



The ART
of INVESTING

Quam 
Financial Services Group

Quam Limited
Stock Code: 952

INTERIM REPORT

2008



The ART *of* INVESTING

The art of investing has many facets, from the growth and protection of individual wealth to the management of corporate mergers and acquisitions. Quam Group's mission is to provide individuals and companies with the services, information and advice to access every facet of this art in order to nurture the seeds of their wealth wisely. This is why we believe Quam is the premier mid-tier financial services institution in Hong Kong offering a comprehensive range of wealth management solutions and a global perspective in capital markets today.

Quam Limited

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

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Condensed Consolidated Income Statement

For the six months ended 30 September 2008

The board of directors (the "Board" or the "Directors") of Quam Limited (the "Company") presents the unaudited interim financial statements of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2008.

	Notes	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Revenue/Turnover	5	156,915	217,492
Fair value (loss)/gain on financial assets at fair value through profit or loss		(10,542)	5,092
Other operating income	6	12,623	11,525
Cost of services provided		(86,770)	(76,408)
Staff costs	7	(41,062)	(55,592)
Depreciation and amortisation expenses		(2,337)	(1,768)
Other operating expenses, net		(24,231)	(35,548)
Finance costs		(2,805)	(5,993)
Share of results of an associate		(723)	1,080
Profit before income tax	7	1,068	59,880
Income tax expense	8	—	(4,650)
Profit for the period, attributable to equity holders of the Company		1,068	55,230
Dividends	9	3,857	9,367
Earnings per share for profit attributable to equity holders of the Company during the period	10		
— Basic		0.14 cents	8.42 cents*
— Diluted		0.13 cents	7.60 cents*

* Restated

Condensed Consolidated Balance Sheet

As at 30 September 2008

	Notes	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	9,581	10,145
Goodwill	12	14,695	14,695
Other intangible assets	13	2,328	3,212
Available-for-sale financial assets	14	61,817	51,572
Interest in an associate	15	37,738	38,461
Other assets	16	2,800	2,800
		128,959	120,885
Current assets			
Trade receivables	17	228,457	357,766
Short term loan receivables		1,191	6,251
Prepayments, deposits and other receivables		24,863	13,396
Financial assets at fair value through profit or loss	18	8,443	25,411
Trust time deposits held on behalf of customers		71,633	63,117
Trust bank balances held on behalf of customers		196,827	209,474
Cash and cash equivalents		125,229	40,001
		656,643	715,416
Current liabilities			
Trade payables	19	370,646	350,107
Borrowings	20	71,359	90,671
Provision for tax		1,746	2,452
Other payables and accruals		42,958	72,828
Finance lease payables		1,524	1,329
		488,233	517,387
Net current assets		168,410	198,029
Total assets less current liabilities		297,369	318,914
Non-current liabilities			
Finance lease payables		2,305	2,692
Deferred tax liabilities		36	36
		2,341	2,728
Net assets		295,028	316,186
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	2,571	2,221
Reserves		292,457	313,965
Total equity		295,028	316,186

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

Equity attributable to equity holders of the Company

	Share capital	Share premium	Available-for-sale financial assets revaluation reserve	Contributed surplus	Share option reserve	Capital redemption reserve	Exchange reserve	Retained profits	Proposed final dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 April 2007	1,617	30,950	—	30,708	4,236	932	50	108,992	6,468	183,953
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
Additional final dividend 2007	—	—	—	—	—	—	—	(308)	308	—
Exercise of share options	105	8,314	—	—	(2,755)	—	—	—	—	5,664
Bonus issue	339	(339)	—	—	—	—	—	—	—	—
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
At 1 April 2008	2,221	79,059	(5,274)	20,708	5,532	932	137	195,399	17,472	316,186
Translation differences	—	—	—	—	—	—	(65)	—	—	(65)
Changes in fair value of available-for-sale financial assets	—	—	(13,575)	—	—	—	—	—	—	(13,575)
Total income and expense recognised directly in equity	—	—	(13,575)	—	—	—	(65)	—	—	(13,640)
Profit for the period	—	—	—	—	—	—	—	1,068	—	1,068
Total recognised income and expense for the period	—	—	(13,575)	—	—	—	(65)	1,068	—	(12,572)
Additional final dividend 2008	—	—	—	—	—	—	—	(59)	59	—
Exercise of share options	116	9,023	—	—	(3,298)	—	—	—	—	5,841
Bonus issue	234	(234)	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	3,104	—	—	—	—	3,104
Final dividend	—	—	—	—	—	—	—	—	(17,531)	(17,531)
At 30 September 2008	2,571	87,848	(18,849)	20,708	5,338	932	72	196,408	—	295,028

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Net cash inflow from operating activities	87,895	14,298
Net cash inflow/(outflow) from investing activities	3,221	(20,071)
Net cash (outflow)/inflow from financing activities	(5,888)	1,070
Increase/(decrease) in cash and cash equivalents	85,228	(4,703)
Cash and cash equivalents at 1 April	40,001	62,445
Cash and cash equivalents at 30 September	125,229	57,742
Analysis of balances of cash and cash equivalents		
Cash and bank balances	121,777	54,360
Time deposits with original maturity of less than three months	3,452	3,382
	125,229	57,742

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is Room 1005–1008, 10/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the following activities:

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

The unaudited interim financial statements were approved for issue by the Board of the Company on 4 December 2008.

2. BASIS OF PREPARATION

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

3. 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 2008 except for the adoption of the amendments to HKAS 39 and Hong Kong Financial Reporting Standards ("HKFRS") 7 "Reclassification of Financial Assets" which were issued in October 2008 and effective from 1 July 2008. The impact to the Group's condensed consolidated interim balance sheet and income statement as a result of the adoption of the aforesaid amendments is detailed in note 14(a) below.

