Quam Financial Services Group 華富國際

QUAM LIMITED

華富國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board of directors (the "Board" or "Directors") of Quam Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2012, together with the comparative figures for the previous financial period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	**Six months ended 30 September 2012** *HK$'000* **(Unaudited)**	Six months ended 30 September 2011 *HK$'000* (Unaudited)
Revenue/Turnover	4	**157,425**	197,001
Fair value loss on financial assets measured at fair value through profit or loss		**(643)**	(797)
Other operating income	5	**4,688**	3,773
Cost of services provided		**(69,598)**	(87,118)
Staff costs	6	**(52,320)**	(68,437)
Depreciation and amortisation expenses	6	**(3,431)**	(2,743)
Other operating expenses, net		**(35,503)**	(31,737)
Finance costs		**(3,635)**	(3,647)
Provision for impairment of interest in an associate		**—**	(3,000)
Share of results of associates		**—**	(2,116)
Share of results of jointly controlled entities		**(1,107)**	(741)
(Loss)/Profit before income tax	6	**(4,124)**	438
Income tax expense	7	**(300)**	(200)
(Loss)/Profit for the period, attributable to owners of the Company		**(4,424)**	238

* *For identification purpose only*

	Notes	**Six months ended 30 September 2012** *HK$'000* **(Unaudited)**	Six months ended 30 September 2011 *HK$'000* (Unaudited)
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**76**	15
Changes in fair value of financial assets measured at fair value through other comprehensive income		**(5,674)**	(9,129)
Other comprehensive income for the period, including reclassification adjustments and net of tax		**(5,598)**	(9,114)
Total comprehensive income for the period, attributable to owners of the Company		**(10,022)**	(8,876)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company for the period	9		
— Basic *(HK cent)*		**(0.38)**	0.02
— Diluted *(HK cent)*		**N/A**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2012

	Notes	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**20,225**	15,060
Goodwill		**14,695**	14,695
Development costs		**1,466**	1,496
Other intangible assets		**100**	120
Financial assets measured at fair value through other comprehensive income		**71,712**	77,386
Interest in an associate		**—**	—
Interests in jointly controlled entities		**23,482**	24,589
Other assets		**5,770**	5,841
		137,450	139,187
Current assets			
Trade receivables	10	**691,625**	759,473
Loan receivables		**1,312**	1,829
Prepayments, deposits and other receivables		**17,627**	15,498
Financial assets measured at fair value through profit or loss		**2,619**	11,052
Tax recoverable		**114**	374
Trust time deposits held on behalf of customers		**359,743**	300,264
Trust bank balances held on behalf of customers		**353,868**	289,404
Cash and cash equivalents		**56,537**	60,013
		1,483,445	1,437,907

	Notes	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Current liabilities			
Trade payables	11	**974,549**	877,247
Borrowings		**226,501**	265,747
Accruals and other payables		**48,699**	53,866
Finance lease payables		**10**	132
Tax payables		**181**	141
		1,249,940	1,197,133
Net current assets		**233,505**	240,774
Total assets less current liabilities		**370,955**	379,961
Non-current liabilities			
Deferred tax liabilities		**36**	36
		36	36
Net assets		**370,919**	379,925
EQUITY			
Equity attributable to Company's owners			
Share capital		**3,977**	3,977
Reserves		**366,942**	375,948
Total equity		**370,919**	379,925

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation that have been used in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2012, except for the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

i) the brokerage segment engages in securities, futures and options dealing, provision of placement services, underwriting services, discretionary securities, futures and options 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 managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. During the six months ended 30 September 2012, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

	Six months ended 30 September 2012					
	Brokerage	**Advisory**	**Asset management**	**Website management**	**Investments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue						
From external customers	**117,627**	**24,900**	**3,564**	**11,334**	**—**	**157,425**
From other segments	**—**	**—**	**—**	**1,514**	**—**	**1,514**
Reportable segment revenue	**117,627**	**24,900**	**3,564**	**12,848**	**—**	**158,939**
Reportable segment result	**2,401**	**4,588**	**(2,125)**	**(2,209)**	**(1,905)**	**750**

