

The background of the entire page is a light gray collage of various sports silhouettes. These include a couple embracing, a hockey player, a runner, a kayaker, a tennis player, a basketball player, a person climbing, a person on a bicycle, and a group of hikers. The silhouettes are scattered across the page, creating a sense of active lifestyle and global connectivity.

Quam
Financial Services Group




華富
國際

INTERIM REPORT 2015

(Stock Code : 00952)





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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2015

The board of directors (the “Board” or the “Directors”) of Quam Limited (the “Company”) presents the unaudited interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2015.

	Notes	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Revenue/Turnover	4	320,739	196,310
Fair value (loss)/gain on financial assets measured at fair value through profit or loss		(1,687)	642
Other operating income and gains	5	7,217	4,471
Cost of services provided		(139,535)	(80,886)
Staff costs	7	(84,320)	(61,524)
Depreciation and amortisation expenses	7	(3,455)	(3,530)
Other operating expenses		(40,399)	(29,870)
Finance costs		(12,400)	(8,905)
Loss on disposal of an associate		—	(177)
Share of results of joint ventures		(551)	(285)
Profit before income tax	7	45,609	16,246
Income tax expense	8	(4,837)	(1,633)
Profit for the period, attributable to owners of the Company		40,772	14,613

	Notes	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Other comprehensive income, including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
— Exchange gain/(loss) on translation of financial statements of foreign operations		2	(2)
Item that will not be reclassified subsequently to profit or loss			
— Changes in fair value of financial assets measured at fair value through other comprehensive income		(10,740)	596
Other comprehensive income for the period, including reclassification adjustments and net of tax		(10,738)	594
Total comprehensive income for the period, attributable to owners of the Company		30,034	15,207
Earnings per share for profit attributable to owners of the Company for the period			
— Basic (HK cents)	10	2.800	1.231
— Diluted (HK cents)		2.705	1.229

Condensed Consolidated Statement of Financial Position

As at 30 September 2015

	Notes	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	17,229	17,126
Goodwill		14,695	14,695
Development costs		2,240	2,854
Other intangible assets		242	272
Financial assets measured at fair value through other comprehensive income	12	16,019	26,759
Other financial assets measured at amortised cost	13	24,096	24,144
Interests in joint ventures		41,896	42,447
Other assets	14	13,436	17,790
Deferred tax assets		445	445
		130,298	146,532
Current assets			
Trade receivables	15	1,474,546	2,131,904
Loan receivables	16	225	306
Prepayments, deposits and other receivables	17	23,950	17,381
Financial assets measured at fair value through profit or loss	18	8,848	9,059
Tax recoverable		—	31
Trust time deposits held on behalf of clients		543,335	345,956
Trust bank balances held on behalf of clients		1,380,877	811,316
Cash and cash equivalents		79,417	67,102
		3,511,198	3,383,055

	Notes	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Current liabilities			
Trade payables	19	2,662,914	1,884,355
Borrowings	20	153,388	1,050,203
Accruals and other payables		81,452	70,942
Finance lease payables		154	455
Tax payables		5,999	1,162
		2,903,907	3,007,117
Net current assets			
		607,291	375,938
Total assets less current liabilities			
		737,589	522,470
Non-current liabilities			
Borrowings	20	97,070	95,612
		97,070	95,612
Net assets			
		640,519	426,858
EQUITY			
Equity attributable to Company's owners			
Share capital	21	5,035	4,017
Reserves		635,484	422,841
Total equity			
		640,519	426,858

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Attributable to owners of the Company											
	Share capital	Share premium	Investment revaluation reserve	Contributed surplus	Share option reserve	Shares held for Share Award Scheme	Awarded share reserve	Capital redemption reserve	Warrants reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2014	3,977	185,024	(5,255)	4,742	6,995	(2,703)	—	936	—	328	189,695	383,739
Issue of Warrants	—	—	—	—	—	—	—	—	5,036	—	—	5,036
Exercise of Warrants	4	628	—	—	—	—	—	—	(32)	—	—	600
Dividend approved in respect of previous financial year	—	—	—	(5,972)	—	—	—	—	—	—	—	(5,972)
Transactions with owners	4	628	—	(5,972)	—	—	—	—	5,004	—	—	(336)
Profit for the period	—	—	—	—	—	—	—	—	—	—	14,613	14,613
Other comprehensive income												
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	—	(2)	—	(2)
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	596	—	—	—	—	—	—	—	—	596
Total comprehensive income for the period	—	—	596	—	—	—	—	—	—	(2)	14,613	15,207
Transfer from share premium account*	—	(120,000)	—	120,000	—	—	—	—	—	—	—	—
Forfeiture of share options	—	—	—	—	(267)	—	—	—	—	—	267	—
At 30 September 2014	3,981	65,652	(4,659)	118,770	6,728	(2,703)	—	936	5,004	326	204,575	398,610

* Pursuant to the special resolution passed on 7 August 2014, an amount of HK\$120,000,000 standing to the credit of the share premium account of the Company was cancelled and that the credit arising therefrom was transferred to the contributed surplus account of the Company.

Attributable to owners of the Company

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Investment revaluation reserve HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Shares held		Award share reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Warrants reserve HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
					Share option reserve HK\$'000 (Unaudited)	for Share Award Scheme HK\$'000 (Unaudited)						
At 1 April 2015	4,017	71,373	795	112,798	6,662	(2,703)	377	936	4,716	1,822	226,065	426,858
Issue of new shares	500	112,000	—	—	—	—	—	—	—	—	—	112,500
Transaction costs attributable to the issue of new shares	—	(3,401)	—	—	—	—	—	—	—	—	—	(3,401)
Exercise of share options	69	19,839	—	—	(5,561)	—	—	—	—	—	—	14,347
Exercise of Warrants	449	70,384	—	—	—	—	—	—	(3,550)	—	—	67,283
Share Award Scheme arrangements	—	—	—	—	—	—	449	—	—	—	—	449
Dividend approved in respect of previous financial year	—	—	—	(7,551)	—	—	—	—	—	—	—	(7,551)
Transactions with owners	1,018	198,822	—	(7,551)	(5,561)	—	449	—	(3,550)	—	—	183,627
Profit for the period	—	—	—	—	—	—	—	—	—	—	40,772	40,772
Other comprehensive income												
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	—	2	—	2
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	(10,740)	—	—	—	—	—	—	—	—	(10,740)
Total comprehensive income for the period	—	—	(10,740)	—	—	—	—	—	—	2	40,772	30,034
At 30 September 2015	5,035	270,195	(9,945)	105,247	1,101	(2,703)	826	936	1,166	1,824	266,837	640,519

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Net cash used in operating activities	(180,269)	(93,237)
Net cash generated from investing activities	873	102
Net cash generated from/(used in) financing activities	191,699	(4,838)
Net increase/(decrease) in cash and cash equivalents	12,303	(97,973)
Cash and cash equivalents at the beginning of the period	67,102	162,880
Effect of foreign exchange rate changes, on cash held	12	(40)
Cash and cash equivalents at the end of the period	79,417	64,867

Notes to the Interim Financial Statements

For the six months ended 30 September 2015

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Group are principally engaged in the following activities:

- discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services
- corporate finance advisory and general advisory services
- fund management, discretionary portfolio management and portfolio management advisory services
- website management, online advertising and financial information services
- investment holding and securities trading

The unaudited interim financial statements for the six months ended 30 September 2015 were approved for issue by the Board on 30 October 2015.

This interim financial statements are unaudited, but have been reviewed by BDO Limited 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 ("HKICPA"). These 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 2015.

