



# Your Gateway to the Mainland

Interim Report 2009



**Quam Limited**

(Incorporated in Bermuda with limited liability)  
(Stock Code: 00952)



# Interim Report 2009

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# Condensed Consolidated Statement of Comprehensive Income

## For the six months ended 30 September 2009

The board of directors (the "Board" or "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 2009.

|  | Notes | Six months ended<br>30 September<br>2009<br>HK\$'000<br>Unaudited | Six months ended<br>30 September<br>2008<br>HK\$'000<br>Unaudited |
|--|-------|---|---|
| Revenue/Turnover   | 5     | 148,817   | 156,915   |
| Fair value gain/(loss) on financial assets at fair value through profit or loss                    |       | 7,752   | (10,542)  |
| Other operating income   | 6     | 16,804  | 12,623  |
| Cost of services provided  |       | (90,879)  | (86,770)  |
| Staff costs  | 7     | (40,890)  | (41,062)  |
| Depreciation and amortisation expenses   |       | (2,229)   | (2,337)   |
| Other operating expenses, net  |       | (22,528)  | (24,231)  |
| Finance costs  |       | (1,500)   | (2,805)   |
| Share of results of an associate   |       | 399   | (723)   |
| Profit before income tax   | 7     | 15,746  | 1,068   |
| Income tax expense   | 8     | —   | —   |
| Profit for the period, attributable to equity holders of the Company                               |       | 15,746  | 1,068   |
| Other comprehensive income/(expense)   |       |   |   |
| Exchange loss on translation of financial statements of foreign operations                         |       | —   | (65)  |
| Share of other comprehensive income of an associate  |       | 298   | —   |
| Changes in fair value of available-for-sale financial assets                                       | 14    | 4,762   | (13,575)  |
| Other comprehensive income/(expense) for the period  |       | 5,060   | (13,640)  |
| Total comprehensive income/(expense) for the period, attributable to equity holders of the Company |       | 20,806  | (12,572)  |
| Earnings per share for profit attributable to equity holders of the Company during the period      | 10    |   |   |
| — Basic  |       | 2.03 cents  | 0.14 cent   |
| — Diluted  |       | 1.99 cents  | 0.13 cent   |

# Condensed Consolidated Balance Sheet

As at 30 September 2009

|   | Notes | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|---|-------|---|---|
| <b>ASSETS AND LIABILITIES</b>                         |       |   |   |
| <b>Non-current assets</b>                             |       |   |   |
| Property, plant and equipment                         | 11    | 8,713   | 9,367                                   |
| Goodwill  | 12    | 14,695  | 14,695                                  |
| Other intangible assets                               | 13    | 575   | 1,209                                   |
| Available-for-sale financial assets                   | 14    | 63,308  | 58,546                                  |
| Interest in associates                                | 15    | 35,824  | 34,877                                  |
| Other assets  | 16    | 3,081   | 2,550                                   |
|   |       | <b>126,196</b>                                | <b>121,244</b>                          |
| <b>Current assets</b>                                 |       |   |   |
| Trade receivables                                     | 17    | 349,424                                       | 229,712                                 |
| Short term loan receivables                           | 18    | 17,180  | 18,563                                  |
| Prepayments, deposits and other receivables           |       | 9,592   | 8,854                                   |
| Financial assets at fair value through profit or loss | 19    | 12,812  | 6,464                                   |
| Tax recoverable                                       |       | 2,042   | 2,042                                   |
| Trust time deposits held on behalf of customers       |       | 114,832                                       | 41,613                                  |
| Trust bank balances held on behalf of customers       |       | 309,138                                       | 269,669                                 |
| Cash and cash equivalents                             |       | 123,775                                       | 119,440                                 |
|   |       | <b>938,795</b>                                | <b>696,357</b>                          |
| <b>Current liabilities</b>                            |       |   |   |
| Trade payables  | 20    | 547,944                                       | 446,362                                 |
| Borrowings  | 21    | 145,379                                       | 52,596                                  |
| Other payables and accruals                           |       | 36,377  | 32,989                                  |
| Finance lease payables                                |       | 1,433   | 1,643                                   |
|   |       | <b>731,133</b>                                | <b>533,590</b>                          |
| <b>Net current assets</b>                             |       | <b>207,662</b>                                | <b>162,767</b>                          |
| <b>Total assets less current liabilities</b>          |       | <b>333,858</b>                                | <b>284,011</b>                          |
| <b>Non-current liabilities</b>                        |       |   |   |
| Finance lease payables                                |       | 1,113   | 1,730                                   |
| Borrowings  | 21    | 25,000  | —                                       |
| Deferred tax liabilities                              |       | 36  | 36                                      |
|   |       | <b>26,149</b>                                 | <b>1,766</b>                            |
| <b>Net assets</b>                                     |       | <b>307,709</b>                                | <b>282,245</b>                          |
| <b>EQUITY</b>   |       |   |   |
| Equity attributable to equity holders of the Company  |       |   |   |
| Share capital   | 22    | 2,627   | 2,567                                   |
| Reserves  |       | 305,082                                       | 279,678                                 |
| <b>Total equity</b>                                   |       | <b>307,709</b>                                | <b>282,245</b>                          |