The following new interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not relevant for the Group:

HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

This revised standard affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This revised standard does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this revised standard on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new or revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

4. 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, discretionary securities and futures dealing 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 and research; and
- (vi) the investments segment engages in investment holding and securities trading.

The Group's inter-segment transactions were related to advisory, asset management and website management and related service income. Inter-segment revenue are determined by directors 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 2008

4. SEGMENT INFORMATION (Continued)

(a) Primary reporting format — business segments (Continued)

Segment information for the six months ended 30 September 2008 and 2007 is as follows:

2008	Securities broking and placement HK\$'000 Unaudited	Margin 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	Total HK\$'000 Unaudited
Segment revenue								
Sales to external customers	118,059	8,795	11,156	6,444	12,461	—	—	156,915
Inter-segment sales	—	—	2,000	2,000	8,911	—	(12,911)	—
Total	118,059	8,795	13,156	8,444	21,372	—	(12,911)	156,915
Segment results	7,578	1,744	2,846	335	4,171	(11,677)		4,997
Unallocated income								3,607
Unallocated corporate expenses								(6,813)
Share of results of an associate								(723)
Profit before income tax								1,068
Income tax expense								—
Profit for the period								1,068

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

4. SEGMENT INFORMATION (Continued)

(a) Primary reporting format — business segments (Continued)

2007	Securities broking and placement HK\$'000 Unaudited	Margin 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	Total HK\$'000 Unaudited
Segment revenue								
Sales to external customers	113,514	16,911	11,045	64,655	11,367	—	—	217,492
Inter-segment sales	—	—	1,068	—	5,670	—	(6,738)	—
Total	113,514	16,911	12,113	64,655	17,037	—	(6,738)	217,492
Segment results	10,765	4,986	4,379	32,127	2,565	3,388		58,210
Unallocated income								7,484
Unallocated corporate expenses								(6,894)
Share of results of an associate								1,080
Profit before income tax								59,880
Income tax expense								(4,650)
Profit for the period								55,230

(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, Shanghai and Shengyang, 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 2008

5. REVENUE/TURNOVER

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

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Advertising and content fee income	1,882	1,472
Website management and related services fee income	10,579	9,895
Commission and performance fee income on securities and futures broking	107,252	85,745
Advisory fee income	11,156	11,045
Placement and underwriting fee income	9,479	25,639
Income from margin financing and money lending operations	8,795	16,911
Fund management fee income	6,444	64,655
Wealth management service fee income	1,328	2,130
	156,915	217,492

6. OTHER OPERATING INCOME

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Interest income from banks and others	2,044	7,484
Exchange gains, net	635	558
Long outstanding trade and other payables written back	1,887	—
Write back of provision for impairment of trade receivables	3,735	183
Dividend income from listed securities	1,563	708
Sundry income	2,759	2,592
	12,623	11,525

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Amortisation of other intangible assets (note 13)	884	884
Depreciation of property, plant and equipment (note 11)		
Owned assets	922	765
Leased assets	531	119
	2,337	1,768
Staff costs (including directors' remuneration):		
Salaries and other allowances	37,191	52,170
Retirement benefits scheme contribution	767	708
Employee share-based compensation	3,104	2,714
	41,062	55,592
Consultancy fee for marketing and promotion [#]	48,667	18,042
Provision for impairment of trade receivables	2,847	10,034

[#] included in cost of services provided

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rates of 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Current tax		
— Hong Kong		
Tax for the period	—	4,650

As at 30 September 2008, a provision was made for deferred tax liabilities of HK\$36,000 (31 March 2008: HK\$36,000) calculated at the rate of 16.5% (31 March 2008: 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 2008

9. DIVIDENDS

(a) Dividends attributable to the interim period

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Interim dividend declared after the interim period of HK0.50 cents per ordinary share (2007: HK1.50 cents per ordinary share)	3,857	9,367

The interim dividend has not been recognised as a liability at the balance sheet date. The amount of interim dividend is based on 771,371,541 shares in issue on 4 December 2008 (2007: 624,458,356 shares in issue on 6 December 2007).

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

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Final dividend in respect of the financial year ended 31 March 2008, approved and paid during the following interim period, of HK2.50 cents per ordinary share (year ended 31 March 2007: HK2.00 cents per ordinary share)	17,531	6,776

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

10. 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\$1,068,000 (2007: HK\$55,230,000) and on the weighted average of 751,909,385 (2007: 656,158,179, 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 one third of one cent each for every ten existing shares of par value of HK one third of one cent each on 30 September 2008 ("Bonus Issue"). The comparative figures of basic and diluted earnings per share have been restated for the effect of the Bonus Issue.