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 34 "Interim Financial Reporting" issued by the HKICPA and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. 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 2015, 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. The application of these new and amended HKFRSs has had no impact on the disclosures or on the amounts recognised in the Group's condensed consolidated interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE/TURNOVER

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

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Advertising and content fee income	871	1,285
Advisory fee income	25,499	30,554
Asset management and performance fee income	50,718	10,652
Commission and brokerage income on securities, futures and options dealing	183,859	106,968
Interest income from margin financing and money lending services	33,065	25,382
Placing and underwriting fee income	18,385	9,133
Website management, financial information service and related service fee income	7,584	8,329
Wealth management service fee income	758	4,007
	320,739	196,310

5. OTHER OPERATING INCOME AND GAINS

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Dividend income from financial assets measured at fair value through other comprehensive income held at the end of the reporting period	924	—
Exchange gains, net	2,546	1,008
Interest income from banks and other financial assets measured at amortised cost	2,811	2,591
Sundry income	936	872
	7,217	4,471

6. 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:

- (a) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services;
- (b) the advisory segment engages in corporate finance advisory and general advisory services;
- (c) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

6. SEGMENT INFORMATION (CONTINUED)

- (d) the website management segment engages in website management, online advertising and financial information services; and
- (e) 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. During the six months ended 30 September 2015, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

	Brokerage HK\$'000 (Unaudited)	Advisory HK\$'000 (Unaudited)	Asset management HK\$'000 (Unaudited)	Website management HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended						
30 September 2015						
Revenue						
From external customers	236,067	25,499	50,718	8,455	—	320,739
From other segments	—	1,500	—	3,068	—	4,568
Reportable segment revenue	236,067	26,999	50,718	11,523	—	325,307
Reportable segment result	39,538	(1,323)	11,174	121	(763)	48,747
30 September 2015						
Reportable segment assets	3,500,180	26,110	27,823	6,726	24,867	3,585,706
Reportable segment liabilities	2,960,809	7,834	6,524	9,880	—	2,985,047
Six months ended						
30 September 2014						
Revenue						
From external customers	145,490	30,554	10,652	9,614	—	196,310
From other segments	—	—	—	2,800	—	2,800
Reportable segment revenue	145,490	30,554	10,652	12,414	—	199,110
Reportable segment result	13,245	4,358	546	(701)	279	17,727
31 March 2015						
Reportable segment assets	3,393,838	31,048	15,498	3,391	35,818	3,479,593
Reportable segment liabilities	3,066,027	12,631	6,870	7,842	—	3,093,370

6. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Reportable segment result	48,747	17,727
Other operating income and gains	435	—
Loss on disposal of an associate	—	(177)
Share of results of joint ventures	(551)	(285)
Unallocated corporate expenses	(3,022)	(1,019)
Profit before income tax	45,609	16,246

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging:		
Amortisation of development costs and other intangible assets	644	672
Depreciation of property, plant and equipment	2,811	2,858
	3,455	3,530
Impairment of trade receivables	1,116	1,028
Net losses on disposals of property, plant and equipment	—	7
Staff costs (including directors' emoluments):		
— Fees, salaries, allowances and bonuses	79,877	58,088
— Share awards expense	449	—
— Retirement benefits scheme contributions	1,641	1,526
— Other staff benefits	2,353	1,910
	84,320	61,524

8. INCOME TAX EXPENSE

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Current tax		
— Hong Kong Profits Tax	4,837	1,633

For the six months ended 30 September 2015 and 2014, 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.

The Hong Kong Inland Revenue Department (“IRD”) issued a notice to the Group to commence a group tax audit and in January 2013, management together with its tax advisors had a meeting with IRD to provide an overview of the Group’s affairs and understand the possible scope of enquiries. On 14 March 2013, the IRD issued a specific enquiry letter to the Group pertaining to several operating entities and their scope of review which includes mainly the affairs of the fund management operation and the operations of website management and financial information services.

As the IRD’s enquiries may date back to earlier tax periods, the IRD has issued protective assessments on certain group entities for the years of assessment 2005/06, 2006/07, 2007/08 and 2008/09 and the Group has lodged objections to these assessments. A hold over of the tax claimed for these assessments was agreed by the IRD and the Group purchased tax reserve certificates of HK\$1,000,000 in respect of the year of assessment 2006/07 and HK\$2,000,000 in respect of the year of assessment 2007/08 in prior years and HK\$250,000 in respect of the year of assessment 2008/09 during the period.

As the IRD enquiries are still at an early and fact-finding stage, and further submission of information by the Group to the IRD is in progress, IRD has not yet expressed any formal opinion on the potential tax liability, if any. Management has also no reason to believe that the profits tax computations relating to the years of assessment 2005/06, 2006/07, 2007/08 and 2008/09 were not properly calculated and any tax liability were not properly accrued and recorded. Accordingly, management concluded that no additional tax provision and/or tax charge is required for the six months ended 30 September 2015.

9. DIVIDENDS

Dividend payable to owners of the Company attributable to the interim period:

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Interim dividend declared and payable after the interim period of HK1.0 cent (2014: HK0.5 cent) per ordinary share	15,106	5,972

The interim dividend has not been recognised as a liability at the end of the reporting period.

Dividend payable to owners of the Company attributable to the previous financial year:

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Final dividend declared, approved and paid during the interim period of HK0.5 cent (2014: HK0.5 cent) per ordinary share	7,551**	5,972

** During the period from 1 April 2015 to 17 August 2015 (i.e. the record date for final dividend), new shares had been issued and allotted. The actual final dividend paid in respect of the year ended 31 March 2015 was HK\$7,551,000, as compared to HK\$6,027,000 that was disclosed as "proposed final dividend" in the annual report for the year ended 31 March 2015.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2015 is based on profit attributable to owners of the Company for the period of approximately HK\$40,772,000 (2014: HK\$14,613,000) and on the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period amounting to 1,456,305,935 (2014: 1,187,074,893).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2015 is based on profit attributable to owners of the Company for the period of approximately HK\$40,772,000 (2014: HK\$14,613,000) and on the weighted average number of 1,507,148,657 (2014: 1,188,570,410) ordinary shares outstanding during the period, after adjusting for the effects of all dilutive potential shares, calculated as follows:

	Weighted average number of ordinary shares	
	Six months ended 30 September 2015 (Unaudited)	Six months ended 30 September 2014 (Unaudited)
For purpose of basic earnings per share	1,456,305,935	1,187,074,893
Effect of share awards	5,598,274	—
Effect of share options	5,177,707	1,495,517
Effect of Warrants	40,066,741	—
For the purpose of diluted earnings per share	1,507,148,657	1,188,570,410

The Company has outstanding share options which were granted on 9 June 2006, 29 February 2008 and 6 June 2008 with exercise price of HK\$0.1296, HK\$0.8340 and HK\$0.7623 respectively. The Company also has outstanding Warrants which were issued on 4 April 2014. The computation of diluted earnings per share for the six months ended 30 September 2014 does not assume an exercise of those share options granted on 29 February 2008 and 6 June 2008 and Warrants because their exercise price was higher than the average market price for shares for that period.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net carrying amount at 1 April 2014	2,216	569	6,212	8,706	17,703
Additions	—	—	5	2,484	2,489
Disposals	—	—	—	(7)	(7)
Depreciation	(1)	(6)	(1,040)	(1,811)	(2,858)
Translation differences	—	—	—	2	2
Net carrying amount at 30 September 2014	2,215	563	5,177	9,374	17,329
Net carrying amount at 1 April 2015	2,213	556	5,167	9,190	17,126
Additions	—	—	66	2,844	2,910
Depreciation	(1)	(7)	(960)	(1,843)	(2,811)
Translation differences	—	—	—	4	4
Net carrying amount at 30 September 2015	2,212	549	4,273	10,195	17,229

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Unlisted equity securities	16,019	26,759

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Fair value of the unlisted equity securities has been determined by using the discounted cash flow valuation technique. The valuation involves assumptions and estimates, including discount rates of 16% (31 March 2015: 17%) and the expected future cash flows from the unlisted equity securities. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the condensed consolidated statement of financial position, and the related changes in fair value, which is recorded in the condensed consolidated statement of comprehensive income, is reasonable, and that is the most appropriate value at the reporting date.