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended 30 September 2009

|   | Equity attributable to equity holders of the Company |           |               |           |   |                              |                     |                      |                            |                  |                  |                         |       |
|---|--|-----------|---------------|-----------|---|------------------------------|---------------------|----------------------|----------------------------|------------------|------------------|-------------------------|-------|
|   | Share capital  |           | Share premium |           | Available-for-sale financial assets revaluation reserve | Property 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  |   |                              |                     |                      |                            |                  |                  |                         |       |
|   | Unaudited  | Unaudited | Unaudited     | Unaudited | Unaudited   | Unaudited                    | Unaudited           | Unaudited            | Unaudited                  | Unaudited        | Unaudited        | Unaudited               |       |
| At 1 April 2008   | 2,221  | 79,059    | (5,274)       | —         | 20,708  | 5,532                        | 932                 | 137                  | 195,399                    | 17,472           | 316,186          |                         |       |
| 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)         |                         |       |
| Transactions with owners  | 350  | 8,789     | —             | —         | —   | (194)                        | —                   | —                    | (59)                       | (17,472)         | (8,586)          |                         |       |
| Profit for the period   | —  | —         | —             | —         | —   | —                            | —                   | —                    | 1,068                      | —                | 1,068            |                         |       |
| Other comprehensive expense   | —  | —         | —             | —         | —   | —                            | —                   | —                    | —                          | —                | —                |                         |       |
| Exchange loss on translation of financial statement of foreign operations | —  | —         | —             | —         | —   | —                            | —                   | (65)                 | —                          | —                | (65)             |                         |       |
| Changes in fair value of available-for-sale financial assets              | —  | —         | (13,575)      | —         | —   | —                            | —                   | —                    | —                          | —                | (13,575)         |                         |       |
| Total comprehensive expense for the period                                | —  | —         | (13,575)      | —         | —   | —                            | —                   | (65)                 | 1,068                      | —                | (12,572)         |                         |       |
| At 30 September 2008  | 2,571  | 87,848    | (18,849)      | —         | 20,708  | 5,338                        | 932                 | 72                   | 196,408                    | —                | 295,028          |                         |       |
| At 1 April 2009   | 2,567  | 87,562    | (21,306)      | —         | 20,708  | 8,159                        | 936                 | 77                   | 183,542                    | —                | 282,245          |                         |       |
| Exercise of share options*  | 60   | 4,067     | —             | —         | —   | (1,581)                      | —                   | —                    | —                          | —                | 2,546            |                         |       |
| Share-based compensation  | —  | —         | —             | —         | —   | 2,112                        | —                   | —                    | —                          | —                | 2,112            |                         |       |
| Transactions with owners  | 60   | 4,067     | —             | —         | —   | 531                          | —                   | —                    | —                          | —                | 4,658            |                         |       |
| Profit for the period   | —  | —         | —             | —         | —   | —                            | —                   | —                    | 15,746                     | —                | 15,746           |                         |       |
| Other comprehensive income  | —  | —         | —             | —         | —   | —                            | —                   | —                    | —                          | —                | —                |                         |       |
| Share of other comprehensive income of an associate                       | —  | —         | (100)         | 398       | —   | —                            | —                   | —                    | —                          | —                | 298              |                         |       |
| Changes in fair value of available-for-sale financial assets (note 14)    | —  | —         | 4,762         | —         | —   | —                            | —                   | —                    | —                          | —                | 4,762            |                         |       |
| Total comprehensive income for the period                                 | —  | —         | 4,662         | 398       | —   | —                            | —                   | —                    | 15,746                     | —                | 20,806           |                         |       |
| At 30 September 2009  | 2,627  | 91,629    | (16,644)      | 398       | 20,708  | 8,690                        | 936                 | 77                   | 199,288                    | —                | 307,709          |                         |       |

\* Mr. Bernard POULIOT, executive director of the Company, had exercised his rights to convert his 5,775,000 share options at the exercise price of HK\$0.1413 each into 5,775,000 ordinary shares of HK one third of one cent each of the Company on 6 August 2009.

Mr. Kenneth LAM Kin Hing, executive director of the Company, had exercised his rights to convert his 5,775,000 share options at the exercise price of HK\$0.1413 each into 5,775,000 ordinary shares of HK one third of one cent each of the Company on 6 August 2009.

Certain employees of the Group had exercised their rights to convert their 6,471,782 share options at the exercise price of HK\$0.1413 each into 6,471,782 ordinary shares of HK one third of one cent each of the Company during 2 April 2009 to 29 September 2009.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2009

|  | Six months ended<br>30 September<br>2009<br>HK\$'000<br>Unaudited | Six months ended<br>30 September<br>2008<br>HK\$'000<br>Unaudited |
|--|---|---|
| Net cash (outflow)/inflow from operating activities            | (8,474)   | 87,895  |
| Net cash inflow from investing activities                      | 11,195  | 3,221   |
| Net cash inflow/(outflow) from financing activities            | 1,614   | (5,888)   |
| Increase in cash and cash equivalents                          | 4,335   | 85,228  |
| Cash and cash equivalents at 1 April                           | 119,440   | 40,001  |
| <b>Cash and cash equivalents at 30 September</b>               | <b>123,775</b>  | <b>125,229</b>  |
| Analysis of balances of cash and cash equivalents              |   |   |
| Cash and bank balances   | 123,775   | 121,777   |
| Time deposits with original maturity of less than three months | —   | 3,452   |
|  | <b>123,775</b>  | <b>125,229</b>  |

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 1. GENERAL INFORMATION

Quam Limited (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 3408, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (the “Group”) are principally engaged in the following activities:

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

The unaudited interim financial statements were approved for issue by the Board of Directors of the Company on 26 November 2009.

## 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 (the “Listing Rules”).

## 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 2009, except for the adoption of new standards and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed below.

The interim financial statements are unaudited, but has been reviewed by Grant Thornton in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.



# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

This interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009.

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

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

### HKAS 1 (Revised) Presentation of Financial Statements

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

### HKFRS 8 Operating Segments

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

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 4. SEGMENT INFORMATION

On adoption of HKFRS 8 Operating Segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major strategic business units. Each of the Group's strategic business unit offer products and services which are subject to risk and returns that are different to those of the other strategic business units.

Summary details of the operating segments are as follows:

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

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

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

# Notes to the Interim Financial Statements

## For the six months ended 30 September 2009

### 4. SEGMENT INFORMATION (Continued)

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

| 2009   | Brokerage             | Advisory              | Asset                               | Website                             | Investments           | Eliminations          | Total                 |
|--|-----------------------|-----------------------|-------------------------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|
|  | HK\$'000<br>Unaudited | HK\$'000<br>Unaudited | management<br>HK\$'000<br>Unaudited | management<br>HK\$'000<br>Unaudited | HK\$'000<br>Unaudited | HK\$'000<br>Unaudited | HK\$'000<br>Unaudited |
| Segment revenue                                      |                       |                       |                                     |                                     |                       |                       |                       |
| Sales to external customers                          | 123,143               | 10,715                | 4,483                               | 10,476                              | —                     | —                     | 148,817               |
| Inter-segment sales                                  | —                     | 1,000                 | 1,000                               | 2,824                               | —                     | (4,824)               | —                     |
| <b>Total</b>   | <b>123,143</b>        | <b>11,715</b>         | <b>5,483</b>                        | <b>13,300</b>                       | <b>—</b>              | <b>(4,824)</b>        | <b>148,817</b>        |
| Segment results                                      | 2,423                 | 1,547                 | (469)                               | (809)                               | 17,841                |                       | 20,533                |
| Interest income from banks and others                |                       |                       |                                     |                                     |                       |                       | 1,048                 |
| Employee share-based compensation                    |                       |                       |                                     |                                     |                       |                       | (2,112)               |
| Elimination of profits on intra-group transactions   |                       |                       |                                     |                                     |                       |                       | (3,670)               |
| Other unallocated head office and corporate expenses |                       |                       |                                     |                                     |                       |                       | (452)                 |
| Share of results of an associate                     |                       |                       |                                     |                                     |                       |                       | 399                   |
| Profit before income tax                             |                       |                       |                                     |                                     |                       |                       | 15,746                |
| Income tax expense                                   |                       |                       |                                     |                                     |                       |                       | —                     |
| Profit for the period                                |                       |                       |                                     |                                     |                       |                       | 15,746                |
|  |                       |                       |                                     |                                     |                       |                       |                       |
| 2008   | Brokerage             | Advisory              | Asset                               | Website                             | Investments           | Eliminations          | Total                 |
|  | HK\$'000<br>Unaudited | HK\$'000<br>Unaudited | management<br>HK\$'000<br>Unaudited | management<br>HK\$'000<br>Unaudited | HK\$'000<br>Unaudited | HK\$'000<br>Unaudited | HK\$'000<br>Unaudited |
| Segment revenue                                      |                       |                       |                                     |                                     |                       |                       |                       |
| Sales to external customers                          | 126,854               | 11,156                | 6,444                               | 12,461                              | —                     | —                     | 156,915               |
| Inter-segment sales                                  | —                     | 2,000                 | 2,000                               | 8,911                               | —                     | (12,911)              | —                     |
| <b>Total</b>   | <b>126,854</b>        | <b>13,156</b>         | <b>8,444</b>                        | <b>21,372</b>                       | <b>—</b>              | <b>(12,911)</b>       | <b>156,915</b>        |
| Segment results                                      | 9,322                 | 2,846                 | 335                                 | 4,171                               | (10,114)              |                       | 6,560                 |
| Interest income from banks and others                |                       |                       |                                     |                                     |                       |                       | 2,044                 |
| Employee share-based compensation                    |                       |                       |                                     |                                     |                       |                       | (3,104)               |
| Elimination of profits on intra-group transactions   |                       |                       |                                     |                                     |                       |                       | (1,007)               |
| Other unallocated head office and corporate expenses |                       |                       |                                     |                                     |                       |                       | (2,702)               |
| Share of results of an associate                     |                       |                       |                                     |                                     |                       |                       | (723)                 |
| Profit before income tax                             |                       |                       |                                     |                                     |                       |                       | 1,068                 |
| Income tax expense                                   |                       |                       |                                     |                                     |                       |                       | —                     |
| Profit for the period                                |                       |                       |                                     |                                     |                       |                       | 1,068                 |

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 5. REVENUE/TURNOVER

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

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

## 6. OTHER OPERATING INCOME

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

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

# Notes to the Interim Financial Statements

## For the six months ended 30 September 2009

### 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

|  | Six months ended<br>30 September<br>2009<br>HK\$'000<br>Unaudited | Six months ended<br>30 September<br>2008<br>HK\$'000<br>Unaudited |
|--|---|---|
| Amortisation of other intangible assets (note 13)        | 634   | 884   |
| Depreciation of property, plant and equipment (note 11)  |   |   |
| Owned assets   | 1,045   | 922   |
| Leased assets  | 550   | 531   |
|  | 2,229   | 2,337   |
| Staff costs (including directors' remuneration):         |   |   |
| Salaries and other allowances                            | 38,011  | 37,191  |
| Retirement benefits scheme contribution                  | 767   | 767   |
| Employee share-based compensation                        | 2,112   | 3,104   |
|  | 40,890  | 41,062  |
| Consultancy fee for marketing and promotion <sup>#</sup> | 50,512  | 48,667  |
| Provision for impairment of trade receivables            | 21  | 2,847   |

<sup>#</sup> Included in cost of services provided

### 8. INCOME TAX EXPENSE

No Hong Kong profits tax was provided in the financial statements as companies within the Group either did not derive any assessable profit in Hong Kong or had unused tax losses brought forward to offset against the assessable profits in Hong Kong for the six months ended 30 September 2008 and 30 September 2009.

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 9. DIVIDENDS

### (a) Dividends attributable to the interim period

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

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

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

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

## 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\$15,746,000 (2008: HK\$1,068,000) and on the weighted average of 776,343,733 (2008: 751,909,385) ordinary shares in issue during the period.

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 11. PROPERTY, PLANT AND EQUIPMENT

|  | Leasehold<br>improvements<br>HK\$'000<br>Unaudited | Furniture,<br>fixtures and<br>equipment<br>HK\$'000<br>Unaudited | Total<br>HK\$'000<br>Unaudited |
|--|--|--|--------------------------------|
| 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                             |
| <b>Net book value at 30 September 2008</b> | <b>869</b>   | <b>8,712</b>   | <b>9,581</b>                   |
| Net book value at 1 April 2009             | 1,376  | 7,991  | 9,367                          |
| Additions                                  | —  | 941  | 941                            |
| Depreciation                               | (256)  | (1,339)  | (1,595)                        |
| <b>Net book value at 30 September 2009</b> | <b>1,120</b>                                       | <b>7,593</b>   | <b>8,713</b>                   |

## 12. GOODWILL

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

|   | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|---|---|---|
| Net carrying amount at the beginning and<br>at the end of the period/year | 14,695  | 14,695                                  |

## 13. OTHER INTANGIBLE ASSETS

|  | Trading rights<br>HK\$'000<br>Unaudited |
|--|---|
| Net book value at 1 April 2008             | 3,212                                   |
| Amortisation                               | (884)                                   |
| <b>Net book value at 30 September 2008</b> | <b>2,328</b>                            |
| Net book value at 1 April 2009             | 1,209                                   |
| Amortisation                               | (634)                                   |
| <b>Net book value at 30 September 2009</b> | <b>575</b>                              |

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|  | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|--|---|---|
| Listed equity securities in Thailand<br>at market value (note (a)) | 45,160  | 40,398                                  |
| Unlisted equity securities<br>in Japan, at cost (note (b))         | 14,129  | 14,129                                  |
| in elsewhere, at cost (note (c))                                   | 15,767  | 15,767                                  |
| Less : Provision for impairment                                    | (11,748)                                      | (11,748)                                |
|  | 4,019   | 4,019                                   |
|  | 18,148  | 18,148                                  |
|  | 63,308  | 58,546                                  |

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 elected 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.