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\$1,068,000 (2007: HK\$55,230,000) as used in the calculation of the basic earnings per share and the weighted average of 797,578,255 (2007: 726,412,601, 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 751,909,385 (2007: 656,158,179, 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 45,668,870 (2007: 70,254,422, restated) ordinary shares deemed to be issued at no consideration as if the share options have been exercised.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000 Unaudited	Furniture, fixtures and equipment HK\$'000 Unaudited	Total HK\$'000 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
Net book value at 30 September 2007	649	7,543	8,192
Net book value at 1 April 2008	997	9,148	10,145
Additions	—	877	877
Depreciation	(130)	(1,323)	(1,453)
Translation differences	2	10	12
Net book value at 30 September 2008	869	8,712	9,581

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

12. GOODWILL

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

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Net carrying amount at the beginning and at the end of the period/year	14,695	14,695

13. OTHER INTANGIBLE ASSETS

	Trading rights HK\$'000 Unaudited
Net book value at 1 April 2007	4,981
Amortisation	(884)
Net book value at 30 September 2007	4,097
Net book value at 1 April 2008	3,212
Amortisation	(884)
Net book value at 30 September 2008	2,328

All amortisation are included in "depreciation and amortisation expenses" in the income statement.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Listed equity securities in Thailand at market value (note (a))	43,669	33,424
Unlisted equity securities		
At cost (note (b))	29,896	29,896
Less: Provision for impairment	(11,748)	(11,748)
	18,148	18,148
	61,817	51,572

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes:

- (a) During the period from July 2007 to February 2008, the Company acquired 42,518,908 common shares of Seamico Securities Public Company Limited ("Seamico"), a company listed in the Stock Exchange of Thailand ("SET") at a total consideration of THB159,002,000 (equivalent to HK\$38,698,000), representing approximately 5.1% of the entire issued share capital of Seamico. This investment was classified as an available-for-sale financial asset ("AFS") upon initial recognition as this was held for strategic investment purposes. The total consideration was settled by the Company in cash from its internal resources. Seamico is principally engaged in the securities business including brokering, trading, investment advisory, underwriting, on-line securities trading and derivatives trading.

Mr. Bernard Pouliot and Mr. Kenneth Lam Kin Hing, directors of the Company, are also directors and minority shareholders of Seamico.

During the period from February 2008 to July 2008, the Company acquired a further 41,674,792 shares in Seamico at a total consideration of THB129,758,000 (equivalent to HK\$31,990,000) representing approximately 5% of the entire issued share capital of Seamico. This investment was classified as financial assets at fair value through profit or loss ("FVTPL") upon initial recognition as this was held for short-term profit taking.

Pursuant to the amendments to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets" (the "Amendments"), the Company selected to reclassify the 41,674,792 shares of Seamico out of the FVTPL to AFS on 31 October 2008 as these shares were no longer held for the purpose of being sold or repurchased in the near term but for strategic investment purposes as a result of the exceptional turbulence in the world's financial markets in the third quarter of 2008. The Amendments permitted the Company to reclassify financial assets on a partially retrospective basis from 1 July 2008, this retrospective basis did not extend to a date before 1 July 2008. The Company has applied the transitional provision of the Amendments to reclassify these shares prospectively on 2 July 2008 (the "Reclassification"). The financial assets being reclassified from FVTPL to AFS amounting to HK\$23,820,000.

Prior to the Reclassification, a fair value loss on the financial assets being reclassified amounting to HK\$8,130,000 has been recognised in profit and loss during the period. The fair value loss recognised in profit or loss prior to the Reclassification cannot be reversed. Subsequent to the Reclassification, a fair value loss on the financial assets being reclassified amounting to HK\$2,204,000 has been recognised in the available-for-sale financial assets revaluation reserve in equity. This Reclassification has resulted in an increase in fair value loss directly recognised in the available-for-sale financial assets revaluation reserve in equity for the period by HK\$2,204,000. Had there been no such Reclassification, HK\$2,204,000 fair value loss would have been recognised in profit or loss for the period. The total fair value loss that would have been recognised in profit or loss for the period if the financial assets had not been reclassified amounted to HK\$10,334,000.

As at 30 September 2008, the carrying amount which was also the fair value of the financial assets being reclassified amounted to HK\$21,616,000.

As at 30 September 2008, the Company had a total of 84,193,700 common shares of Seamico representing approximately 10.1% of the entire issued share capital of Seamico, being classified as AFS. The fair value of the interest in Seamico is based on the last quoted market bid price on the SET at the balance sheet date. During the period, the total fair value loss recognised directly in the available-for-sale financial assets revaluation reserve in equity amounted to HK\$13,575,000 (31 March 2008: HK\$5,274,000).

- (b) 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.

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

- (c) 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 2008
		2008	2007	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% (2007: 4.11%) interest in an Internet Telecommunication Services Company ("Teleco"). The primary business activity of Teleco is provision of internet access, internet hosting and related services. Gigabyte has no significant influence over Teleco and has no board representation in that company. The directors consider Gigabyte to be an investment holding vehicle for its interest in Teleco, and hold it for no other reason. The investment in Gigabyte has accordingly been accounted for as an available-for-sale financial asset based on the value of its interest in Teleco.

15. INTEREST IN AN ASSOCIATE

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Share of net assets	25,544	26,267
Goodwill on acquisition	12,194	12,194
	37,738	38,461

Particulars of the associate at 30 September 2008 are as follows:

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

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

16. OTHER ASSETS

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

17. TRADE RECEIVABLES

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Trade receivables	262,464	392,661
Less: provision for impairment of receivables	(34,007)	(34,895)
Trade receivables — net	228,457	357,766

The Group's trade receivables as at 30 September 2008 mainly consisted of receivables of the securities and futures broking business and advisory and placement business. For the advisory and placement business, billings are normally due on presentation. For the securities and futures broking business, the Group allows a credit period up to the settlement dates of their respective transactions (normally two business days after the respective trade dates) except for margin client receivables which are repayable on demand and therefore, no aging analysis is disclosed.