Because the financial performance of these unlisted investments did not meet the expectation made in the previous year, management has revised assumptions and estimates about their expected future cash flows and has quantified this as a decrease in fair value by approximately HK\$10,740,000 in the current period (six months ended 30 September 2014: an increase by approximately HK\$596,000).

13. OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 September 2015	31 March 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Senior notes, at amortised costs	24,096	24,144

The Group holds senior notes that carry interest ranging from 8.750% to 8.875% (31 March 2015: 8.750% to 8.875%) per annum, and will mature in April 2017 and October 2018. As the Group has an objective to hold the notes in order to collect contractual cash flows, the Group had measured the notes at their amortised cost. The counterparties have a minimum B credit rating. None of these assets had been past due or impaired at the end of the reporting period.

14. OTHER ASSETS

Other assets mainly comprise deposits with the Stock Exchange and clearing houses.

15. TRADE RECEIVABLES

	30 September 2015	31 March 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<i>Securities transactions</i>		
— Brokers and clearing house	6,141	76,051
— Cash clients	20,415	14,819
— Margin clients	678,631	865,285
<i>Subscription of securities</i>		
— Clients	—	480,274
<i>Futures and options contracts</i>		
— Brokers and clearing houses	770,941	679,993
<i>Asset management, advisory and other services</i>		
— Clients	22,292	38,240
	1,498,420	2,154,662
Less: Provision for impairment	(23,874)	(22,758)
Trade receivables, net	1,474,546	2,131,904

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) and the amounts due from clients for subscription of securities are required to be settled upon the allotment of the securities subscribed. There are no credit terms granted to clients for its asset management, advisory and other services. The amounts due from cash clients bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread) and the amounts due from clients for subscription of securities bear interest at a fixed rate of 1.7% per annum.

15. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

- (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 2015, the market value of securities pledged by margin clients to the Group as collateral was approximately HK\$4,483,973,000 (31 March 2015: HK\$4,790,009,000). 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 approximately HK\$3,905,000 (31 March 2015: HK\$3,907,000) 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 liquidators, a provision for impairment of HK\$2,201,000 (31 March 2015: HK\$2,201,000) has been recognised.
- (d) The ageing analysis of the trade receivables based on due date and net of provision is as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Repayable on demand	665,231	851,552
0–30 days	785,859	1,258,524
31–60 days	1,871	3,261
61–90 days	4,467	2,198
91–180 days	14,431	13,492
181–360 days	781	711
Over 360 days	1,906	2,166
	1,474,546	2,131,904

16. LOAN RECEIVABLES

	30 September 2015	31 March 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<i>Money lending services</i>		
Gross loan receivables	268	349
Less: Provision for impairment	(43)	(43)
Loan receivables, net	225	306

The loan receivables are unsecured, bear interest at fixed rate of 5% (31 March 2015: 5%) per annum and repayable on demand.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables of the Group included balance due from MF Global HK of approximately HK\$419,000 (31 March 2015: HK\$419,000). Due to the circumstances described in note 15(c) to these financial statements, a provision for impairment of HK\$299,000 (31 March 2015: HK\$299,000) has been recognised on this amount.

18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2015	31 March 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Listed equity securities	17	19
Unlisted equity securities	8,831	9,040
	8,848	9,059

19. TRADE PAYABLES

	30 September 2015	31 March 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<i>Securities transactions</i>		
— Brokers and clearing house	62,713	5,298
— Cash clients	1,001,522	715,932
— Margin clients	232,781	133,206
<i>Futures and options contracts</i>		
— Clients	1,362,800	1,028,269
<i>Financial information and other services</i>		
— Clients	3,098	1,650
	2,662,914	1,884,355

Notes:

- (a) Accounts payable to cash clients, brokers and clearing house attributable to dealings in securities transactions 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.
- (b) Accounts payable to clients attributable to dealings 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.

19. TRADE PAYABLES (CONTINUED)

Notes: (Continued)

- (c) No ageing analysis in respect of trade payables attributable to dealings in securities transactions and futures and options contracts 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 payables attributable to other services is as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within 180 days	3,041	1,593
Over 180 days	57	57
	3,098	1,650

20. BORROWINGS

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Bank loans (note (a))		
— Secured	93,388	526,127
— Unsecured	—	495,200
	93,388	1,021,327
Note payables (note (b))		
— Unsecured	97,070	95,612
Other loans (note (c))		
— Unsecured	60,000	28,876
	250,458	1,145,815
Less: Portion due within one year included under current liabilities	(153,388)	(1,050,203)
Non-current portion included under non-current liabilities	97,070	95,612

20. BORROWINGS (CONTINUED)

At the reporting date, the borrowings were repayable as follows:

	Bank loans		Note payables		Other loans	
	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
On demand or within one year	93,388	1,021,327	—	—	60,000	28,876
In the second to fifth years	—	—	97,070	95,612	—	—
	93,388	1,021,327	97,070	95,612	60,000	28,876

Notes:

- (a) Bank loans of approximately HK\$93,388,000 (31 March 2015: HK\$526,127,000) were secured by corporate guarantees issued by the Company and/or marketable securities pledged to the Group by margin clients with total market value of approximately HK\$527,980,000 (31 March 2015: HK\$1,142,682,000) as collateral against the margin client receivables. Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities.
- (b) On 20 February 2014, the Board announced that the Company shall carry out the proposed open offer of the non-listed 6.5% coupon straight notes due 2017 ("Notes") to be offered to qualifying shareholders of the Company for subscription at the subscription price of HK\$840 per each unit of the Notes ("Open Offer"). Unlisted warrants on the basis of 1,600 warrants for every unit of Notes taken up ("Warrants") will be issued (for no additional payment) to the first registered holders of the Notes. Upon completion of the Open Offer on 4 April 2014, 119,320 units of Notes with an aggregate principal amount of approximately HK\$100,229,000 and 190,912,000 Warrants were issued. Net proceeds of approximately HK\$96,363,000 were derived after deduction of the related transaction costs of approximately HK\$3,866,000.

The Notes are denominated in HK\$ with interest being accrued daily on 360 days basis and payable semi-annually in arrears (i.e. on 30 June and 31 December). The Notes will mature on the date immediately following three years after issuance which is 3 April 2017. On maturity date, the Company shall redeem each outstanding Notes at 100% of the principal amount of such Notes, together with the payment of interest accrued thereon up to the maturity date.

The Warrants are detachable from the Notes and the Warrants and the Notes can be transferred individually or separately. The holders of the Warrants may subscribe for new shares at an initial exercise price of HK\$0.50 per new share (subject to adjustment) during the exercisable period of 1,100 days commencing from the date of issue of the Warrants.