# Notes to the Interim Financial Statements

## For the six months ended 30 September 2009

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

Notes: (Continued)

As at 30 September 2009, 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 gain recognised directly in the available-for-sale financial assets revaluation reserve in equity amounted to HK\$4,762,000 (31 March 2009: loss of HK\$16,846,000).

- (b) Pursuant to the agreement entered between the Company and an independent third party dated on 18 December 2007 ("CPS Agreement"), the Group agreed to acquire 1,840 shares of Capital Partners Securities Co., Limited ("CPS"), which is incorporated in Japan as a private company and involved in securities dealing, distribution of mutual funds, investment banking and merger and acquisitions, from the third party. The purchase consideration of 1,840 CPS shares was JPY56,867,000, approximately HK\$3,998,000, which was satisfied by the issue of 4,252,901 new ordinary shares of HK\$0.94 each of the Company.

Pursuant to the agreement entered between the Company, Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing dated on 18 December 2007 ("CPS Quam Agreement"), the Company had agreed to acquire from Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing, 2,840 and 920 CPS shares respectively. The purchase consideration of 3,760 CPS shares was JPY116,255,000, approximately HK\$8,169,000, which was satisfied by the issue of 6,564,261 and 2,126,450 new ordinary shares of HK\$0.94 each of the Company to Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing respectively.

Upon the completion of the purchase of the aforesaid CPS shares, the Group and the Company held a total of 6,520 CPS shares and the carrying amount of the unlisted equity investments in CPS as at 30 September 2009 was HK\$14,129,000 (31 March 2009: HK\$14,129,000).

- (c) Particulars of the investee companies, 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 companies, 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 2009 |
|--|------------------------|--|------|---|
|  |                        | 2009   | 2008 | 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% (2008: 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.

The investments 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 because the range of reasonable fair value estimates is considered so significant that their fair value cannot be reliably measured. The directors of the Group do not intend to dispose of the Group's investments in unlisted equity securities within 12 months after the balance sheet date.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 15. INTEREST IN ASSOCIATES

|                         | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|-------------------------|---|---|
| Share of net assets     | 23,630  | 22,683                                  |
| Goodwill on acquisition | 12,194  | 12,194                                  |
|                         | 35,824  | 34,877                                  |

Particulars of the associate at 30 September 2009 are as follows:

| Name                               | Place of<br>incorporation | Particulars of issued capital  | Percentage of<br>interest held<br>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%   |
| Platform Capital Company Limited   | Hong Kong                 | 1,000,000 ordinary shares of HK\$1 each  | 25.00%   |

## 16. OTHER ASSETS

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 17. TRADE RECEIVABLES

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

The Group's trade receivables as at 30 September 2009 mainly consisted of receivables of the securities and futures broking business and advisory and placement business. For the advisory and placement business, billings are normally due on presentation. For the securities and futures broking business, the Group allows a credit period up to the settlement dates of their respective transactions (normally two business days after the respective trade dates) except for margin client receivables which are repayable on demand and therefore, no aging analysis is disclosed.

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

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

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

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

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 18. SHORT TERM LOAN RECEIVABLES

|   | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|---|---|---|
| In respect of commercial loans                                    |   |   |
| — secured   | 15,737  | 17,539                                  |
| — unsecured   | 1,486   | 1,067                                   |
| Gross loan receivables (note (a))                                 | 17,223  | 18,606                                  |
| Less : provision for impairment of loan receivables<br>(note (b)) | (43)  | (43)                                    |
| Net carrying amount   | 17,180  | 18,563                                  |

Notes:

- (a) The loan receivables bear interest at fixed annual rates ranging from 5% to 10% (31 March 2009: 5.25% to 10.25%). The repayment terms of the loan are negotiated on an individual basis. The maturity profile of the loan receivables at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

|                      | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|----------------------|---|---|
| Repayable on demand  | 17,223  | 1,222                                   |
| Three months or less | —   | 17,384                                  |
|                      | 17,223  | 18,606                                  |

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 18. SHORT TERM LOAN RECEIVABLES (Continued)

Notes: (Continued)

(b) The movement in the provision for impairment of loan receivables are as follows:

|   | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|---|---|---|
| Balance at the beginning and end of the period/year | 43  | 43                                      |

At each of the balance sheet date, the Group's loan receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain loan receivables and appropriate provision for impairment has been made against these loan receivables. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. Included in the above provision for impairment is a provision for individually impaired short term loan receivables of HK\$43,000 (31 March 2009: HK\$43,000) with a gross carrying amount of HK\$43,000 (31 March 2009: HK\$43,000). The individually impaired short term loan receivables relate to customers that were in default or delinquency in repayments. The Group did not hold any collateral in respect of these impaired short term loan receivables.

(c) The directors consider that the carrying amounts of loan receivables approximate their fair values.

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

|  | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|--|---|---|
| Listed equity securities, at market value: |   |   |
| Hong Kong                                  | 9,898   | 6,460                                   |
| Elsewhere                                  | 2,914   | 4                                       |
|  | 12,812  | 6,464                                   |
| Fair value of listed securities            | 12,812  | 6,464                                   |

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

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

Notes:

- (a) The carrying amounts of the above financial assets at fair value through profit or loss are classified as held for trading.
- (b) 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 condensed consolidated cash flow statement.
- (c) The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the balance sheet date.

