard Pouliot has 100% interest	(b)	–	–
Newer Challenge Holdings Limited, a company in which Mr Bernard Pouliot has 100% interest	(b)	27	1
Interest expense on margin financing	(c)	(130)	(224)

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 22. RELATED PARTY TRANSACTIONS (Continued)

	Notes	Six months ended 30 September 2007 HK\$'000 Unaudited	Six months ended 30 September 2006 HK\$'000 Unaudited
<b>Directors</b>			
Securities and futures trading fee:			
Mr. Bernard Pouliot	(b)	101	49
Mr. Kenneth Lam Kin Hing	(b)	1,723	1,048
Mr. Richard David Winter	(b)	1	6
Interest income on margin financing:			
Mr. Bernard Pouliot	(b)	252	92
Mr. Kenneth Lam Kin Hing	(b)	23	1
Performance fee income on broking:			
Mr. Kenneth Lam Kin Hing	(b)	386	48
<b>Close family members of the directors</b>			
Securities and futures trading fee:			
Ms. Chan Wai Yin, Elizabeth, spouse of Mr. Bernard Pouliot	(b)	8	–
Ms. Chan Chan Yeuk Lan, mother-in-law of Mr. Bernard Pouliot	(b)	65	50
Ms. Chan Wai Kay, Katherine, sister-in-law of Mr. Bernard Pouliot	(b)	23	1
Mr. Chow Ming Joe, Raymond, brother-in-law of Mr. Bernard Pouliot	(b)	188	17
Ms. Kwok Ka Wai, Mona, spouse of Mr. Kenneth Lam Kin Hing	(b)	903	–

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 22. RELATED PARTY TRANSACTIONS (Continued)

Notes	<b>Six months ended 30 September 2007 HK\$'000 Unaudited</b>	Six months ended 30 September 2006 HK\$'000 Unaudited
<b>Close family members of the directors (Continued)</b>		
Interest income on margin financing:		
Ms. Chan Wai Yin, Elizabeth, spouse of Mr. Bernard Pouliot	(b) 29	1
Mr. Chow Ming Joe, Raymond, brother-in-law of Mr. Bernard Pouliot	(b) 1	-
Performance fee income on broking:		
Ms. Kwok Ka Wai, Mona, spouse of Mr. Kenneth Lam Kin Hing	(b) 266	24

Notes:

- a) Consultancy fees were received from a related company, which has common directors with the Company, for the provision of advisory services and were charged based on mutually agreed terms.
- b) The trading fee, interest and performance fee charged to the above parties were in accordance with the terms similar to those offered to unrelated customers.
- c) The interest paid to a related company, which has common directors with the Company, was on terms similar to those offered by unrelated brokers.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2007

## 22. RELATED PARTY TRANSACTIONS (Continued)

### Compensation of key management personnel

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

	<b>Six months ended 30 September 2007 HK\$'000 Unaudited</b>	Six months ended 30 September 2006 HK\$'000 unaudited
Short term employee benefits	<b>3,164</b>	2,859
Share-based compensation	<b>1,127</b>	891
Retirement benefits scheme contributions	<b>18</b>	18
	<b>4,309</b>	3,768

## 23. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current period when necessary.

The reclassification that has been made to the comparative figures in the condensed consolidated balance sheet as at 31 March 2007, to be consistent with the presentation in the current period's condensed balance sheet, is the "Other payables and accruals" of HK\$2,253,000 being reclassified to "Trade payables".

The reclassification that has been made to the comparative figures in the condensed consolidated income statement for the six months ended 30 September 2006, to be consistent with the presentation in the current period's condensed income statement, is the interest on bank loans and other borrowings of HK\$4,416,000 being reclassified from "Interest expenses for financial services operations" to "Finance costs".