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

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

The aging analysis of the trade receivables as at the balance sheet date, based on due date and net of provision, is as follows:

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Repayable on demand		
— margin clients receivables	102,444	233,324
0–30 days	122,350	117,047
31–60 days	1,220	1,356
61–90 days	149	5,426
91–180 days	859	303
181–360 days	1,189	305
Over 360 days	246	5
Trade receivables — net	228,457	357,766

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

17. TRADE RECEIVABLES (Continued)

Included in the Group's margin clients receivable were amounts due from a director of HK\$7,000 (31 March 2008: HK\$12,831,000 for two directors) in respect of transactions in securities as at 30 September 2008.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Listed equity securities, at market value:		
Hong Kong	6,293	8,695
Elsewhere (note (a))	9	15,340
Overseas unlisted equity securities, at fair value [#]	2,141	1,376
	8,443	25,411
Market value of listed investments	6,302	24,035

[#] 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:

- (a) On 31 October 2008, the Company reclassified 41,674,792 shares of Seamico from financial assets at fair value through profit or loss to available-for-sale financial assets according to the amendments to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets", details of which have been disclosed in note 14(a).
- (b) The carrying amounts of the above financial assets at fair value through profit or loss are classified as held for trading.
- (c) 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.

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

19. TRADE PAYABLES

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

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Repayable on demand:		
<i>Securities transactions</i>		
— margin clients payable	63,177	89,646
— cash clients payable	119,925	119,922
<i>Futures and options contracts</i>		
— clients payable	172,520	126,816
	355,622	336,384
Within 180 days	14,947	13,642
Over 180 days	77	81
	370,646	350,107

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

Included in above, there were amounts due to directors of HK\$2,622,000 (31 March 2008: HK\$15,000 for a director) in respect of transactions in securities as at 30 September 2008.

Included in above, there was an amount due to a director of HK\$8,664,000 (31 March 2008: HK\$5,581,000 for a director) in respect of transactions in futures as at 30 September 2008.

20. BORROWINGS

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Bank loans (secured)	21,359	40,671
Other loans (unsecured)	50,000	50,000
	71,359	90,671

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

20. BORROWINGS (Continued)

At 30 September 2008, the Group's borrowings were repayable as follows:

	30 September 2008		31 March 2008	
	Bank loans HK\$'000 Unaudited	Other loans HK\$'000 Unaudited	Bank loans HK\$'000 Audited	Other loans HK\$'000 Audited
On demand	17,639	—	31,469	10,000
Within one year	3,720	50,000	9,202	40,000
	21,359	50,000	40,671	50,000

(a) The bank loans of the Group were secured by marketable securities of HK\$127 million (31 March 2008: HK\$214 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\$3.4 million (31 March 2008: HK\$4.6 million) and Nil (31 March 2008: HK\$406,000) respectively. The bank loans of the Group bear floating interest rates ranging from 3.58% to 6.01% per annum (31 March 2008: 3.6% to 7.8% per annum).

(b) Other loan of HK\$50,000,000 bears fixed interest rate at 6% per annum and is repayable on 31 July 2009.

At 31 March 2008, other loan of \$40,000,000 bore fixed interest rate at 8% per annum which was repayable on 31 July 2008 and other loan of HK\$10,000,000 bore floating interest rate at one month HIBOR plus 1% per annum which was repayable on demand.

(c) The carrying amounts of borrowings approximate their fair value.

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

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Hong Kong dollars	53,720	64,202
United States dollars	17,639	26,469
	71,359	90,671

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

21. SHARE CAPITAL

	Notes	30 September 2008	
		Number of ordinary shares of HK one third of one cent each Unaudited	HK\$'000 Unaudited
Authorised:			
At 1 April 2008 and at 30 September 2008		30,000,000,000	100,000
Issued and fully paid:			
At 1 April 2008		666,295,662	2,221
Exercise of share options	(a)	34,951,194	116
Bonus Issue	(b)	70,124,685	234
At 30 September 2008		771,371,541	2,571
		30 September 2007	
		Number of ordinary shares of HK\$0.005 each Unaudited	Number of ordinary shares of HK one third of one cent each Unaudited
			HK\$'000 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	15,405,997	—	77
Bonus Issue	67,763,577	—	339
Share subdivision	(406,581,464)	609,872,196	—
Exercise of share options	—	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 2008

21. SHARE CAPITAL (Continued)

Notes:

(a) 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 which ordinary shares were allotted on 30 June 2008.

Mr. Kenneth Lam Kin Hing, 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 which ordinary shares were allotted on 30 June 2008.

Mr. Richard David Winter, 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 which ordinary shares were allotted on 30 June 2008.

One of the employees of the Group had exercised his rights to convert his 1,260,000 share options at the exercise price of HK\$0.4777 each into 1,260,000 ordinary shares of HK one third of one cent each of the Company which ordinary shares were allotted on 18 July 2008.

Certain employees of the Group had exercised their rights to convert their 17,941,194 share options at the exercise price of HK\$0.1555 each into 17,941,194 ordinary shares of HK one third of one cent each of the Company which ordinary shares were allotted during 26 May 2008 to 2 September 2008.

(b) On 9 July 2008, the directors of the Company recommended a bonus issue to the shareholders of the Company (except certain overseas shareholders) on the basis of one bonus share for every ten shares of the Company, and this was approved by the shareholders at the annual general meeting of the Company held on 11 September 2008. The bonus shares had been credited as fully paid by way of capitalisation of an amount of approximately HK\$240,000 in the share premium account of the Company on 30 September 2008. 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.