## 20. TRADE PAYABLES

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

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

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

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

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

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 21. BORROWINGS

|                         | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|-------------------------|---|---|
| Bank loans (secured)    | 135,379                                       | 17,596                                  |
| Other loans (unsecured) | 35,000  | 35,000                                  |
|                         | 170,379                                       | 52,596                                  |

At 30 September 2009, the Group's borrowings were repayable as follows:

|                    | 30 September<br>2009                |                                      | 31 March<br>2009                  |                                    |
|--------------------|-------------------------------------|--------------------------------------|-----------------------------------|------------------------------------|
|                    | Bank loans<br>HK\$'000<br>Unaudited | Other loans<br>HK\$'000<br>Unaudited | Bank loans<br>HK\$'000<br>Audited | Other loans<br>HK\$'000<br>Audited |
| On demand          | 135,379                             | 10,000                               | 17,596                            | —                                  |
| Within one year    | —                                   | —                                    | —                                 | 35,000                             |
| In the second year | —                                   | 25,000                               | —                                 | —                                  |
|                    | 135,379                             | 35,000                               | 17,596                            | 35,000                             |

Notes:

- (a) The bank loans of the Group were secured by marketable securities of HK\$101,000,000 (31 March 2009: HK\$99,000,000) 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 amounting to Nil (31 March 2009: HK\$3,500,000). The bank loans of the Group bear floating interest rates ranging from 0.7% to 2.6% per annum (31 March 2009: 1.8% to 6.4% per annum).

There were two IPO financing facilities utilised to the amount of HK\$125,300,000 at 30 September 2009 (31 March 2009: Nil) and were fully repaid on 5 October 2009 and 7 October 2009, respectively.

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 21. BORROWINGS (Continued)

Notes: (Continued)

- (b) Total other loan of HK\$35,000,000 (31 March 2009: HK\$35,000,000) bears fixed interest rate at 6% per annum and is repayable on 31 July 2011, and of which lender has the right to request early repayment of up to HK\$10,000,000 with one month written notice.
- (c) The carrying amounts of short term borrowings approximate their fair value.
- (d) The carrying amounts of the borrowings are denominated in the following currencies:

|                       | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|-----------------------|---|---|
| Hong Kong dollars     | 160,300                                       | 35,000                                  |
| United States dollars | 10,079  | 17,596                                  |
|                       | 170,379                                       | 52,596                                  |

## 22. SHARE CAPITAL

|  | 30 September 2009<br>Number of<br>ordinary shares of<br>HK one third of<br>one cent each<br>Unaudited | HK\$'000<br>Unaudited |
|--|---|-----------------------|
| Authorised:                              |   |                       |
| At 1 April 2009 and at 30 September 2009 | 30,000,000,000  | 100,000               |
| Issued and fully paid:                   |   |                       |
| At 1 April 2009                          | 770,171,541   | 2,567                 |
| Exercise of share options                | 18,021,782  | 60                    |
|  | 788,193,323   | 2,627                 |
| At 30 September 2009                     | 788,193,323   | 2,627                 |



# Notes to the Interim Financial Statements

## For the six months ended 30 September 2009

### 22. SHARE CAPITAL (Continued)

|  | 30 September 2008  |                       |
|--|--|-----------------------|
|  | Number of<br>ordinary shares of<br>HK one third of<br>one cent each<br>Unaudited | HK\$'000<br>Unaudited |
| <b>Authorised:</b>                       |  |                       |
| At 1 April 2008 and at 30 September 2008 | 30,000,000,000   | 100,000               |
| <b>Issued and fully paid:</b>            |  |                       |
| At 1 April 2008                          | 666,295,662  | 2,221                 |
| Exercise of share options                | 34,951,194   | 116                   |
| Bonus Issue                              | 70,124,685   | 234                   |
| <b>At 30 September 2008</b>              | <b>771,371,541</b>   | <b>2,571</b>          |

Mr. Bernard POULIOT, executive director of the Company, had exercised his rights to convert his 5,775,000 share options at the exercise price of HK\$0.1413 each into 5,775,000 ordinary shares of HK one third of one cent each of the Company on 6 August 2009.

Mr. Kenneth LAM Kin Hing, executive director of the Company, had exercised his rights to convert his 5,775,000 share options at the exercise price of HK\$0.1413 each into 5,775,000 ordinary shares of HK one third of one cent each of the Company on 6 August 2009.

Certain employees of the Group had exercised their rights to convert their 6,471,782 share options at the exercise price of HK\$0.1413 each into 6,471,782 ordinary shares of HK one third of one cent each of the Company during 2 April 2009 to 29 September 2009.

### 23. OPERATING LEASE COMMITMENTS

At 30 September 2009, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

|   | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|---|---|---|
| Within one year                         | 13,788  | 9,512                                   |
| In the second to fifth years, inclusive | 18,515  | 5,038                                   |
|   | <b>32,303</b>                                 | <b>14,550</b>                           |

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 2009

## 24. CAPITAL COMMITMENTS

|                                     | 30 September<br>2009<br>HK\$'000<br>Unaudited | 31 March<br>2009<br>HK\$'000<br>Audited |
|-------------------------------------|---|---|
| Investment in equity interest       |   |   |
| — contracted but not provided for   | 5,781   | —                                       |
| — authorised but not contracted for | —   | 5,781                                   |
|                                     | <b>5,781</b>                                  | <b>5,781</b>                            |

## 25. RELATED PARTY TRANSACTIONS

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

|  | Six months ended<br>30 September<br>2009<br>HK\$'000<br>Unaudited | Six months ended<br>30 September<br>2008<br>HK\$'000<br>Unaudited |
|--|---|---|
| Related companies  |   |   |
| Securities and futures trading fees:   |   |   |
| Baroque Investments Limited,<br>a company in which Mr. Bernard POULIOT<br>has indirect interests | —   | 10  |
| Porto Global Limited,<br>a company in which Mr. Bernard POULIOT<br>has 100% interest             | —   | 1   |
| Newer Challenge Holdings Limited,<br>a company in which Mr. Bernard POULIOT<br>has 100% interest | —   | 1   |
| Interest income on margin financing:   |   |   |
| Baroque Investments Limited,<br>a company in which Mr. Bernard POULIOT<br>has indirect interests | 45  | 18  |
| Porto Global Limited,<br>a company in which Mr. Bernard POULIOT<br>has 100% interest             | —   | 14  |
| Newer Challenge Holdings Limited,<br>a company in which Mr. Bernard POULIOT<br>has 100% interest | —   | 7   |