# Management Discussion and Analysis

## FINANCIAL REVIEW

The Group is very pleased to report an interim profit of HK\$55.2 million (2006 : HK\$12.8 million). The Group's revenue for the period significantly increased to HK\$217.5 million (2006 : HK\$82.7 million) representing an increase of over 163% comparing with the same period last year. Our Asset Management division also contributed significantly both in terms of performance and management fees. Securities and futures brokerage and placement services continue to be strong, reflecting the buoyant Hong Kong market. Growth in assets under management have increased substantially and now stand at US\$127.6 million (equivalent to HK\$995.0 million) as at 30 September 2007 (2006 : US\$23.7 million (equivalent to HK\$185.0 million)).

## REVIEW OF OPERATIONS

The Group enjoyed strong growth in line with robust financial markets in Hong Kong and around the region. The asset management business and securities and futures brokerage business achieved good performance and were major contributors to the Group's interim profit, their segment results are HK\$32.1 million and HK\$10.8 million respectively. We also continued to see a healthy corporate finance advisory business and wealth management business. The website information and media business continued to grow, albeit, during the period, our major focus was on the revamp of the website which is to be launched in December 2007. In July 2007, we commenced our policy to build a regional presence as mentioned in our annual report 2007, by acquisition through the open market of a strategic stake in Seamico Securities Public Company Limited ("Seamico Securities") in Thailand. Seamico Securities is a full-fledged securities dealer, which the Group has had a long term business relationship. Both Messrs Pouliot and Lam sit on the board respectively in the capacity of Chairman of the board and executive director of Seamico Securities.

### Asset management

Asset management revenues were HK\$66.3 million (2006 : HK\$3.6 million). Management and performance fees earned from managing an expanded asset base, have grown significantly. Assets under management at period end was close to HK\$995.0 million (equivalent to US\$127.6 million) (2006 : HK\$185.0 million (equivalent to US\$23.7 million)). Going forward, we expect further investment funds subscription on the back of the robust capital markets in Hong Kong and the region. The asset management team has grown to 12 staff with added strength on research and administration.



# Management Discussion and Analysis

## REVIEW OF OPERATIONS (Continued)

### Securities and futures dealing and placement

Securities and futures dealing commissions were HK\$84.1 million (2006 : HK\$33.7 million), an increase of 150% comparing with the same period last year. This reflects the strength of the current market and also our continued growth in new accounts for both retail and institutional clients. Placement and underwriting fee income increased to HK\$25.6 million (2006 : HK\$8.0 million) while our futures dealing business continued to expand.

The margin lending portfolio at period end stood at HK\$233.1 million (31 March 2007 : HK\$204.9 million). We continued to monitor and assess the impact of lower repledge limits that became effective in October. Furthermore, as the market has achieved higher levels on the Hang Seng Index, we have taken additional steps to monitor our credit exposure.

Our newly set up wealth management business has enjoyed early success and has already reached profitability within the first year of operation, starting from November 2006. We have relocated their services to our new premises in the Fung House at Central, Hong Kong offering more space to our expanding sales team.

### Corporate finance advisory services

During the period under review the corporate finance team closed fifteen transactions and embarked upon several new significant projects. The mergers and acquisitions practice reflected a period of high activity with several transactions closed with other member firms of M&A International Inc. ("M&A International"), subsequent to the M&A International's international spring conference held in Beijing in April 2007.

The financial advisory side of the business also continued to grow in terms of both business volumes and headcount. The continuing strengthening of our track record in the mid-market has resulted in an upturn in dealflow referred from the international Investment Banks in this sector. Specific examples of transactions to which our infrastructure and resources have proved well suited is the provision of ongoing compliance advisory services to companies newly listed on the Stock Exchange, and independent financial advice to these Investment Bank's regular clients.

# Management Discussion and Analysis

## REVIEW OF OPERATIONS (Continued)

### Wealth management website

Revenue from the Quamnet website business was at HK\$11.4 million (2006 : HK\$9.5 million). Subscriptions unit registered steady growth in subscribers. Advertising and related media services revenue were soft in light of the total revamp occurring on the website.

Our average monthly ARPU (average revenue per user) now stands at HK\$251 (2006 : HK\$209) with close to 6,500 (2006 : 5,000) paying subscribers. We continue to focus on broadening the content available on our website and extending our reach in China and have been successful in distributing our premium content on other major websites portals such as MSN Hong Kong and Sina.com.cn. We have set aside considerable capital expenditure this coming year for website revamp and systems and hardware upgrade. We expect the first phase and re-launch of our website in December 2007.


## LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances and short term deposits as at 30 September 2007 amounted to approximately HK\$57.7 million (31 March 2007 : HK\$62.4 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 loan from a third party. As at 30 September 2007, the Group had available aggregate banking facilities of approximately HK\$212.0 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients. The Group had pledged HK\$5.6 million of its investment securities to secure banking facilities as at 30 September 2007. As at 30 September 2007, approximately HK\$56.3 million was utilised on these banking facilities and short term funding of HK\$40 million from a third party was utilised which is unsecured and bears interest at 8% per annum (31 March 2007 : 7.3% per annum) and matures on 31 July 2008.

The Group's gearing ratio, largely the result of the margin and money lending business and with the addition of initial public offerings ("IPO") financing facilities, is 105.7% as at 30 September 2007 (31 March 2007 : 117.2%). It should be noted that IPO facilities were utilised to the amount of HK\$155.0 million as at 30 September 2007 (31 March 2007 : HK\$151.1 million) and were fully repaid during 5 October 2007 to 8 October 2007.





# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2007, the Group has about 151 full time employees and 3 part time employees based in Hong Kong. There were 21 employees based in the People's Republic of China.

Competitive remuneration packages are offered to employees by reference to the 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 the 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 share option scheme with options granted to certain employees and directors of the Group on a discretionary basis.

## PROSPECTS

During the six months under review, the financial markets in Hong Kong and in the region continued their robust activity. The asset management business will be exploring further development plans to grow assets under management. In addition, strategic development of cross border asset management alliances and licenses are being explored. Securities dealing continues to impress with good recurring turnover from both institutional clients and retail customers. Futures trading has also gathered momentum with solid recurring turnover and activity. Corporate finance is expected to continue its strong growth profile.

We shall continue with building our strategic regional footprint by making additional investments in strategic alliances in the second half of the year, having initiated with a stake in Seamico Securities.

We are excited with the imminent relaunch of the Quamnet website. Significant manpower, effort and capital have been dedicated to bring our readers and subscribers a new site with much richer information and more user friendly access to Quamnet's investing tools and proprietary professional independent research.

## INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK1.50 cents per share for the six months ended 30 September 2007 (2006 : HK1.50 cents per share). The interim dividend will be payable on Wednesday, 9 January 2008 to shareholders whose name appear on the Register of Members of the Company on Friday, 28 December 2007.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 24 December 2007 to Friday, 28 December 2007, 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, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 December 2007.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2007, the interests and short positions of the Directors of the Company 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 "Hong Kong 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 Hong Kong Stock Exchange (the "Listing Rules") were as follows:

# Additional Information

## DIRECTORS' INTERESTS IN SECURITIES (Continued)

### Long Positions in shares and underlying shares of the Company

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

Name of directors	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of total interests in the share in issue (Note 4)	Underlying shares (share options)	Approximate percentage of total interests (including underlying shares) in the share in issue (Note 4)
Mr. Bernard Pouliot	22,662,028	6,750,000 (Note 1)	156,598,402 (Note 2)	186,010,430	30.09%	10,500,000	31.78%
Mr. Kenneth Lam Kin Hing	71,052,394	-	91,236,642 (Note 3)	162,289,036	26.25%	10,500,000	27.95%
Mr. Richard David Winter	28,696,311	-	-	28,696,311	4.64%	15,750,000	7.19%

Notes (per information as at 30 September 2007):

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 beneficially owned by Mr. Bernard Pouliot, the Executive Director and Chairman of the Company.
3. The corporate interests are held by Olympia Asian Limited, which is beneficially owned by Mr. Kenneth Lam Kin Hing, the Executive Director and Deputy Chairman of the Company.
4. 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 2007.

In addition to the above, certain directors of the Company hold non-beneficial interests in certain subsidiaries of the Company as nominees for the benefit of the Company or its subsidiaries.