22. OPERATING LEASE COMMITMENTS

At 30 September 2008, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	30 September 2008 HK\$'000 Unaudited	31 March 2008 HK\$'000 Audited
Within one year	13,154	11,979
In the second to fifth years, inclusive	7,716	7,961
	20,870	19,940

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 2008

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Related companies		
Securities and futures trading fees:		
Baroque Investments Limited, a company in which Mr. Bernard Pouliot has indirect interests	10	5
Porto Global Limited, a company in which Mr. Bernard Pouliot has 100% interest	1	—
Newer Challenge Holdings Limited, a company in which Mr. Bernard Pouliot has 100% interest	1	6
Interest income on margin financing:		
Baroque Investments Limited, a company in which Mr. Bernard Pouliot has indirect interests	18	74
Porto Global Limited, a company in which Mr. Bernard Pouliot has 100% interest	14	—
Newer Challenge Holdings Limited, a company in which Mr. Bernard Pouliot has 100% interests	7	27

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

23. RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Directors		
Securities and futures trading fees:		
Mr. Bernard Pouliot	43	101
Mr. Kenneth Lam Kin Hing	968	1,723
Mr. Richard David Winter	5	1
Interest income on margin financing:		
Mr. Bernard Pouliot	221	252
Mr. Kenneth Lam Kin Hing	118	23
Performance fee income on broking:		
Mr. Kenneth Lam Kin Hing	290	386
Close family members of the directors		
Securities and futures trading fees:		
Ms. Chan Wai Yin, Elizabeth, spouse of Mr. Bernard Pouliot	1	8
Ms. Chan Chan Yeuk Lan, mother-in-law of Mr. Bernard Pouliot	39	65
Ms. Chan Wai Kay, Katherine, sister-in-law of Mr. Bernard Pouliot	3	23
Ms. Kwok Ka Wai, Mona, spouse of Mr. Kenneth Lam Kin Hing	1,076	903
Interest income on margin financing:		
Ms. Chan Wai Yin, Elizabeth, spouse of Mr. Bernard Pouliot	4	29
Performance fee income on broking:		
Ms. Kwok Ka Wai, Mona, spouse of Mr. Kenneth Lam Kin Hing	125	266

Notes to the Interim Financial Statements

For the six months ended 30 September 2008

23. RELATED PARTY TRANSACTIONS (Continued)

Note:

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

Compensation of key management personnel

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

	Six months ended 30 September 2008 HK\$'000 Unaudited	Six months ended 30 September 2007 HK\$'000 Unaudited
Short term employee benefits	3,300	3,164
Share-based compensation	1,043	1,127
Retirement benefits scheme contribution	18	18
	4,361	4,309

24. 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 income statement for the six months ended 30 September 2007, to be consistent with the presentation in the current period's condensed income statement, is the dividend income from listed companies of HK\$708,000 being reclassified from "Fair value gain on financial assets at fair value through profit or loss" to "Other operating income".

The reclassifications that have been made to the comparative figures in the notes of revenue/turnover and segment information for the six months ended 30 September 2007, to be consistent with the presentation in the current period's notes are the performance fee income from broking of HK\$1,660,000 being reclassified from "Fund management fee income" to "Commission and performance fee income on securities and futures broking"; as a result, the performance fee income from broking of the same amount is reclassified from "Asset Management" segment to "Securities broking and placement" segment.

The reclassification that has been made to the comparative figures in the condensed consolidated cash flow statement for the six months ended 30 September 2007, to be consistent with the presentation in the current period's condensed consolidated cash flow statement, is the net borrowings directly related to the operating activities of HK\$35,682,000 being reclassified from "Net cash (outflow)/inflow from financing activities" to "Net cash inflow from operating activities".

Management Discussion and Analysis

FINANCIAL REVIEW

For the period from 1 April 2008 to 30 September 2008 (the "Period"), the Group earned profit after tax of HK\$1.1 million (2007: HK\$55.2 million). The Group's revenue for the Period declined to HK\$156.9 million (2007: HK\$217.5 million) reflecting the impact of the global financial crisis. A significant mark-to-market unrealised loss of approximately HK\$8.1 million in the Group's stake in Seamico Securities Public Company Limited ("Seamico") and the recent stock market turmoil combined to adversely affect results for the Period. However, securities and futures brokerage, placement services and corporate advisory businesses were positive contributors to the Group. The Group's asset management business, a significant contributor in the prior period, was negatively affected by the market resulting in lower management and performance fees. Assets under management declined as a result of lower market valuations and redemptions.

Hong Kong Accounting Standard HKAS 39 and amendments to Hong Kong Accounting Standard HKAS 39/HKFRS 7, which came into effect on 15 October 2008, allows balance sheet reclassification of certain financial assets. After careful consideration, the Directors resolved that the portion of the Group's investment in Seamico that was classified as "Financial Asset at Fair Value through Profit or Loss" be reclassified as "Available-for-sale Financial Assets" as allowable under the amendment in HKAS 39. As a result of adopting this policy, the entire investment holding in Seamico has been classified as "Available-for-sale Financial Assets".

REVIEW OF OPERATIONS

The Group has been taking a cautious view of the markets since autumn 2007 and has been making appropriate adjustments to its operations and investments to reduce risk, decrease current and capital expenditures and maximise cash reserves and liquidity (which stood at HK\$125 million as at 30 September 2008).

The Group's operations and execution capabilities inside and outside the Greater China region have been significantly enhanced as a result of the further cooperation and integration with the Group's "Global Alliance Partners" in Thailand, Japan and Dubai. The Group intends to build strategic alliances in London and New York to further add to its private equity and capital market activity.

During the Period, Mr. Garry Stein, was appointed as Managing Director for the Group's new private equity business. The structuring and operational set up of the first private equity fund, which will focus on natural resources and minerals, is well under way.

The latter part of the Period was affected by the intense global financial crisis. However, with the timely adoption of prudent risk management, the Group reduced its exposure early to counter the continuing downturn in worldwide financial markets and economic activity.