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 25. RELATED PARTY TRANSACTIONS (Continued)

|  | Six months ended<br>30 September<br>2009<br>HK\$'000<br>Unaudited | Six months ended<br>30 September<br>2008<br>HK\$'000<br>Unaudited |
|--|---|---|
| <b>Directors</b>   |   |   |
| Securities and futures trading fees:                                 |   |   |
| Mr. Bernard POULIOT  | 27  | 43  |
| Mr. Kenneth LAM Kin Hing   | 2,181   | 968   |
| Mr. Richard David WINTER   | 1   | 5   |
| Interest income on margin financing:                                 |   |   |
| Mr. Bernard POULIOT  | 132   | 221   |
| Mr. Kenneth LAM Kin Hing   | 7   | 118   |
| Performance fee income on broking:                                   |   |   |
| Mr. Kenneth LAM Kin Hing   | 1,739   | 290   |
| <b>Close family members of the directors</b>                         |   |   |
| Securities and futures trading fees:                                 |   |   |
| Ms. CHAN Wai Yin, Elizabeth,<br>spouse of Mr. Bernard POULIOT        | 14  | 1   |
| Mrs. CHAN CHAN Yeuk Lan,<br>mother-in-law of Mr. Bernard POULIOT     | 21  | 39  |
| Ms. CHAN Wai Kay, Katherine,<br>sister-in-law of Mr. Bernard POULIOT | —   | 3   |
| Ms. KWOK Ka Wai, Mona,<br>spouse of Mr. Kenneth LAM Kin Hing         | 296   | 1,076   |
| Interest income on margin financing:                                 |   |   |
| Ms. CHAN Wai Yin, Elizabeth,<br>spouse of Mr. Bernard POULIOT        | 6   | 4   |
| Performance fee income on broking:                                   |   |   |
| Ms. KWOK Ka Wai, Mona,<br>spouse of Mr. Kenneth LAM Kin Hing         | 273   | 125   |

# Notes to the Interim Financial Statements

For the six months ended 30 September 2009

## 25. RELATED PARTY TRANSACTIONS (Continued)

Note:

The trading fees, interest and performance fees charged to the above parties were in accordance with 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<br>30 September<br>2009<br>HK\$'000<br>Unaudited | Six months ended<br>30 September<br>2008<br>HK\$'000<br>Unaudited |
|--|---|---|
| Short term employee benefits             | 3,300   | 3,300   |
| Share-based compensation                 | 680   | 1,043   |
| Retirement benefits scheme contributions | 18  | 18  |
|  | <b>3,998</b>  | <b>4,361</b>  |

## 26. POST BALANCE SHEET EVENT

In November 2009, a private equity fund "Suzhou QUAM-SND Venture Capital Enterprise" is in the process of being set up. Under the terms of the fund agreement, the Group will have a capital commitment of RMB51,000,000. The Group was required to pay 20% of this capital commitment i.e. RMB10,000,000 within one month of the fund being approved. The remaining capital commitment will be called with a period of five years. Submission for fund approval was made in November 2009. The Group is also currently in the process of establishing an offshore private equity fund of funds, to seek investors for the investment to the Suzhou QUAM-SND Venture Capital Enterprise fund, which would reduce the Group's capital commitment to fund in the future.

## 27. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised): Presentation of Financial Statements, and HKFRS 8: Operating Segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in current period. Further details of these developments are disclosed in note 3.

# Management Discussion and Analysis

## FINANCIAL REVIEW

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

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

Brokerage income from securities trading increased over last year's comparable period. Despite this improvement, our margin loan portfolio remained at similar levels, reflecting the cautious approach taken by our clients. Our Equity Capital Markets (ECM) business during the Period was affected by the negative market sentiment. Our futures business continues to perform positively and in line with our expectations as a result of volatility in certain futures products and commodities, which provide active trading opportunities for our clients. We continue our marketing efforts, including, among other initiatives, a futures simulation promotion with the Hong Kong Futures Exchange resulting in new futures account openings. To support the growth of this business, several major IT infrastructure projects were completed which enhanced the stability and system redundancy of our trading platform. In addition, we have commenced the development of an integrated Customer Relationship Management (CRM) system for the brokerage operation in order to improve its internal operational efficiency and to provide a unified management tool for our clients. The initial rollout is expected within twelve months.

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

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

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

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

# Management Discussion and Analysis

for which the Company received in aggregate over HK\$11.0 million, (iii) that the net asset per share of Seamico as based on the latest results announced by Seamico was much higher than the last quoted bid price on The Stock Exchange of Thailand at the balance sheet date.

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

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

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

## REVIEW OF OPERATIONS

### Securities and futures dealing and placement

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

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

### Corporate financial advisory services

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

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

### Asset Management

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

### Investment Website — [www.quamnet.com](http://www.quamnet.com) and QuamIR

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

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

## EMPLOYEES AND REMUNERATION POLICIES

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

## RISK MANAGEMENT

The Group also adopts very stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations.

### Credit Risk

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

The credit control department is responsible for monitoring and making margin calls to customers whose trades exceed their respective limits. Failure to meet margin calls will result in liquidation of the customer's positions. The credit control department runs stress tests on loan portfolios to determine the impact on the firm's financial position.

### Liquidity Risk

The Group's operating units are subject to various liquidity requirements as prescribed by the authorities and regulator. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant Financial Resources Rules.