20. BORROWINGS (CONTINUED)

Notes: (Continued)

(b) (Continued)

The Notes and Warrants are separate instruments and are classified into financial liability and equity instrument on initial recognition in accordance with the substance of the contractual arrangements. On initial recognition, note payables were derived by allocating the net proceeds of approximately HK\$96,363,000 with reference to the relative fair values of the Notes and Warrants on initial recognition of approximately HK\$98,451,000 and HK\$5,429,000, respectively. The fair value of the Notes was derived from the present value of the contractually determinable stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instrument of comparable credit status and providing substantially the same cash flows, on the same terms of 7%; whilst the fair value of the Warrants was determined by an independently third party valuer using the binomial model.

The following are the inputs used for calculating the fair value of the Warrants issued:

Share price	HK\$0.260
Exercise price	HK\$0.500
Expected volatility	48.135%
Expected life of the Warrants	3.063 years
Risk-free rate	0.614%
Expected dividend yield	3.846%

Expected volatility is the approximate historical volatility of closing prices of the shares of the Company in the past 3 years. Expected life of the Warrants is the effective life of the Warrants estimated from the expected exercising time frame. Risk-free rate is the approximate yields to maturity of Hong Kong Exchange Fund Note. Expected dividend yield is estimated based on the historical dividend yield in the past six months.

(c) Other loans as at 30 September 2015 in the amount of HK\$40,000,000 and HK\$20,000,000 are interest bearing at 6% and 3% per annum and will be matured in October 2015 and February 2016, respectively. The maturity of HK\$40,000,000 can be rolled for a further 90 days up to January 2016 but the lender has the right to request for early repayment of the outstanding balance with written notice of 7 business days.

Other loans as at 31 March 2015 was interest bearing at 6.1% per annum, the maturity of which was rolled on a month to month basis up to June 2015. The lender had the right to request for early repayment of the outstanding balance with written notice of 7 business days.

21. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each (Unaudited)	HK\$'000 (Unaudited)
<i>Authorised</i>		
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015	30,000,000,000	100,000
<i>Issued and fully paid</i>		
At 1 April 2015	1,205,344,286	4,017
Issue of new shares (note (a))	150,000,000	500
Exercise of share options (note (b))	20,733,191	69
Exercise of Warrants (note (c))	134,565,600	449
At 30 September 2015	1,510,643,077	5,035
At 1 April 2014	1,193,207,086	3,977
Exercise of Warrants (note (d))	1,200,400	4
At 30 September 2014	1,194,407,486	3,981

Notes:

- (a) On 28 April 2015, the Company issued 150,000,000 ordinary shares of HK one third of one cent each of the Company under a "top-up placing and subscription" at a price of HK\$0.75 per placing share. All shares issued rank pari passu with the existing shares of the Company in all respects.
- (b) Holders of the share options had exercised their rights to convert 2,337,925 share options at the exercise price of HK\$0.1296 each, 300,000 share options at the exercise price of HK\$0.8340 each and 18,095,266 share options at the exercise price of HK\$0.7623 each into 20,733,191 ordinary shares of HK one third of one cent each of the Company during the period.
- (c) Holders of the Warrants had exercised their rights to convert 134,565,600 Warrants at the exercise price of HK\$0.50 each into 134,565,600 ordinary shares of HK one third of one cent each of the Company during the period.
- (d) Holders of the Warrants had exercised their rights to convert 1,200,400 Warrants at the exercise price of HK\$0.50 each into 1,200,400 ordinary shares of HK one third of one cent each of the Company during the period.

22. RELATED PARTY TRANSACTIONS

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Related company		
Newer Challenge Holdings Limited, a company in which Mr. Bernard POULIOT has 100% interests		
— Securities and futures trading fee	25	—
Directors		
Mr. Bernard POULIOT		
— Securities and futures trading fee	185	8
— Interest income from margin financing	298	14
— Underwriting commission	—	(842)
— Interest paid/payable*	(321)	(319)
Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	288	11
— Interest income from margin financing	1	10
— Motor vehicle expense	(126)	(126)
— Underwriting commission	—	(1,002)
— Interest paid/payable*	(1,443)	(1,435)
Mr. Richard David WINTER		
— Securities and futures trading fee	1	2
— Underwriting commission	—	(160)
Close family members of the directors		
Ms. Elizabeth CHAN Wai Yin, spouse of Mr. Bernard POULIOT		
— Securities and futures trading fee	10	9
— Interest income from margin financing	1	—

22. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Close family members of the directors (Continued)		
Mrs. CHAN CHAN Yeuk Lan, mother-in-law of Mr. Bernard POULIOT		
— Securities and futures trading fee	38	24
— Interest income from margin financing	1	—
— Interest expense**	(74)	—
Ms. Mona KWOK Ka Wai, spouse of Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	1	1
— Interest income from margin financing	1	—
Mr. Krial LAM Jing Yu, son of Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	1	—
— Interest income from margin financing	1	—
Mr. Kyle LAM Jing Wei, son of Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	3	—
— Interest income from margin financing	1	—
Ms. Kyla LAM Jing Jia, daughter of Mr. Kenneth LAM Kin Hing		
— Securities and futures trading fee	1	—
Associate of the Company		
Global Alliance Partners Limited		
— Administrative service fee income	—	194

* Interest of HK\$321,000 (2014: HK\$319,000) and HK\$1,443,000 (2014: HK\$1,435,000) paid/payable to Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing respectively was in connection with Notes held during the period. The principal amount of Notes held by Mr. Bernard POULIOT and Mr. Kenneth LAM Kin Hing at 30 September 2015 amounted to approximately HK\$9,869,000 (2014: HK\$9,869,000) and HK\$44,391,000 (2014: HK\$44,391,000), respectively.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

** Interest expense of HK\$74,000 (2014: Nil) paid to Mrs. CHAN CHAN Yeuk Lan was arising from the loan advanced from her during the period of HK\$20,000,000 (2014: Nil), the balance of which is included in "Other loans" (notes 20 (c)).

Compensation of key management personnel

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

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Short-term employee benefits	4,800	5,015
Post-employment benefits	27	26
	4,827	5,041

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The levels in the fair value hierarchy within which the financial instruments are categorised in its entirety are based on the lowest level of input that is significant to the fair value measurement.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of financial instruments measured at fair value

The following table presents financial instruments measured at fair value on a recurring basis in the condensed consolidated statement of financial position according to the fair value hierarchy.

	Level 1 HK\$'000 (Unaudited) (note (i))	Level 2 HK\$'000 (Unaudited) (note (ii))	Level 3 HK\$'000 (Unaudited) (note (iii))	Total HK\$'000 (Unaudited)
As at 30 September 2015				
Financial assets measured at fair value through profit or loss				
— Listed equity securities	17	—	—	17
— Unlisted equity securities	—	8,831	—	8,831
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities	—	—	16,019	16,019
	17	8,831	16,019	24,867
	Level 1 HK\$'000 (Audited) (note (i))	Level 2 HK\$'000 (Audited) (note (ii))	Level 3 HK\$'000 (Audited) (note (iii))	Total HK\$'000 (Audited)
As at 31 March 2015				
Financial assets measured at fair value through profit or loss				
— Listed equity securities	19	—	—	19
— Unlisted equity securities	—	9,040	—	9,040
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities	—	—	26,759	26,759
	19	9,040	26,759	35,818

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

There have been no transfers between levels 1, 2, or transfers into or out of level 3 in the reporting period (2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

Notes:

- (i) The fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.
- (ii) The Group's unlisted equity securities classified under financial assets measured at fair value through profit or loss represent the Group's investments in investment funds. The fair value of these investments is determined with reference to the fair value of the underlying assets and liabilities of investment funds at the reporting date.
- (iii) The fair value of these unlisted equity securities has been determined by independent qualified valuers or the finance manager using the discounted cash flow valuation technique. Valuation is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates. The discounted cash flow valuations are based on the following significant unobservable inputs:

Significant unobservable inputs	30 September 2015 (Unaudited)	31 March 2015 (Audited)
Discount for lack of marketability	33%	33%
Weighted average cost of capital	16%	17%
Long-term revenue growth rate	3%	3%

Generally, a change in the discount for lack of marketability and weighted average cost of capital is accompanied by a directionally opposite change to the fair value measurement whilst a change in the long-term revenue growth rate is accompanied by a directionally similar change to the fair value measurement. The following table illustrates the sensitivity of the carrying amount of the unlisted equity securities and investment revaluation reserve as at the reporting date to a change in the above significant unobservable inputs by 1% higher/lower while all other variable were held constant.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

(iii) (Continued)

	30 September 2015		31 March 2015	
	If 1% higher	If 1% lower	If 1% higher	If 1% lower
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Discount for lack of marketability	(107)	107	(247)	247
Weighted average cost of capital	(581)	678	(1,172)	1,351
Long-term revenue growth rate	444	(381)	808	(701)

(iv) The Group's financial instruments classified in Level 3 use valuation techniques based on unobservable inputs that are significant to the fair value measurement. The movement of financial instruments within this level is as follows:

	30 September 2015	30 September 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Unlisted financial assets measured at fair value through other comprehensive income</i>		
At the beginning of the period	26,759	20,709
Fair value changes recognised in other comprehensive income	(10,740)	596
At the end of the period	16,019	21,305

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under current assets and current liabilities, respectively, approximate their fair value as they are all short term in nature.

The carrying amount of the financial instruments measured at amortised cost under non-current assets and non-current liabilities, other than those whose carrying amount reasonably be approximate to their fair value, and their fair values are as follows:

	30 September 2015		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Financial assets				
— Senior notes (note (i))	24,096	23,021	24,144	22,287
Financial liabilities				
— Note payables (note (ii))	(97,070)	(101,306)	(95,612)	(101,146)

Notes:

- (i) The fair value of the senior notes has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.
- (ii) The fair value of the note payables have been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities.



Management Discussion and Analysis

BUSINESS REVIEW

For the period from 1 April 2015 to 30 September 2015 (the "Period"), the Group reports an after tax profit of HK\$40,772,000 (2014: HK\$14,613,000) and recommends an interim dividend of HK1.0 cent per share. Group revenue increased to HK\$320,739,000 (2014: HK\$196,310,000) during the Period.

The Company benefited greatly from the activities in the market from April to June. We enjoyed unprecedented volume of trading coupled with active capital market fund raising. The main beneficiaries were both the brokerage business and the asset management business which contributed the bulk of the profit for the first half. The period July to September was victim of a big market correction and sudden fall in volumes. Both our trading volume and margin financing portfolio shrank rapidly. We are, however, pleased to report that the quality of our assets has remained very healthy due a large extent to our prudent risk management and the agility of our team to react to downward market pressure.

As mentioned in our previous annual report, we did close a capital fund raising exercise in early April which gave us the means to support our ever increasing brokerage activities. Since then our capital base expanded further with conversion of both warrants and options and it stands at approximately HK\$640,519,000 as at 30 September 2015 when compared with HK\$426,858,000 at the end of March 2015.

Looking ahead, we hope to be able to launch the Quam Direct brokerage business before the end of the calendar year while expanding our reach in the fund management business via the launch of UCITS (Undertakings for the Collective Investment of Transferable Securities) funds in Europe. We are at the last stage of registration of the first UCITS fund with The Commission de Surveillance du Secteur Financier (CSSF), the Luxembourg regulator and expect the launch will be in November/December 2015. This will expand our reach for our existing funds while giving us the opportunity to widen the range of products. We are looking at the establishment of certain offices in a number of European countries that will further facilitate distribution and support.

As is publicly known, we are now in the final stage of the proposed large cash injection from CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. ("China Minsheng Bank") and other mainland investors into Quam Limited. This capital injection combined with the reach that the China Minsheng Bank and its shareholders have in China should bring a good number of opportunities to the Group. Already, in the first half of our financial year, we have been working closely with them to identify business that would enhance Quam's platform. Once the integration is completed, this should be full steam ahead!

REVIEW OF OPERATIONS

Securities and futures dealing and placement

Securities and futures dealing commissions for the Period amounted to HK\$183,859,000 (2014: HK\$106,968,000), an increase of 72% over the same period last year. The robust capital markets during April to June significantly contributed to this revenue increase, including significant increase in our securities margin loan portfolio. Due to this unprecedented activity, we took measures to raise additional capital to buffer the needs of this significant business activity. The average securities margin loan book had a big boost during the Period with an average increase of over 26% over the same period of last year. However, this level of activity was concentrated mainly during the peak months between April to June but has been subdued since then.

Equity Capital Market (ECM) business activity including placement and underwriting fee income continued its upward trend from last year and the team completed several mandates during the Period. The total fees derived from this business was HK\$18,385,000 (2014: HK\$9,133,000).

Corporate financial advisory services

The revenue of corporate finance and advisory services amounted to HK\$25,499,000 (2014: HK\$30,554,000) a drop of 17%. During the Period, a total of 17 (2014: 25) transactions were completed, 2 (2014: 3) were IPOs and 15 (2014: 22) were corporate advisory and M&A mandates.

Asset Management

The asset management operation was able to capitalize the robust capital markets and the major fund “Quam China Focus Fund” enjoyed significant performance which translated into higher performance fee during the Period.

Revenue from management and performance fees for the Period amounted to HK\$50,718,000 (2014: HK\$10,652,000), a major increase as compared to same period last year. Total assets under management, comprising of managed funds and discretionary accounts, increased and now stands at over US\$130,700,000 (31 March 2015: US\$129,300,000) as at 30 September 2015, as a result of new subscriptions and organic growth.

Quamnet

Quamnet’s revenue for the Period was HK\$8,455,000 (2014: HK\$9,614,000), a decrease of 12% compared to same period last year.

We continued with our strategy to focus on improving our contribution margins. Overall net contribution from paid-services has been improving since our review of operations. Stock quote data subscriptions saw a pick up over the Period as a result of the robust capital market activity during April to June.

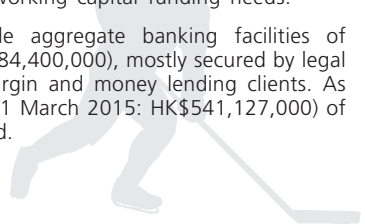
Advertising and investor relations business continued without much significant change over the Period. Revenue from our subscription services was HK\$7,215,000 (2014: HK\$7,758,000). Advertising, banner and events revenue was HK\$660,000 (2014: HK\$1,073,000). Investor relations services revenue was HK\$580,000 (2014: HK\$783,000).

FINANCIAL REVIEWS

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well through the use of substantial banking facilities and loans from independent third parties. We continue to monitor stringently the collateral asset quality of our loan portfolios and the ability for such drawdown from these facilities for our working capital funding needs.

As at 30 September 2015, the Group had available aggregate banking facilities of approximately HK\$1,122,200,000 (31 March 2015: HK\$984,400,000), mostly secured by legal charges on certain securities owned by the Group’s margin and money lending clients. As at 30 September 2015, approximately HK\$93,388,000 (31 March 2015: HK\$541,127,000) of these banking and short-term loan facilities were utilized.