Save as disclosed above, as at 30 September 2007, 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 Hong Kong Stock Exchange pursuant to the Model Code.

# Additional Information

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

The Company operates two share option schemes, which are employee share option scheme adopted on 4 September 1997 and terminated on 30 September 2002 (the "Old Scheme") and new share option scheme adopted on 30 September 2002 (the "New Scheme"), for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Despite the fact that no further options may be granted under the Old Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted. For the details of the Old Scheme and the New Scheme, please refer to the Annual Report 2007 of the Company.

Movements in the share options outstanding under the Old Scheme and the New Scheme during the six months ended 30 September 2007 are as follows:

Participants	Number of share options							Closing price per share				
	Outstanding at 1 April 2007	Granted during the period of six months ended 30 September 2007	Exercised during the period of six months ended 30 September 2007	Lapsed during the period of six months ended 30 September 2007	Adjusted upon Bonus Issue on 21 August 2007	Adjusted upon Share Subdivision on 30 August 2007	Outstanding at 30 September 2007	Date of grant	Exercisable period	Exercise price per share	Immediately before the date of grant	Immediately before the exercise date
	2007	2007	2007	2007	2007	2007	2007	(Note 1)		HK\$	HK\$	HK\$

### Share options granted under the Old Scheme

#### Employees under continuous contract

In aggregate	345,600	-	228,000	-	23,520	70,560	211,680	5 March 2001	5 September 2001 to 8 September 2011	0.4750	N/A	0.8970
	345,600	-	228,000	-	23,520	70,560	211,680					

### Share options granted under the New Scheme

#### Employees under continuous contract

In aggregate	24,375,000	-	8,161,331	2,000,600	3,172,731	9,518,200	26,904,000	9 June 2006	9 June 2007 to 8 June 2016	0.1555	N/A	0.8436
In aggregate	-	2,500,000	-	-	500,000	1,500,000	4,500,000	13 April 2007	13 April 2007 to 12 April 2017	0.4777	0.4780	N/A

# Additional Information

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES (Continued)

Participants	Number of share options						Closing price per share					
	Outstanding at 1 April 2007	Granted during the period of six months ended 30 September 2007 (Note 5)	Exercised during the period of six months ended 30 September 2007	Lapsed during the period of six months ended 30 September 2007	Adjusted upon Bonus Issue on 21 August 2007	Adjusted upon Share Subdivision on 30 August 2007	Outstanding at 30 September 2007	Date of grant (Note 1)	Exercisable period	Exercise price per share HK\$ (Note 2)	Immediately before the date of grant HK\$	Immediately before the exercise date HK\$ (Note 3)
<i>Share options granted under the New Scheme (Continued)</i>												
<i>Employees under continuous contract granted in excess of the individual limit</i>												
Mr. Stephen Christopher Hill	15,000,000	-	5,000,000	-	2,000,000	6,000,000	18,000,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1555	N/A	1.0050
Ms. Katherine Chan Wai Kay	3,750,000	-	2,250,000	-	750,000	2,250,000	4,500,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1555	N/A	0.8600
<i>Directors</i>												
Mr. Bernard Pouliot	8,750,000	-	5,250,000	-	1,750,000	5,250,000	10,500,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1555	N/A	0.9200
Mr. Kenneth Lam Kin Hing	8,750,000	-	2,916,666	-	1,166,666	3,500,000	10,500,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1555	N/A	0.7330
Mr. Richard David Winter	8,750,000	-	-	-	1,750,000	5,250,000	15,750,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1555	N/A	N/A
	69,375,000	2,500,000	23,577,997	2,000,600	11,089,397	33,268,200	90,654,000					

### Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period or the date the vesting conditions are satisfied, whichever is later.
2. The exercise price of the share options disclosed above have been adjusted for the effect of Bonus Issue and Share Subdivision which became effective on 21 August 2007 and 30 August 2007 respectively.
3. The closing price per share disclosed immediately before the exercise date of the share options is the closing price or the weighted average of the closing price of Hong Kong Stock Exchange immediately before the dates on which the options were exercised.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES (Continued)