Securities and futures dealing and placement

Securities and futures dealing commissions were HK\$107.3 million (2007: HK\$85.7 million, restated), an increase of 25% over the same period last year. The futures business continued to show some resilience to the market as volatility on certain products gave investors appetite for such trading. However, the volume of equity trading was substantially down as a result of negative market sentiment and the global financial crisis. Placement and underwriting fee income stood at HK\$9.5 million (2007: HK\$25.6 million), a reflection of the current market sentiment.

Management Discussion and Analysis

Margin lending at the end of the Period was substantially reduced to HK\$102.4 million (31 March 2008: HK\$233.3 million), a result of which has been a continuing reduction of outstanding loans in light of actual and expected market conditions.

The Wealth Management business expanded its sales team with the addition of 10 agents all of whom have experience in the wealth management field. Our objective is to build up a team to focus on medium to high net worth individuals that require diligent wealth management services. The full team now consists of 15 agents.

Corporate financial advisory services

Corporate finance and advisory services revenue for the Period increased to HK\$13.2 million, including inter-company services of HK\$2.0 million (2007: HK\$12.1 million, including inter-company services of HK\$1.1 million). Work undertaken during the Period covered a wide range of activities including takeover and financial restructuring related activities, general financial advisory, independent financial advisory, fundraising and merger and acquisition.

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

Asset management

The Period resulted in a significant decrease in asset management revenues to HK\$6.4 million (2007: HK\$64.7 million, restated) as a result of the market conditions that have impacted the entire asset management industry. The Group considers it is in better shape than its peers in light of only moderate redemption of funds during the Period reflecting the division's focus on generating good performance. Operations have been strengthened including enhancing liquidity of the portfolio, reviewing of counter-party risks, hiring external economists and enhancing the investment team. These changes will position the division for continued success in the future.

Wealth management and investment website — www.Quamnet.com and QuamIR

Revenue from the Quamnet website and investor relations business for the Period was HK\$12.5 million (2007: HK\$11.4 million), reflecting a modest increase in subscription services despite the challenging market environment and a growth in advertising revenues of approximately 28%, resulting from the successful revamp of the technology platform and content on www.Quamnet.com. Average monthly ARPU for our subscription services increased slightly to HK\$269 (2007: HK\$251).

The focus on developing additional distribution channels has led to Quamnet content appearing prominently in major Internet portals in Hong Kong, including Yahoo! Finance, MSN and Sina Finance. Distribution of Quamnet content in China continues to grow with Quamnet becoming a prominent provider of Hong Kong equities and warrants markets information and commentary to several leading finance portals, including Hexun.com and Sina. During the Period, Quamnet also launched a number of new initiatives including mobile.quamnet.com, a version of the Quamnet website specifically tailored to the needs of mobile phone users. During the Period, Quamnet partnered with one of Hong Kong's major mobile carriers, Hutchison's 3 network, to launch Quamnet Mobile as a preferred mobile content site for their third generation GSM subscribers.

Management Discussion and Analysis

The division's offline and online investor relations business continues to grow. Online investor relations services have also benefited from the new technology platform put into place in January 2008 (www.QuamIR.com).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and short term deposits at 30 September 2008 stood at approximately HK\$125.2 million (31 March 2008: HK\$40.0 million).

The Group generally finances its operations with internally generated cash flow and banking and short-term loan facilities provided by its principal bankers in Hong Kong and short term loans from a third party. At 30 September 2008, the Group had available aggregate banking facilities of approximately HK\$293.0 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients and as of 30 September 2008, the Group had pledged HK\$3.4 million of its investment securities to secure banking facilities. On 30 September 2008, approximately HK\$17.6 million of these banking and short-term loan facilities was utilized.

The Group's gearing ratio, largely the result of the margin and money lending business, was 25.5% at 30 September 2008 (31 March 2008: 29.9%), being calculated as borrowings and finance lease payables over net assets.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2008, the Group had approximately 188 full time employees based in Hong Kong. There were 24 full time employees and 2 part time employees based in the People's Republic of China.

Competitive remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid on an annual basis with reference to individual performance appraisals and prevailing market conditions and trends. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group operates a share option scheme with options granted to certain employees and directors of the Group on a discretionary basis.

PROSPECTS

The remaining period of this financial year and beyond will pose new challenges in view of the current global financial situation. The Group has reacted early by maximising its cash reserves and reducing margin loan exposure. As a result, the Group is confident of weathering this financial tsunami.

We see opportunities in institutional dealing and placement business, corporate financial advisory and the newly developed private equity business, arising from enterprises in need of fresh capital.

"Global Alliance" members have been working well together since the Group's investment in them and deal flow and deal networking between Global Alliance Partners was initiated during the Period. This has given all parties a broad global information perspective and substantially expanded the distribution channels for offerings.

Despite the mark-to-market unrealised loss in Seamico, we are confident in Seamico's prospects and they have reported a positive 9-month result for the period ending 30 September 2008. Seamico recently announced the acquisition of an approximately 50% stake in KTB Securities Company Limited, a Thai securities operation controlled by Krung Thai Bank Public Company Limited. Seamico also acquired a brokerage operation in Vietnam

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under Thanhcong Securities Joint-Stock Company, and has announced a share buyback program for up to 10% of issued share capital, or up to THB100 million. With this news, we are confident in the long-term strategy of Seamico and our strategic investment.

The asset management business has been strategically expanding by setting up its third fund, a fund of funds, that is expected to be launched in early 2009.