We completed a top-up share placing in mid-April 2015 raising approximately HK\$112,500,000 before expenses, which was deployed towards the securities margin financing operation of the Group. This top-up placement resulted in the issuance of 150,000,000 new shares. Also, during the Period, a total of 155,298,791 new shares have been issued and allotted as a result of the exercise of 134,565,600 unlisted warrants and 20,733,191 share options which generating gross cash proceed of approximately HK\$67,283,000 and HK\$14,347,000 for the Company respectively, which was used as general working capital for the Group. As at 30 September 2015, the total number of unlisted warrants outstanding was 44,209,200 warrants and the total number of share options outstanding was 3,695,130 options.

The Group's cash and short term deposits as at 30 September 2015 stood at approximately HK\$79,417,000 (31 March 2015: HK\$67,102,000).

Gearing Ratio

The Group's gearing ratio was 39% as at 30 September 2015 (31 March 2015: 269%), being calculated as borrowings and financial lease payable over net assets. The management has applied prudent risk and credit management on the increased lending to clients and borrowings from banks. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2015, the Group had 178 full time employees and 2 part time employees in Hong Kong (2014: 176 full time employees and 2 part time employees in Hong Kong), together with 54 full time employees based in the Mainland China (2014: 54 full time employees based in the Mainland China). In addition, the Group has 156 (2014: 190) commission sales representatives. The total headcount in the Group as at 30 September 2015 is 390 (2014: 422).

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 are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a 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.

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 risks associated with financial products. The Credit Committee, which is appointed by the Executive Committee of the Company and ultimately reporting to 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, taking into account loan and stock concentration exposures.

The credit control department is responsible for monitoring and making margin calls to clients when limits have been exceeded and when concentration risks for particular counters have been reached and posed a strategic risk. Failure to meet margin calls can 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 financial market regulators. The Group has put in place monitoring systems 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 further safeguard, the Group has maintained banking facilities to meet contingencies in its operations. The Company will consider the need to raise funding in order to meet the business operations growth which require intensive capital buffer. 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 and counter party brokers. 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 reviewed and 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 Board has established prudent guidelines in respect to net exposure commitment per issue and aggregate exposure commitment at any one time as measured against the net asset value of the Group.

PROSPECTS

While waiting for completion of the transaction with CMBC International Holdings Limited and relevant parties, we will continue expanding the existing business in preparation for the changes expected. Once the additional new funds are injected in the Company, the scope and the reach of our business will be multiplied many fold. The new additional financial capacity, new relationship and our enhanced ability to service our clients, should give us access to larger transactions and generate greater fees. This should have a positive impact on the last quarter of this financial year. Until then our team will continue to work as hard as we did in the first half of this year to deliver results satisfactory to our shareholders.



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 2015 (2014: HK0.5 cent per share). The interim dividend will be payable on 1 December 2015 to shareholders whose name appear on the Register of Members of the Company on 17 November 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 16 November 2015 to Tuesday, 17 November 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 November 2015.

DIRECTORS' INTERESTS

As at 30 September 2015, 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 in the shares in issue (Note 4)	Interests in underlying shares	
	Beneficial interests	Family interests	Corporate interests	Total interests		Unlisted Warrants	Approximate percentage of total interests (including underlying shares) in the shares in issue (Note 4)
Mr. Bernard POULIOT	129,827,503	10,806,400 (Note 1)	245,561,857 (Note 2)	386,195,760	25.56%	—	25.56%
Mr. Kenneth LAM Kin Hing	210,052,000	—	150,540,458 (Note 3)	360,592,458	23.87%	41,463,600	26.61%
Mr. Richard David WINTER	104,281,744	—	—	104,281,744	6.90%	—	6.90%
Mr. Robert CHAN Tze Leung	519,750	—	—	519,750	0.03%	—	0.03%



Notes:

1. The family interests of Mr. Bernard POULIOT are held by his wife, Ms. Elizabeth CHAN Wai Yin.
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, Chief Executive Officer and executive Director of the Company.
4. The approximate percentage shown was the number of securities the relevant director of the Company was interested expressed as a percentage of the number of issued shares as at 30 September 2015.

Interests in the Debentures of the Company

Name of directors	Nature of Interest	Amount of Debenture
Mr. Bernard POULIOT	Personal Interest	HK\$9,869,160
Mr. Kenneth LAM Kin Hing	Personal Interest	HK\$44,390,640

Save as disclosed above, as at 30 September 2015, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2015, 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	Nature of interests	Notes	Interests in ordinary shares of the Company	Approximate percentage of total interests in the shares in issue (Note 1)
Newer Challenge Holdings Limited	Beneficial owner	2	145,465,773	9.62%
Olympia Asian Limited	Beneficial owner	3	150,540,458	9.96%

Name of shareholders	Nature of interests	Notes	Interests in ordinary shares of the Company	Approximate percentage of total interests in the shares in issue <i>(Note 1)</i>
Porto Global Limited	Beneficial owner	2	100,096,084	6.62%
China Minsheng Banking Corp., Ltd.	Interest of controlled corporation and party acting in concert	7	23,054,875,391	1526.16%
新希望全球控股有限公司 (New Hope Global Holding Co., Limited*)	Beneficial owner and party acting in concert	8	23,054,875,391	1526.16%
新希望集團有限公司 (New Hope Group Co., Ltd.*)	Interest of controlled corporation and party acting in concert	8	23,054,875,391	1526.16%
LIU Chang	Interest of controlled corporation and party acting in concert	8	23,054,875,391	1526.16%
LIU Yonghao	Interest of controlled corporation and party acting in concert	8	23,054,875,391	1526.16%
United Energy International Trading Limited	Beneficial owner and party acting in concert	9	23,054,875,391	1526.16%
United Energy Group Limited	Interest of controlled corporation and party acting in concert	9	23,054,875,391	1526.16%
Mind Power Investments Limited	Beneficial owner and party acting in concert	10	23,054,875,391	1526.16%
安邦保險集團股份有限公司 (Anbang Insurance Group Co., Ltd.*)	Interest of controlled corporation and party acting in concert	10	23,054,875,391	1526.16%
安邦人壽保險股份有限公司 (Anbang Life Insurance Co., Ltd.*)	Interest of controlled corporation and party acting in concert	10	23,054,875,391	1526.16%
Anbang Group Holdings Co. Limited	Interest of controlled corporation and party acting in concert	10	23,054,875,391	1526.16%
China P&I Services (Hong Kong) Limited	Beneficial owner and party acting in concert	11	23,054,875,391	1526.16%
China Shipowners Mutual Assurance Association	Interest of controlled corporation and party acting in concert	11	23,054,875,391	1526.16%
Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP	Beneficial owner and party acting in concert	12	23,054,875,391	1526.16%