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

### Market Risk

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



# Management Discussion and Analysis

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

## Operational Risk

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

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

## PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

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





# Additional Information

## INTERIM DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

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

## DIRECTORS' INTERESTS

As at 30 September 2009, 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

| Name of directors        | Number of ordinary shares of Hong Kong one third of one cent each held |                       |                         |                 |  |  | Approximate percentage of total interests (including underlying shares) in the share in issue (Note 5) |
|--------------------------|--|-----------------------|-------------------------|-----------------|--|--|--|
|                          | Beneficial interests   | Family interests      | Corporate interests     | Total interests | Approximate percentage of total interests in the share in issue (Note 5) | Underlying shares (share options) (Note 4) |  |
| Mr. Bernard POULIOT      | 60,730,488   | 7,425,000<br>(Note 1) | 174,799,240<br>(Note 2) | 242,954,728     | 30.82%   | 2,750,000<br>(Note 5)                      | 31.17%   |
| Mr. Kenneth LAM Kin Hing | 108,010,020  | —                     | 100,360,306<br>(Note 3) | 208,370,326     | 26.43%   | 2,750,000<br>(Note 5)                      | 26.78%   |
| Mr. Richard David WINTER | 45,719,941   | —                     | —                       | 45,719,941      | 5.80%  | 8,525,000<br>(Note 5)                      | 6.88%  |

# 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. 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".
5. 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 2009.

Save as disclosed above, as at 30 September 2009, 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 2009 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 2009 are as follows:

| Participants                                      | Number of share options     |                           |                             |                                    |                                  |                                  |                                |  | Closing price of the Company's share          |  |   |
|---|-----------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------------------|--------------------------------|--|---|--|---|
|   | Outstanding at 1 April 2009 | Granted during the period | Exercised during the period | Lapsed/Cancelled during the period | Outstanding at 30 September 2009 | Exercisable at 30 September 2009 | Date of grant of share options | Exercise period of share options             | Exercise price of share option HK\$ per share | Immediately before the grant date HK\$ per share | Immediately before the exercise date HK\$ per share |
|   |                             |                           |                             |                                    |                                  |                                  | (Note 2)                       |  |   |  | (Note 7)  |
| <b>Share options granted under the Old Scheme</b> |                             |                           |                             |                                    |                                  |                                  |                                |  |   |  |   |
| <i>Employees under continuous contract</i>        |                             |                           |                             |                                    |                                  |                                  |                                |  |   |  |   |
| In aggregate                                      | 116,069                     | —                         | —                           | —                                  | 116,069                          | 116,069                          | 5 March 2001                   | 5 September 2001 to 8 September 2011         | 0.2398  | N/A  | N/A   |
|   | <u>116,069</u>              | <u>—</u>                  | <u>—</u>                    | <u>—</u>                           | <u>116,069</u>                   | <u>116,069</u>                   |                                |  |   |  |   |
| <b>Share options granted under the New Scheme</b> |                             |                           |                             |                                    |                                  |                                  |                                |  |   |  |   |
| <i>Employees under continuous contract</i>        |                             |                           |                             |                                    |                                  |                                  |                                |  |   |  |   |
| In aggregate                                      | 12,753,849                  | —                         | (6,471,782)                 | —                                  | 6,282,067                        | 6,282,067                        | 9 June 2006                    | 9 June 2007 to 8 June 2016 (Note 3)          | 0.1413  | N/A  | 0.3461  |
| In aggregate                                      | 3,564,000                   | —                         | —                           | —                                  | 3,564,000                        | —                                | 13 April 2007 (Note 10)        | 13 April 2008 to 12 April 2017 (Notes 4 & 9) | 0.4342  | N/A  | N/A   |
| In aggregate                                      | 880,000                     | —                         | —                           | —                                  | 880,000                          | 293,333                          | 29 February 2008               | 1 March 2009 to 28 February 2018 (Note 5)    | 0.9090  | N/A  | N/A   |
| In aggregate                                      | 18,452,500                  | —                         | —                           | (550,000)                          | 17,902,500                       | 5,967,476                        | 6 June 2008                    | 6 June 2009 to 5 June 2018 (Note 6)          | 0.8309  | N/A  | N/A   |

# Additional Information

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

| Participants   | Number of share options     |                           |                             |                                    |                                  |                                  |                               | Date of grant of share options              | Exercise period of share options | Exercise price of share option<br>HK\$<br>per share | Closing price of the Company's share                   |   |
|--|-----------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------------------|-------------------------------|---|----------------------------------|---|--|---|
|  | Outstanding at 1 April 2009 | Granted during the period | Exercised during the period | Lapsed/Cancelled during the period | Outstanding at 30 September 2009 | Exercisable at 30 September 2009 | (Note 2)                      |   |                                  |   | Immediately before the grant date<br>HK\$<br>per share | Immediately before the exercise date<br>HK\$<br>per share<br>(Note 7) |
| <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   | 9,900,000                   | —                         | —                           | 9,900,000                          | —                                | —                                | 18 September 2006<br>(Note 1) | 9 June 2007 to 8 June 2016<br>(Notes 3 & 8) | 0.1413                           | N/A   | N/A  |   |
| <i>Directors</i>   |                             |                           |                             |                                    |                                  |                                  |                               |   |                                  |   |  |   |
| Mr. Bernard POULLIOT   | 5,775,000                   | —                         | (5,775,000)                 | —                                  | —                                | —                                | 18 September 2006<br>(Note 1) | 9 June 2007 to 8 June 2016<br>(Note 3)      | 0.1413                           | N/A   | 0.3750   |   |
|  | 2,750,000                   | —                         | —                           | —                                  | 2,750,000                        | 916,666                          | 6 June 2008                   | 6 June 2009 to 5 June 2018<br>(Note 6)      | 0.8309                           | N/A   | N/A  |   |
| Mr. Kenneth LAM Kin Hing   | 5,775,000                   | —                         | (5,775,000)                 | —                                  | —                                | —                                | 18 September 2006<br>(Note 1) | 9 June 2007 to 8 June 2016<br>(Note 3)      | 0.1413                           | N/A   | 0.3750   |   |
|  | 2,750,000                   | —                         | —                           | —                                  | 2,750,000                        | 916,666                          | 6 June 2008                   | 6 June 2009 to 5 June 2018<br>(Note 6)      | 0.8309                           | N/A   | N/A  |   |
| Mr. Richard David WINTER   | 5,775,000                   | —                         | —                           | —                                  | 5,775,000                        | 5,775,000                        | 18 September 2006<br>(Note 1) | 9 June 2007 to 8 June 2016<br>(Note 3)      | 0.1413                           | N/A   | N/A  |   |
|  | 2,750,000                   | —                         | —                           | —                                  | 2,750,000                        | 916,666                          | 6 June 2008                   | 6 June 2009 to 5 June 2018<br>(Note 6)      | 0.8309                           | N/A   | N/A  |   |
| <i>Other Participant</i>   | 275,000                     | —                         | —                           | —                                  | 275,000                          | 91,666                           | 6 June 2008                   | 6 June 2009 to 5 June 2018<br>(Note 6)      | 0.8309                           | N/A   | N/A  |   |
|  | 71,400,349                  | —                         | (18,021,782)                | 10,450,000                         | 42,928,567                       | 21,159,540                       |                               |   |                                  |   |  |   |