We believe the Group is sufficiently capitalised for the medium term to ride out the present financial crisis. Our rental lease cycle for office space is favorable and should give us flexibility in managing future overheads and commitments. The Group is in a good position to adjust to any further adverse or unpredictable effects the financial crisis may deliver.

We have built a business model that is able to absorb fluctuations in the market without the burden of undue fixed cost.

Additional Information

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK0.50 cents per share for the six months ended 30 September 2008 (2007: HK1.50 cents per share). The interim dividend will be payable on Thursday, 15 January 2009 to shareholders whose name appear on the Register of Members of the Company on Wednesday, 24 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 22 December 2008 to Wednesday, 24 December 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 19 December 2008.

DIRECTORS' INTERESTS

As at 30 September 2008, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Position

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

Name of Directors	Beneficial Interests	Family Interests	Corporate Interests	Total Interests	Approximate percentage of total interests in the share in issue (Note 4)	Underlying shares (share options)	Approximate percentage of total interests (including underlying shares) in the share in issue (Note 4)
Mr. Bernard Pouliot	52,448,488	7,425,000 (Note 1)	174,799,240 (Note 2)	234,672,728	30.42%	8,525,000 (Note 5)	31.52%
Mr. Kenneth Lam Kin Hing	98,510,520	—	100,360,306 (Note 3)	198,870,826	25.78%	8,525,000 (Note 5)	26.88%
Mr. Richard David Winter	45,133,941	—	—	45,133,941	5.85%	8,525,000 (Note 5)	6.95%

Additional Information

DIRECTORS' INTERESTS (Continued)

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 beneficially owned by Mr. Bernard Pouliot, the Chairman and executive Director of the Company.
3. The corporate interests are held by Olympia Asian Limited, which is beneficially owned by Mr. Kenneth Lam Kin Hing, the Deputy Chairman and executive Director 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 2008.
5. Details of interests in underlying shares in respect of share options granted by the Company are set out under the section headed "Directors' Right To Acquire Shares or Debentures".

Save as disclosed above, as at 30 September 2008, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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 2008 of the Company.

Additional Information

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES (Continued)

Movements of share options under the Old Scheme and the New Scheme during the six months ended 30 September 2008 are as follows:

Participants	Number of share options					Outstanding at 30 September 2008	Date of grant	Exercisable period	Exercise price HK\$	Closing price of the Company's share	
	Outstanding at 1 April 2008	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	Adjusted upon Bonus Issue on 30 September 2008					Immediately before the date of grant	Immediately before the exercise date
	(Note 6)	(Note 1)					(Note 1)	(Note 2)	(Note 2)	(Note 3)	
<i>Share options granted under the Old Scheme</i>											
<i>Employees under continuous contract</i>											
In aggregate	105,518	—	—	—	10,551	116,069	5 March 2001	5 September 2001 to 8 September 2011	0.2398	N/A	N/A
	105,518	—	—	—	10,551	116,069					

Share options granted under the New Scheme

<i>Employees under continuous contract</i>											
In aggregate	24,286,803	—	9,835,314	4,126,320	2,428,680	12,753,849	9 June 2006	9 June 2007 to 8 June 2016	0.1413	N/A	0.6358
In aggregate	4,500,000	—	1,386,000	—	450,000	3,564,000	13 April 2007	13 April 2008 to 12 April 2017	0.4342	N/A	0.6360
In aggregate	800,000	—	—	—	80,000	880,000	29 February 2008	1 March 2009 to 28 February 2018	0.9090	N/A	N/A
In aggregate	—	19,150,000	—	1,897,500	1,915,000	19,167,500	6 June 2008 (Note 5)	6 June 2009 to 5 June 2018	0.8309	0.8270	N/A

Additional Information

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES (Continued)

Participants	Number of share options						Date of grant (Note 1)	Exercisable period	Exercise price HK\$ (Note 2)	Closing price of the Company's share	
	Outstanding at 1 April 2008	Granted during the period (Note 6)	Exercised during the period (Note 1)	Lapsed/Cancelled during the period	Adjusted upon Bonus Issue on 30 September 2008	Outstanding at 30 September 2008				Immediately before the date of grant HK\$ (Note 2)	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	18,000,000	—	9,900,000	—	1,800,000	9,900,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1413	N/A	0.5550
<i>Directors</i>											
Mr. Bernard Pouliot	10,500,000	—	5,775,000	—	1,050,000	5,775,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1413	N/A	0.5090
	—	2,500,000	—	—	250,000	2,750,000	6 June 2008 (Note 5)	6 June 2009 to 5 June 2018	0.8309	0.8270	N/A
Mr. Kenneth Lam Kin Hing	10,500,000	—	5,775,000	—	1,050,000	5,775,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1413	N/A	0.5090
	—	2,500,000	—	—	250,000	2,750,000	6 June 2008 (Note 5)	6 June 2009 to 5 June 2018	0.8309	0.8270	N/A
Mr. Richard David Winter	10,500,000	—	5,775,000	—	1,050,000	5,775,000	18 September 2006 (Note 4)	9 June 2007 to 8 June 2016	0.1413	N/A	0.5090
	—	2,500,000	—	—	250,000	2,750,000	6 June 2008 (Note 5)	6 June 2009 to 5 June 2018	0.8309	0.8270	N/A
Other Participant	—	250,000	—	—	25,000	275,000	6 June 2008 (Note 5)	6 June 2009 to 5 June 2018	0.8309	0.8270	N/A
	79,086,803	26,900,000	38,446,314	6,023,820	10,598,680	72,115,349					

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period or the date the vesting conditions are satisfied, whichever is later.
- The exercise price of the share options, the closing price of the Company's shares immediately before the date of grant and the number of share options exercised disclosed above have been adjusted for the effect of Bonus Issue on 30 September 2008.