	Six months ended 30 September 2011					
	Brokerage	Advisory	Asset management	Website management	Investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue						
From external customers	150,724	27,299	5,078	13,900	—	197,001
From other segments	—	—	—	9,809	—	9,809
Reportable segment revenue	150,724	27,299	5,078	23,709	—	206,810
Reportable segment result	4,669	2,097	(3,884)	5,743	(2,530)	6,095

The total of the Group's reportable segment result is reconciled to the Group's (loss)/profit before income tax as follows:

	Six months ended 30 September 2012	Six months ended 30 September 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment result	**750**	6,095
Elimination of intra-group transactions	**—**	8,389
Provision for impairment of interest in an associate	**—**	(3,000)
Share of results of associates	**—**	(2,116)
Share of results of jointly controlled entities	**(1,107)**	(741)
Unallocated corporate expenses	**(3,767)**	(8,189)
(Loss)/Profit before income tax	**(4,124)**	438

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2012 *HK$'000* **(Unaudited)**	Six months ended 30 September 2011 *HK$'000* (Unaudited)
Advertising and content fee income	**2,020**	3,013
Advisory fee income	**24,900**	27,299
Asset management fee income	**3,564**	5,078
Commission and performance fee income on securities, futures and options broking	**94,969**	124,929
Income from margin financing and money lending operations	**16,906**	16,584
Placement and underwriting fee income	**4,418**	4,992
Website management and related service fee income	**9,314**	10,887
Wealth management service fee income	**1,334**	4,219
	157,425	197,001

5. OTHER OPERATING INCOME

	Six months ended 30 September 2012 *HK$'000* **(Unaudited)**	Six months ended 30 September 2011 *HK$'000* (Unaudited)
Dividend income from listed securities measured at fair value through other comprehensive income	**1,041**	—
Exchange gains, net	**853**	1,940
Interest income from banks and others	**1,704**	1,108
Sundry income	**1,090**	725
	4,688	3,773

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	Six months ended 30 September 2012	Six months ended 30 September 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of development costs and other intangible assets	**246**	208
Depreciation of property, plant and equipment	**3,185**	2,535
	3,431	2,743
Consultancy fee for marketing and promotion#	**4,430**	19,343
Provision for impairment of trade receivables	**876**	175
Staff costs (including directors' remuneration):		
— Salaries, allowances and bonuses	**50,124**	64,060
— Share awards expense	**1,016**	3,225
— Share options expense	**—**	155
— Retirement benefits scheme contributions	**1,180**	997
	52,320	68,437

\# *Included in cost of services provided*

7. INCOME TAX EXPENSE

	Six months ended 30 September 2012	Six months ended 30 September 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits Tax	**300**	200

For the six months ended 30 September 2012 and 2011, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the periods.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

	Six months ended 30 September 2012	Six months ended 30 September 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year ended 31 March 2011, approved and paid during the six months ended 30 September 2011, of HK0.5 cent per ordinary share	**—**	4,773

The Board has resolved not to declare interim dividend in respect of the six months ended 30 September 2012 (2011: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the period of HK$4,424,000 (2011: profit of HK$238,000) and on the weighted average of 1,172,227,055 (2011: 963,057,669) ordinary shares in issue less shares held for Share Award Scheme during the period.

(b) Diluted (loss)/earnings per share

Diluted loss per share for the six months ended 30 September 2012 was not presented because the impact of the exercise of share option and the vesting of share awards was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 September 2011 is based on the profit attributable to owners of the Company for the six months ended 30 September 2011 of HK$238,000 and the weighted average of 964,831,762 ordinary shares outstanding during the six months ended 30 September 2011, after adjusting 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 963,057,669 ordinary shares in issue, less shares held for Share Award Scheme during the six months ended 30 September 2011, plus the weighted average of 1,774,093 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised and the shares under Share Award Scheme had been vested.