Notes: (Continued)

4. On 9 June 2006, the board of directors conditionally approved the grant of share options to the Company's executive directors and certain senior management of the Group. Pursuant to the Listing Rules, the grant of the share options was subject to the approval of the independent shareholders. Pursuant to the ordinary resolutions passed in a special general meeting held on 18 September 2006, the grant of share options to the aforesaid Company's executive directors and certain senior management of the Group was approved. Therefore, the date of grant of these aforesaid share options was 18 September 2006 in respect to the valuation purpose pursuant to HKFRS 2.
5. The closing price of the shares of the Company quoted on the Hong Kong Stock Exchange on 12 April 2007, being the business date immediately before the date on which share options were granted, was HK\$0.4780 (which have been adjusted for the effect of Bonus Issue and Share Subdivision which became effective on 21 August 2007 and 30 August 2007, respectively). The fair value of the options granted during the six months ended 30 September 2007 determined as the date of grant on 13 April 2007, using the Binomial Model was HK\$1,212,155.

The assumptions used are as follows:

-	Average risk-free interest rate:	4.263%
-	Expected volatility:	64%
-	Expected dividend per share:	Nil
-	Expected life of option:	6.5 to 7.7 years

Notes:

- a) The average risk-free interest rate: being the approximate yields to maturity of Hong Kong Exchange Fund Note.
- b) Expected volatility: being the approximate historical volatility of closing price of the shares of the Company in the past three year immediately before the date of grant.
- c) Expected life of option: being the effective life of options estimated from the Binomial Model.

The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Save as disclosed above, at no time during the six months ended 30 September 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company 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.

## Additional Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2007, so far as were known to the Directors of the Company, the following persons (other than the Directors of the Company) who had interests or short positions in the shares and underlying shares 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, 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 Positions in shares of the Company

Name of shareholders	Beneficial Interests	Approximate percentage
		of total interests in the share in issue (Note 3)
Olympia Asian Limited (Note 1)	91,236,642	14.76%
Newer Challenge Holdings Limited (Note 2)	97,745,622	15.81%
Porto Global Limited (Note 2)	58,852,780	9.52%

Notes (per information as at 30 September 2007):

1. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, the 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, the Executive Director and Chairman 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 2007.

Save as disclosed above, as at 30 September 2007, the Company had not been notified by any other person (other than the Directors of the Company) 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.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## SHARE CAPITAL

On 5 July 2007, the Board recommended a bonus issues to the shareholders of the Company (except overseas shareholders) on the basis of one bonus share for every five shares of the Company (the “Bonus Issue”). The recommendation was approved by the shareholders at the annual general meeting of the Company held on 14 August 2007. The bonus shares which rank pari passu in all respects with the ordinary shares of the Company were credited as fully paid by way of capitalisation of an amount of about HK\$338,818 in the share premium account of the Company on 21 August 2007.

On 5 July 2007, the Board proposed that each of the two of the existing issued and unissued shares of par value of HK\$0.005 each in the share capital of the Company be subdivided into three shares of par value of Hong Kong one third of one cent each (the “Share Subdivision”). Effective from 30 August 2007, two of the existing issued and unissued shares of par value of HK\$0.005 each in the share capital of the Company was subdivided into three ordinary shares of par value of Hong Kong one third of one cent each.

During the six months ended 30 September 2007, the Company also issued and allotted 15,405,997 new shares at par value of HK\$0.005 each and 8,400,000 new shares at par value of Hong Kong one third of one cent each as a result of the exercise of share options. The net proceed of the subscription amounted to approximately HK\$5,664,000 and were received in cash.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code of the Listing Rules. Having made specific enquiry of all Directors of the Company, 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 2007.

In addition, the Company also established written guidelines on terms no less exacting than the Model Code for relevant employees of the Company who are likely to be in possession of unpublished price-sensitive information regarding dealings of securities of the Company.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2007 of the Company, we reported that the Company had adopted the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices, save for the deviations specified and explained therein.