Additional Information

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES (Continued)

3. The closing price of the Company's shares immediately before the exercise date disclosed above has been adjusted for the effect of Bonus Issue on 30 September 2008 and is the weighted average of the closing price of Stock Exchange immediately before the dates on which the options were exercised.
4. On 9 June 2006, the Board conditionally approved the grant of share options to the Company's executive directors and certain senior management of the Group. Pursuant to the Listing Rules, the grant of the share options was subject to the approval of the independent shareholders. 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. One third of granted share options will be vested on 6 June 2009, 6 June 2010 and 6 June 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
6. The fair value of share options granted during the six months ended 30 September 2008 were determined by Vigers Appraisal & Consulting Limited, an independent third party valuer, using the Binomial Model (the "B-Model"), with modification to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

The fair value of the options granted during the six months ended 30 September 2008 determined at the date of grant on 6 June 2008 using the B-Model was approximately HK\$9,275,000.

The following table lists the inputs to the B-Model used for calculating the fair value of the options granted during the six months ended 30 September 2008:

Date of grant	6 June 2008
— Share price on date of grant (Note a)	0.8180
— Exercise price (Note a)	0.8309
— Risk-free rate (Note b)	3.324%
— Expected volatility (Note c)	60.80%
— Expected life of option (Note d)	4.9 to 8.4 years
— Expected dividend per share	3.633%

Notes:

- a) The share price on the date of grant and the exercise price of the share options for the options granted on 6 June 2008 disclosed above have been adjusted for the effect of Bonus Issue on 30 September 2008.
- b) Risk-free rate: being the approximate yields to maturity of Hong Kong Exchange Fund Notes.
- c) Expected volatility: being the approximate historical volatility of closing price of the shares of the Company in the past five years immediately before the date of grant.
- d) Expected life of option: being the effective life of options estimated by the B-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 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of the shares in or debentures of the Company or any other body corporate.

Additional Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2008, so far as were known to the Directors, the following persons (other than the Directors) who had interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

Long Position

Name of shareholders	Number of ordinary shares of Hong Kong one third of one cent each held Beneficial Interests	Approximate percentage of total interests in the share in issue (Note 3)
Newer Challenge Holdings Limited (Note 1)	109,335,183	14.17%
Olympia Asian Limited (Note 2)	100,360,306	13.01%
Porto Global Limited (Note 1)	65,464,057	8.48%

Notes:

1. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard Pouliot, the Chairman and executive Director of the Company.
2. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, the Deputy Chairman and executive Director of the Company.
3. The approximate percentage shown was the number of securities the relevant person was interested expressed as a percentage of the number of issued shares as at 30 September 2008.

Save as disclosed above, as at 30 September 2008, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

SHARE CAPITAL

On 9 July 2008, the Board recommended a bonus issue to the shareholders of the Company (except overseas shareholders) on the basis of one bonus share for every ten shares of the Company. The recommendation was approved by the shareholders at the annual general meeting of the Company held on 11 September 2008. 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 approximately HK\$240,000 in the share premium account of the Company on 30 September 2008.

Additional Information

SHARE CAPITAL (Continued)

During the six months ended 30 September 2008, the Company also issued and allotted the total of 34,951,194 new shares as a result of the exercise of share options. The net proceed of the subscription amounted to approximately HK\$5,841,000 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. The code of conduct has also been extended to specific employees of the Company who are likely to be in possession of unpublished price-sensitive information in respect of their dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all of them confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 30 September 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2008 of the Company, we reported that the Company had applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the deviations specified and explained therein.

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 2008 except for the deviation from code provisions A.2.1 and A.4.1 which are explained below:

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 substantial experience of 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.

Additional Information

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 2008.

In addition, Messrs. Grant Thornton, performed an independent review of the interim financial statements for the six months ended 30 September 2008 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".

On behalf of the Board

Bernard Pouliot

Chairman

Hong Kong, 4 December 2008

Independent Review Report



Member of Grant Thornton International Ltd

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 26 which comprise the condensed consolidated balance sheet of Quam Limited as of 30 September 2008 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

4 December 2008

Corporate Information

BOARD OF DIRECTORS

Mr. Bernard Pouliot

Chairman

Mr. Kenneth Lam Kin Hing

Deputy Chairman

Mr. Richard David Winter

Deputy Chairman

Mr. Gordon Kwong Che Keung #

Mr. Jeremy King #

Mr. Robert Stephen Tait #

(Appointed on 11 September 2008)

Independent Non-executive Director

AUDIT COMMITTEE

Chairman: Mr. Gordon Kwong Che Keung

Members: Mr. Jeremy King

Mr. Robert Stephen Tait

REMUNERATION COMMITTEE

Chairman: Mr. Jeremy King

Members: Mr. Gordon Kwong Che Keung

Mr. Richard David Winter

Mr. Robert Stephen Tait

COMPANY SECRETARY

Mr. Tsang Chung Him

QUALIFIED ACCOUNTANT

Mr. Kevin Graeme 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

Charltons

Kirkpatrick & Lockhart Preston Gates Ellis, Solicitors

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

The Bank of East Asia, Limited

CITIC Ka Wah Bank Limited

Clariden Leu Ltd

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

00952

WEBSITES OF THE GROUP

www.quamlimited.com

www.quamcapital.com.hk

www.quamfunds.com

www.quamir.com

www.quamnet.com

www.quamnet.com.cn

www.quamsecurities.com

www.quamwealth.com

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