10. TRADE RECEIVABLES

	30 September 2012 *HK$'000* **(Unaudited)**	31 March 2012 *HK$'000* (Audited)
Securities transactions		
— Brokers and clearing house	**18,891**	5,444
— Cash clients	**9,772**	25,230
— Margin clients	**402,135**	482,026
Futures and options contracts		
— Brokers and clearing houses	**276,717**	262,671
Advisory, placement and other services		
— Clients receivables	**10,144**	9,260
	717,659	784,631
Less: Provision for impairment	**(26,034)**	(25,158)
Trade receivables, net	**691,625**	759,473

Notes:

(a) Amounts due from cash clients, brokers and clearing houses are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). There are no credit terms granted to clients for its advisory, placement and other services. The amounts due from cash clients bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(b) Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 30 September 2012, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$5,909,096,000 (31 March 2012: HK$1,830,606,000). The amounts due from margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(c) Included in amounts due from futures brokers was HK$20,148,000 (31 March 2012: HK$40,975,000) due from MF Global Hong Kong Limited ("MF Global HK"), which was a broker utilised by the Group for dealing in futures contracts. In October 2011, MF Global HK was placed in provisional liquidation. Based on the current information issued by the provisional liquidators (the provisional liquidators were appointed as the liquidators on 4 October 2012), a provision for impairment of HK$6,701,000 (31 March 2012: HK$6,701,000) has been recognised.

(d) No ageing analysis based on invoice date is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the Group's trade receivables as at the reporting date, based on due date and net of provision, is as follows:

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Repayable on demand	**388,678**	469,341
0–30 days	**277,699**	245,399
31–60 days	**1,722**	1,059
61–90 days	**1,375**	386
91–180 days	**1,615**	42,780
181–360 days	**20,496**	181
Over 360 days	**40**	327
	691,625	759,473

11. TRADE PAYABLES

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Securities transactions		
— Brokers and clearing house	**3,547**	60,471
— Cash clients	**374,696**	308,926
— Margin clients	**83,206**	81,575
Futures and options contracts		
— Clients payables	**508,057**	421,198
Asset management, advisory and other services		
— Clients payables	**5,043**	5,077
	974,549	877,247

Accounts payable to cash clients attributable to dealing in securities transactions mainly represents clients' undrawn monies/excess deposits placed with the Group and those payables placed in trust accounts with authorised institutions. These amounts, together with the amounts due to brokers and clearing house, are repayable on demand up to the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). Accounts payable to margin clients are repayable on demand.

Accounts payable to clients attributable to dealing in futures and options contracts includes margin deposits received from clients for their trading of futures and options contracts and clients' undrawn monies/excess deposits placed with the Group. Only the excess over the required margin deposits are repayable on demand.

No ageing analysis is disclosed in respect of accounts payable attributable to dealing in securities and futures and options contracts as, in the opinion of directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of the accounts payable of the Group attributable to other services is as follows:

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 180 days	**4,986**	5,020
Over 180 days	**57**	57
	5,043	5,077

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the period from 1 April 2012 to 30 September 2012 (the "Period"), the Group reports an after tax loss of HK$4,424,000 (2011: after tax profit of HK$238,000). However, during the Period, we incurred additional premises-related costs arising from double rental and reinstatement for the transition of our offices from Landmark to Aon China Building amounting to approximately HK$5,200,000. An operating profit would have been derived if such was allowed to be amortised. The Group's revenue for the Period amounted to HK$157,425,000 (2011: HK$197,001,000) reflecting a decrease of 20.1% from the corresponding period last year.

The financial markets continued to be subdued during the Period with the average daily turnover of The Stock Exchange of Hong Kong Limited ("SEHK") 48% lower than the same period last year indicating bearishness in the financial markets as the global economy awaited news of European sovereign debt restructuring, the lead up to US elections and the change in leadership in China in November. Despite grim market conditions, the Group's resilience was evident in maintaining its market share on SEHK and our Category B status. We recorded further steady growth in our futures business in terms of volume and turnover. The corporate finance team continued its positive trend since last year as a result of a healthy deal pipeline and steady advisory fee income. We continued the restructuring of our asset management division by streamlining our staff cost base. In an encouraging trend toward the end of the Period, we saw a slowing of redemptions and the emergence of new subscriptions. Modest performance fees were also captured for the month of September. Quamnet was successful in landing a number of strategic event contracts towards the end of the Period, revenues from which were only partially recognised in the current period, with the remaining to be reflected in the second half. Trimming of staff at the beginning of 2012 and shifting some costs to a variable basis further improved the operating margin of Quamnet amidst slower advertising and investor relations sales.