# Additional Information

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

### Notes:

1. 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.
2. 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.
3. One third of granted share options will be vested on 9 June 2007, 9 June 2008 and 9 June 2009 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
4. One third of granted share options will be vested on 13 April 2008, 13 April 2009 and 13 April 2010 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
5. One third of granted share options will be vested on 1 March 2009, 1 March 2010 and 1 March 2011 respectively and are exercisable from completion of each vesting period. The share options granted shall be valid for 10 years.
6. 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.
7. The closing price of the Company's shares immediately before the exercise date disclosed above is the weighted average of the closing price of the Stock Exchange immediately before the dates on which the options were exercised.
8. The exercise of the share options granted will be subject to the attainment by the participant of a prescribed annual performance target during each of his first 3 years of employment with the Group commencing from 1 April 2006.
9. The exercise of the share options granted will be subject to the attainment by the participant of a prescribed annual performance target during each of his first 3 years of employment with the Group commencing from 13 April 2007.
10. The second tranche of share options had been carried over to the next exercise period of 13 April 2010 conditionally because the participant could not attain the annual performance target for the year 2008/2009.

Save as disclosed above, at no time during the six months ended 30 September 2009 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 2009, 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<br>third of one cent each held | Approximate<br>percentage of total<br>interests in the share<br>in issue<br>(Note 3) |
|---|---|--|
|   | Beneficial interests  |  |
| Newer Challenge Holdings Limited (Note 1) | 109,335,183   | 13.87%   |
| Olympia Asian Limited (Note 2)            | 100,360,306   | 12.73%   |
| Porto Global Limited (Note 1)             | 65,464,057  | 8.30%  |

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 2009.

Save as disclosed above, as at 30 September 2009, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

# Additional Information

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

Changes of information of the Directors since the date of 2009 Annual Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

### Independent Non-executive Director:

- |                             |   |  |
|-----------------------------|---|--|
| Mr. KWONG Che Keung, Gordon | — | had entered into a service agreement with the Company for a term of one year with effect from 31 July 2009 renewable following the expiration of the term                                |
|                             | — | resigned as an Independent Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. (Stock Code: 2318), after serving for two terms of three years each on 3 June 2009 |
| Mr. Robert Stephen TAIT     | — | had entered into a service agreement with the Company for a term of one year with effect from 31 July 2009 renewable following the expiration of the term                                |
| Mr. Jeremy Lechemere KING   | — | had entered into a service agreement with the Company for a term of one year with effect from 31 July 2009 renewable following the expiration of the term                                |
|                             | — | resigned as an Independent Non-executive Director, members of the Audit Committee and the Remuneration Committee of the Company with effect from 27 October 2009                         |
| Mr. Douglas Howard MOORE    | — | appointed as an Independent Non-executive Director, members of the Audit Committee and the Remuneration Committee of the Company with effect from 27 October 2009                        |

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

## SHARE CAPITAL

During the six months ended 30 September 2009, the Company issued and allotted the total of 18,021,782 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 to the subscription amounted to approximately HK\$2,546,000 and were received in cash.

# Additional Information

## 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 2009.

## CORPORATE GOVERNANCE PRACTICES

In the Corporate Governance Report which was published in the Annual Report 2009 of the Company, we reported that the Company had applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the deviations from code provisions A.2.1 and A.4.1.

Mr. Bernard POULIOT is the Chairman of the Company since 19 April 2000 and the managing director of the Group. The Company does not have any office with the title "Chief Executive Officer". This constitutes a deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers that in view of the current operation, structure, size and resources of the Group together with substantial experience of financial services business, extensive management experience and leadership within the Group of Mr. POULIOT, that it is currently most beneficial and efficient to maintain the existing leadership structure.

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

## AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has met with Messrs. Grant Thornton, the external auditor of the Group, to review the accounting policies and practices adopted by the Group and review the unaudited condensed consolidated financial results of the Company for the six months ended 30 September 2009.

On behalf of the Board  
Bernard POULIOT  
*Chairman*

Hong Kong, 26 November 2009



# Independent Review Report



**Grant Thornton**  
**均富**

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 comprises the condensed consolidated balance sheet of Quam Limited as of 30 September 2009 and the related condensed consolidated statement of comprehensive income, 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.

## BASIS FOR QUALIFIED CONCLUSION

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

## QUALIFIED CONCLUSION

Except for the effect of the matter described in the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

**Grant Thornton**  
*Certified Public Accountants*  
6th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong  
26 November 2009

# 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<sup>#</sup>

Mr. Douglas Howard MOORE<sup>#</sup>

*(appointed on 27 October 2009)*

Mr. Robert Stephen TAIT<sup>#</sup>

<sup>#</sup> *Independent Non-executive Director*

## Audit Committee

*Chairman:* Mr. Gordon KWONG Che Keung

*Members:* Mr. Douglas Howard MOORE  
*(appointed on 27 October 2009)*

Mr. Robert Stephen TAIT

## Remuneration Committee

*Chairman:* Mr. Robert Stephen TAIT

*Members:* Mr. Gordon KWONG Che Keung  
Mr. Douglas Howard MOORE  
*(appointed on 27 October 2009)*  
Mr. Richard David WINTER

## Company Secretary

Mr. TSANG Chung Him

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Head Office and Principal Place of Business in Hong Kong

Room 3408  
Gloucester Tower  
The Landmark  
11 Pedder Street, Central  
Hong Kong

*(with effect from 21 September 2009)*

## Auditor

Grant Thornton

*Certified Public Accountants*

## Hong Kong Legal Advisers

Charltons

K&L Gates, 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 Quam group

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

## Investor Relations

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