# Additional Information

## CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

The Board considered that the Company has applied the principles and complied with the code provisions of the CG Code throughout the six months ended 30 September 2007 except for the deviation from code provisions A.2.1 and A.4.1 which are explained as follow:

### Code provision A.2.1

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 the substantial experience on financial services business, extensive management experience and leadership within the Group of Mr. Bernard Pouliot that it is currently most beneficial and efficient to maintain the existing leadership structure.

### Code provision A.4.1

All the existing independent non-executive Directors of the Company do not have a specific term of appointment. This constitutes a deviation from 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. However, pursuant to the Bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation, provided that every director shall be subject to retirement at least once every three years. Therefore, no director has an effective term of appointment longer than three years.

## 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, the internal control system and review the unaudited condensed consolidated financial results of the Company for the six months ended 30 September 2007.

In addition, Messrs. Grant Thornton, performed an independent review of the interim financial statements for the six months ended 30 September 2007 in accordance with Hong Kong Standard on Review Engagements 2410. On the basis of their review which does not constitute an audit, Messrs. Grant Thornton confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial statements have not been prepared, in all material respect, in accordance with HKAS 34 “Interim Financial Reporting”.

By order of the Board  
**Bernard Pouliot**  
*Chairman*

Hong Kong, 6 December 2007

# Report on Review of Interim Financial Information

Certified Public Accountants  
Member of Grant Thornton International

Grant Thornton   
均富會計師行

## Independent Review Report to the Board of Directors of Quam Limited

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 28 which comprise the condensed consolidated balance sheet of Quam Limited as of 30 September 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Grant Thornton**  
*Certified Public Accountants*  
13/F Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong  
6 December 2007

# Corporate Information

## BOARD OF DIRECTORS

### *Executive Directors*

Mr. Bernard Pouliot (*Chairman*)  
Mr. Kenneth Lam Kin Hing (*Deputy Chairman*)  
Mr. Richard David Winter (*Deputy Chairman*)

### *Independent Non-executive Directors*

Mr. Gordon Kwong Che Keung  
Mr. Jeremy King  
Dr. Tian Yuan  
Mr. Ip Shing Hing, J.P.

## AUDIT COMMITTEE

*Chairman:* Mr. Gordon Kwong Che Keung  
*Members:* Mr. Jeremy King  
Mr. Ip Shing Hing, J.P.

## REMUNERATION COMMITTEE

*Chairman:* Mr. Jeremy King  
*Members:* Mr. Gordon Kwong Che Keung  
Mr. Ip Shing Hing, J.P.  
Mr. Richard David Winter

## COMPANY SECRETARY

Mr. Kevin Sew Hoy

## QUALIFIED ACCOUNTANT

Mr. Kevin Sew Hoy

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1005-1008, 10th Floor  
Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

## AUDITOR

Grant Thornton  
*Certified Public Accountants*

## HONG KONG LEGAL ADVISERS

Kirkpatrick & Lockhart Preston Gates Ellis,  
Solicitors  
Charltons

## BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of 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

Standard Chartered Bank (Hong Kong) Limited  
Clariden Leu Ltd  
The Hongkong and Shanghai Banking Corporation Limited  
CITIC Ka Wah Bank Limited  
The Bank of East Asia, Limited

## STOCK CODE

0952

## WEBSITES OF QUAM GROUP

[www.quamlimited.com](http://www.quamlimited.com)  
[www.quamcapital.com.hk](http://www.quamcapital.com.hk)  
[www.quamsecurities.com](http://www.quamsecurities.com)  
[www.quamnet.com](http://www.quamnet.com)  
[www.quamnet.com.cn](http://www.quamnet.com.cn)  
[www.quamir.com](http://www.quamir.com)  
[www.quamwealth.com](http://www.quamwealth.com)

## INVESTOR RELATIONS

Quam Investor Relations  
Room 1008, 10th Floor  
Man Yee Building  
68 Des Voeux Road Central  
Hong Kong  
Tel: (852) 2217-2888  
Fax: (852) 2319-1676  
Email: [quamir@hk.quamnet.com](mailto:quamir@hk.quamnet.com)