During the Period, a major relocation of the Head office, securities, corporate finance and asset management divisions was carried out after the expiry of our Landmark premises lease. These business units were relocated to Aon China Building. This move will provide savings in lease expenditures in the longer term and provide added benefits by consolidating our operations and making them more efficient. Quamnet was also relocated to the same offices in October with the expiry of its lease in North Point.

Our receivables from the liquidation of MF Global HK were reduced through a second interim payment in July. The total payout to date amounts to 70% of the clients money receivable. The liquidator has informed creditors of its expectation regarding the remaining 30% of clients money, which could result in a full repayment pending certain recoveries. We have made a provision in our last annual financial results of HK$7,000,000, but management considers it too early to reduce such provision in light of the current information, which still carries many uncertainties.

Since the write-down of investment in McMillen Advantage Capital Limited ("MAC") last year, we have asked MAC's management to consider ways to accelerate the realisation of non-core assets and the return of capital that has been approved by the courts. Our other outside investments remained unchanged, albeit with some valuation adjustments affecting the other comprehensive income.

We have decided a cutback on operations for the private equity business and focus efforts on its present portfolio of investments.

Despite the difficult market conditions during the Period, we saw some positive improvements in our business at the end of September, with daily turnover increases and inflows of investment to our managed funds.

Review of operations

Securities and futures dealing and placement

Securities and futures dealing commissions fell for the Period to HK$94,969,000 (2011: HK$124,929,000), a decrease of 24.0% from the same period last year as a result of the bearish markets.

The securities margin lending book also fell slightly as a result with less demand during the quiet months when trading volume was down. Interest income was HK$16,906,000 (2011: HK$16,584,000). The margin loan book at the end of the Period stood at HK$388,678,000 (31 March 2012: HK$469,341,000 and 30 September 2011: HK$358,416,000) and was well supported by sufficient banking facilities.

Equity Capital Market ("ECM") business activity slowed as market bearishness impacted investor appetite for new and secondary deals. Although a good pipeline was established, timing of market recovery will be crucial to completion of such works in progress. Placement and underwriting fee income for the Period declined to HK$4,418,000 as compared to HK$4,992,000 in 2011.

Corporate financial advisory services

Corporate finance activity remains strong, with revenue for the Period amounting to HK$24,900,000 (2011: HK$27,299,000). The deal pipeline is solid with further growth and expansion of staffing expected.

Asset Management

Revenue for the Period for management fees amounted to HK$3,564,000 (2011: HK$5,078,000). The decrease was a result of a decrease in Assets Under Management ("AUM"). Net results for the business were improved by tighter control of overheads and marketing expenses during the Period. We have reduced certain overhead costs, which has resulted in an average saving of 42% in manpower costs and 43% for other overhead costs. Headcount numbers have reduced by 53%.

Total AUM in our funds stood at US$57,200,000 (2011: US$67,600,000) at the end of the Period, resulting from redemption and market performance. However, a new fund of funds was launched in September with expectation of raising another US$10,000,000 by the end of December.

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Quamnet's revenue for the Period stood at HK$11,334,000 (2011: HK$13,900,000), a fall of 18.5% period on period. This was caused by the bearish market which reduced corporate spending on advertising and content fees, and individuals spending on research and columnists products. The restructuring in certain overhead costs at the end of the last financial year, has resulted in an average saving of 24% in manpower costs and 26% for other overhead costs. Headcount numbers have reduced by 15% as well.

Financial reviews

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as with banking facilities provided by its principal bankers in Hong Kong. As of 30 September 2012, the Group had available aggregate banking facilities of approximately HK$477,500,000 (31 March 2012: HK$415,000,000), secured by legal charges on certain securities owned by the Group's margin and money lending clients. At 30 September 2012, approximately HK$179,867,000 (31 March 2012: HK$219,102,000) of these banking and short-term loan facilities were utilized.

Capital Structure

The Group's cash and short term deposits at 30 September 2012 stood at approximately HK$56,537,000 (31 March 2012: HK$60,013,000).