* For identification purpose only

Name of shareholders	Nature of interests	Notes	Interests in ordinary shares of the Company	Approximate percentage of total interests in the shares in issue (Note 1)
Insight Capital Management (Hong Kong) Limited	Interest of controlled corporation and party acting in concert	12	23,054,875,391	1526.16%
Good First International Holding Limited	Beneficial owner and party acting in concert	13	23,054,875,391	1526.16%
Good First Holding Limited	Interest of controlled corporation and party acting in concert	13	23,054,875,391	1526.16%
WU Di	Interest of controlled corporation and party acting in concert	13	23,054,875,391	1526.16%
WONG Hei	Interest of controlled corporation and party acting in concert	13	23,054,875,391	1526.16%
Tisé Media Fund LP	Beneficial owner and party acting in concert	14	23,054,875,391	1526.16%
Novel Well Limited	Beneficial owner and party acting in concert	15	23,054,875,391	1526.16%
Paul SUEN Cho Hung	Interest of controlled corporation and party acting in concert	15	23,054,875,391	1526.16%
Ristora Investments Limited	Beneficial owner and party acting in concert	16	23,054,875,391	1526.16%
Karen LO Ki Yan	Interest of controlled corporation and party acting in concert	16	23,054,875,391	1526.16%
Divine Unity Limited	Beneficial owner and party acting in concert	17	23,054,875,391	1526.16%
China Alliance Properties Limited	Beneficial owner and party acting in concert	18	23,054,875,391	1526.16%
Shanghai Forte Land Co., Ltd.	Interest of controlled corporation and party acting in concert	18	23,054,875,391	1526.16%
Shanghai Fosun High Technology (Group) Company Limited	Interest of controlled corporation and party acting in concert	18	23,054,875,391	1526.16%
Fosun International Limited	Interest of controlled corporation and party acting in concert	18	23,054,875,391	1526.16%
Fosun Holdings Limited	Interest of controlled corporation and party acting in concert	18	23,054,875,391	1526.16%

Name of shareholders	Nature of interests	Notes	Interests in ordinary shares of the Company	Approximate percentage of total interests in the shares in issue (Note 1)
Fosun International Holdings Ltd.	Interest of controlled corporation and party acting in concert	18	23,054,875,391	1526.16%
GUO Guangchang	Interest of controlled corporation and party acting in concert	18	23,054,875,391	1526.16%
King Ace Services Limited	Beneficial owner	19	164,000,000	10.85%
TMF Trust (HK) Limited	Trustee	19	164,000,000	10.85%

Notes:

- 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 2015.
- Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard POULIOT, the Chairman and executive Director of the Company.
- Olympia Asian Limited is a company beneficially owned by Mr. Kenneth LAM Kin Hing, the Deputy Chairman, Chief Executive Officer and executive Director of the Company.
- On 28 August 2015, the Company, CMBC International Holdings Limited ("CMBCI") and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tise' Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together "Co-Investors") entered into a subscription agreement pursuant to which CMBCI and the Co-investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue in aggregate of 23,054,875,391 shares of the Company (the "Subscription Shares") at subscription price of HK\$0.565 per Subscription Share (the "First Subscription Agreement").
- Upon completion of the First Subscription Agreement by CMBCI, CMBCI will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), CMBCI will make the unconditional mandatory cash offer for all the issued shares of the Company (other than those already acquired or agreed to be acquired by CMBCI or the parties acting in concert with it). Pursuant to Rule 13.5 of the Takeovers Code, the warrant offer will be made for all the outstanding warrants and the option offer will be made to cancel all outstanding share options (the "Offers").
- On 28 August 2015, CMBCI and the Co-investors entered into a consortium agreement for the purposes of governing their respective rights and liabilities in connection with the subscription by Co-Investors under the First Subscription Agreement and the Offers (the "Consortium Agreement").
- CMBCI is the wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. ("China Minsheng Bank"). Pursuant to the First Subscription Agreement, CMBCI will subscribe for 8,867,256,637 Subscription Shares. As China Minsheng Bank is considered as a party acting in concert with the Co-investors under section 317 of the SFO in view of the Consortium Agreement, China Minsheng Bank is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.

8. New Hope Global Holding Co., Limited, of which New Hope Group Co., Ltd. is a controlling shareholder, and is beneficially owned by Mr. LIU YongHao and Ms. LIU Chang. Pursuant to the First Subscription Agreement, New Hope Global Holding Co., Limited will subscribe for 2,908,584,000 Subscription Shares. As New Hope Global Holding Co., Ltd. is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of New Hope Global Holding Co., Limited, New Hope Group Co., Ltd., Mr. LIU Yonghao and Ms. LIU Chang is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
9. United Energy International Trading Limited is an indirect wholly-owned subsidiary of United Energy Group Limited. Pursuant to the First Subscription Agreement, United Energy International Trading Limited will subscribe for 2,908,584,000 Subscription Shares. As United Energy Group Limited is considered as a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of United Energy International Trading Limited and United Energy Group Limited is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
10. Mind Power Investments Limited is wholly owned by Anbang Group Holdings Co., Limited, which is then wholly-owned by 安邦人壽保險股份有限公司 (Anbang Life Insurance Co., Ltd.* (“Anbang Life”). Anbang Life is owned as to approximately 99.98% by 安邦保險集團股份有限公司 (Anbang Insurance Group Co., Ltd.* (“Anbang Insurance”). Pursuant to the First Subscription Agreement, Mind Power Investments Limited will subscribe for 2,908,584,000 Subscription Shares. As Mind Power Investments Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of Mind Power Investments Limited, Anbang Group Holdings Co. Limited, Anbang Life and Anbang Insurance is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
11. China P&I Services (Hong Kong) Ltd. is owned as to approximately 99.99% by China Shipowers Mutual Assurance Association. Pursuant to the First Subscription Agreement, China P&I Services (Hong Kong) Limited will subscribe for 1,450,000,000 Subscription Shares. As China P&I Services (Hong Kong) Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of China P&I Services (Hong Kong) Limited and China Shipowers Mutual Assurance Association is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
12. Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (“Insight Phoenix Fund”) is managed, advised and controlled, in terms of investment decisions, by Insight Capital Management (Cayman) Limited. Insight Capital Management (Hong Kong) Limited in turn provides investment advisory and management services to Insight Capital Management (Cayman) Limited as manager of Insight Multi-Strategy Funds SPC for the assets of Insight Phoenix Fund III SP. Pursuant to the First Subscription Agreement, Insight Phoenix Fund will subscribe for 1,242,000,000 Subscription Shares. As Insight Phoenix Fund is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of Insight Phoenix Fund and Insight Capital Management (Hong Kong) Limited is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
13. Good First International Holding Limited is a wholly-owned subsidiary of Good First Holding Limited which in turn is beneficially owned as to 50% by Mr. WU Di and and as to 50% by Ms. WONG Hei. Pursuant to the First Subscription Agreement, Good First International Holding Limited will subscribe for 707,964,000 Subscription Shares. As Good First International Holding Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of Good First International Holding Limited, Good First Holding Limited, Mr. WU Di and Ms. WONG Hei is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.

* For identification purpose only

14. Pursuant to the First Subscription Agreement, Tisé Media Fund LP will subscribe for 700,000,000 Subscription Shares. As Tisé Media Fund LP is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, Tisé Media Fund LP is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
15. Novel Well Limited is wholly-owned by Mr. Paul SUEN Cho Hung. Pursuant to the First Subscription Agreement, Novel Well Limited will subscribe for 700,000,000 Subscription Shares. As Novel Well Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of Novel Well Limited and Mr. Paul SUEN Cho Hung is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
16. Ristora Investments Limited is wholly-owned by Ms. Karen LO Ki Yan. Pursuant to the First Subscription Agreement, Ristora Investments Limited will subscribe for 301,899,200 Subscription Shares. As Ristora Investments Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of Ristora Investments Limited and Ms. Karen LO Yan Ki is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
17. Pursuant to the First Subscription Agreement, Divine Unity Limited will subscribe for 180,003,554 Subscription Shares. As Divine Unity Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, Divine Unity Limited is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
18. China Alliance Properties Limited is a wholly-owned subsidiary of Shanghai Forte Land Co., Ltd. which, in turn, is owned as to approximately 99.08% by Shanghai Fosun High Technology (Group) Company Limited, which is a wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is owned as to 71.5% by Fosun Holdings Limited, which is wholly-owned subsidiary of Fosun International Holdings Limited. Fosun International Holdings Limited is owned as to 58% by Mr. GUO Guangchang. Pursuant to the First Subscription Agreement, China Alliance Properties Limited will subscribe for 180,000,000 Subscription Shares. As China Alliance Properties Limited is a party acting in concert with CMBCI and the Co-investors under section 317 of the SFO in view of the Consortium Agreement, each of China Alliance Properties Limited, Shanghai Forte Land Co., Ltd., Shanghai Fosun High Technology (Group) Company Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings Limited and Mr. GUO Guangchang is deemed to be interested in an aggregate of 23,054,875,391 ordinary shares of the Company.
19. On 28 August 2015, the Company and King Ace Services Limited (“King Ace”) entered into the subscription agreement pursuant to which King Ace have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 164,000,000 shares of the Company at subscription price of HK\$0.565 per subscription share. King Ace is an investment holding company wholly-owned by TMF Trust (HK) Limited which was established solely for the purpose of holding 164,000,000 Subscription Shares upon trust for the qualified employees of the group in accordance with the terms of the employee share award scheme adopted by the Board on 28 August 2015, as amended from time to time.