Gearing Ratio

The Group's gearing ratio was 61.1% at 30 September 2012 (31 March 2012: 69.9%), being calculated as borrowings over net assets.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2012, the Group had 172 full time employees and 3 part time employees in Hong Kong (2011: 198 full time employees and 2 part time employees in Hong Kong), together with 59 full time employees based in the People's Republic of China (2011: 77 full time employees based in the People's Republic of China). Competitive total remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually and bonuses paid with reference to individual performance appraisals, prevailing market conditions and company financial results. Other benefits offered by the Group include mandatory provident fund scheme and medical and health insurance. In addition, the Group has maintained a share option scheme and a restricted share award scheme in order to recognize and motivate the contribution of high performing employees of the Group, to provide incentives for retention purposes and to attract personnel for further development of the Group.

RISK MANAGEMENT

The Group adopts 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's credit committee within the securities and futures operation meets regularly to review credit limits for clients and identify and assess risk associated with financial products. The credit committee, which is appointed 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. The stock list is revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual stocks and/or for each individual client.

The credit control department is responsible for monitoring and making margin calls to clients exceeding their 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 and exposure.

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 rules including Financial Resources Rules.

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

Market Risk

The Group offers margin trading in securities and futures and options products. Clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying interest. The margins to be maintained for futures and options products are based on requirements set by the exchanges. The margin ratios for securities margin loans are based on a combination of factors including indicative acceptable lending rates from our bankers, the quality of the company represented by the securities, the liquidity of the securities, and the concentration level of securities held. All margin ratios are assessed by the Credit Committee. In situations where there may be sudden volatile market movement (e.g. market gap opening) affecting client's positions, the liquidation of these positions can be compromised due to market liquidity and therefore, expose the Group to credit and delivery risk.

The Group's exposure to underwriting commitments is subject to market volatility and sentiment. In that respect, the Group follows strict limits as to the maximum exposure to any underwriting commitment. The net exposure commitment per issue should not exceed 25% of net asset value of the Group and the aggregate of underwriting commitments at any one time should not exceed 40% of net asset value of the Group. The Board has the ultimate say in establishing those policies.

PROSPECTS

With US elections and the leadership transition in China completed in November, all eyes are watching for any new impetus and direction from Governments amidst the world's economic stagnation and ongoing European financial crisis. Asia seems to be the preferred choice for growth as Europe and the US continue quantitative easing programs resulting in liquidity flows into Asia. However, the outlook for Hong Kong we think will be mixed. Capital markets will continue to be driven by volatility in the near term. With increasing inflation pressure, we believe the need to protect wealth with investment assets is an obvious solution, while growth spurred from any increase in consumption may not be enough to lead to an imminent recovery. Our views towards current business prospects remains cautious, and we have positioned the Group to capture benefits from this volatile trend through our brokerage operations, and to promote the closer integration between our wealth management and asset management division, with short term money management and medium term capital preservation strategies generating absolute returns for our customer base.

Meanwhile, a collaboration between Quamnet and the securities trading units to establish a platform offering trading tools is set to soft launch in the first quarter of 2013. We view this as both giving a competitive advantage to the securities trading business and adding a new revenue stream to Quamnet as a platform provider.

Our strategy continues on the theme of sticking to our core businesses and "making more from spending less" in these uncertain times.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 September 2012 (2011: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2012, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It 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 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Period, save for the deviations from code provision A.5.1 and A.6.7.

The Company does not establish a Nomination Committee. This constitutes a deviation from code provision A.5.1 of the CG Code which stipulate that a Nomination Committee should be established. In view of the existing size of the board and business operation of the Group, it is considered more beneficial and effective to have the relevant function performed by the board as a whole.

One of the Independent Non-executive Directors was unable to attend the annual general meeting of the Company held on 6 September 2012 due to his other engagement. This constitutes a deviation from code provision A.6.7 of the CG Code which provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has met with BDO Limited, 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 2012.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2012 of the Group is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.quamlimited.com respectively. The Interim Report 2012 of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

On behalf of the Board
Quam Limited
Bernard POULIOT
Chairman and Executive Director

Hong Kong, 27 November 2012

As at the date of this announcement, the board of directors of Quam Limited comprises three executive directors, namely Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER and three independent non-executive directors, namely Mr. Kenneth YOUNG Chun Man, Mr. Robert CHAN Tze Leung and Mr. Robert Stephen TAIT.