Save as disclosed above, as at 30 September 2015, 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.

SHARE OPTION SCHEME

The Company operates a share option scheme, which is an employee share option scheme adopted on 30 September 2002 (the "Share Option Scheme"), for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. The Share Option Scheme has already been expired on 29 September 2012. Despite the fact that no further options may be granted under the Share Option Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted until the end of the respective exercise periods. For the details of the Share Option Scheme, please refer to the Annual Report 2015 of the Company.

Movements of the share options under the Share Option Scheme during the six months ended 30 September 2015 are as follows:

Participant	Number of share options					Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share option HK\$ per share
	Outstanding At 1 April 2015	Exercised during the period	Lapsed/ forfeited during the period	Outstanding at 30 September 2015	Exercisable at 30 September 2015			
Employees under continuous contract								
In aggregate	2,337,925	2,337,925	—	—	—	9 June 2006	9 June 2007 to 8 June 2016 (Note 2)	0.1296
In aggregate	599,468	300,000	—	299,468	299,468	29 February 2008	1 March 2009 to 28 February 2018 (Note 3)	0.8340
In aggregate	12,199,156	9,103,228	—	3,095,928	3,095,928	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Directors								
Mr. Bernard POULIOT	2,997,346	2,997,346	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Mr. Kenneth LAM Kin Hing	2,997,346	2,997,346	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Mr. Richard David WINTER	2,997,346	2,997,346	—	—	—	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
Other Participant	299,734	—	—	299,734	299,734	6 June 2008	6 June 2009 to 5 June 2018 (Note 4)	0.7623
	24,428,321	20,733,191	—	3,695,130	3,695,130			

Notes:

1. 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.
2. One third of granted share options have been 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.
3. One third of granted share options have been 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.

4. One third of granted share options have been 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.

Save as disclosed above and the interests of unlisted warrants as disclosed in the section headed "Directors' Interests", at no time during the six months ended 30 September 2015 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.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the Board has the right to renew for the Share Award Scheme up to three times and each time for another 5-year terms. Further details of the Share Award Scheme were set out in the announcement of Company dated 19 August 2010.

Movements of the awarded shares under the Share Award Scheme during the Period are as follows:

Participants	Date of award	Number of Awarded Shares			
		Outstanding as at 1 April 2015	Vested during the period	Lapsed/Forfeited during the period	Outstanding as at 30 September 2015
Employees under continuous contract					
<i>Time-based</i>					
In aggregate	2 December 2014	5,892,514	—	792,000	5,100,514
		5,892,514	—	792,000	5,100,514

SHARE CAPITAL

During the six months ended 30 September 2015, a total of 155,298,791 new shares were issued and allotted as a result the exercise of 134,565,600 unlisted warrants and 20,733,191 share options which generating gross cash proceed of approximately HK\$67,283,000 and HK\$14,347,000 for the Company respectively, which was used as general working capital for the Group. As at 30 September 2015, the total number of unlisted warrants outstanding was 44,209,200 warrants and the total number of share options outstanding was 3,695,130 options.

On 28 April 2015, 150,000,000 new shares were allotted and issued to Mr. Kenneth LAM Kin Hing (Deputy Chairman, Chief Executive Officer and executive director of the Company) at the subscription price of HK\$0.75 per subscription share pursuant to the subscription agreement entered between the Company and Mr. LAM dated 16 April 2015 under a “top-up placing and subscription”. The net proceeds from the subscription were approximately HK\$109,099,000 which had been applied towards the securities margin financing operation of the Group.

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

Changes of information of the Directors since the date of 2015 Annual Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Changes
Mr. Kenneth LAM Kin Hing	— ceased to be the independent non-executive director of Hon Kwok Land Investment Company, Limited on 27 August 2015, the date of its annual general meeting wherein he did not offer himself for re-election
Mr. Kenneth YOUNG Chun Man	— Re-entered into a service agreement with the Company for a term of one year from 6 September 2015
Mr. Robert CHAN Tze Leung	— Re-entered into a service agreement with the Company for a term of one year from 18 October 2015
Mr. Robert Stephen TAIT	— Re-entered into a service agreement with the Company for a term of one year from 31 July 2015

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 2015, 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 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 2015.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions set out in Appendix 14 of the Listing Rules, titled "Corporate Governance Code and Corporate Governance Report" (the "CG Code"), throughout the six months ended 30 September 2015, save for the deviations from code provision A.5.1.

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.

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 2015.

On behalf of the Board
Bernard POULIOT
Chairman

Hong Kong, 30 October 2015

Report on Review of Interim Financial Information



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TO THE BOARD OF DIRECTORS OF QUAM LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 33, which comprises the condensed consolidated statement of financial position of Quam Limited as of 30 September 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

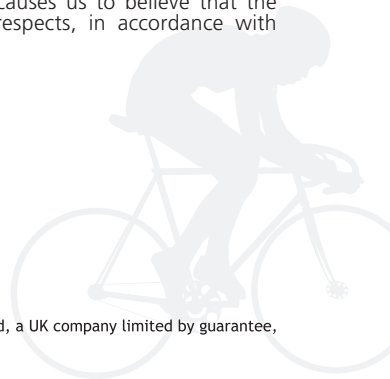
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
 Practising Certificate No.: P05440

Hong Kong, 30 October 2015

BDO Limited
 香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Corporate Information

BOARD OF DIRECTORS

Mr. Bernard POULIOT *Chairman*
Mr. Kenneth LAM Kin Hing
Deputy Chairman and Chief Executive Officer
Mr. Richard David WINTER
Deputy Chairman
Mr. Kenneth YOUNG Chun Man#
Mr. Robert CHAN Tze Leung#
Mr. Robert Stephen TAIT#
Independent Non-executive Director

AUDIT COMMITTEE

Chairman: Mr. Kenneth YOUNG Chun Man
Members: Mr. Robert CHAN Tze Leung
Mr. Robert Stephen TAIT

REMUNERATION COMMITTEE

Chairman: Mr. Robert Stephen TAIT
Members: Mr. Kenneth YOUNG Chun Man
Mr. Robert CHAN Tze Leung
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

18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Charltons
Howse Williams Bowers

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China CITIC Bank International Limited
Dah Sing Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

00952

WEBSITES OF QUAM GROUP

www.quamlimited.com
www.quamcapital.com
www.quamfunds.com
www.quamir.com
www.quamnet.com
www.quamnet.com.cn
www.quamsecurities.com
www.quamprivatewealth.com

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