

## **INTERIM DIVIDEND**

The Directors do not recommend any interim dividend.

## **FINANCIAL REVIEW**

The Group's turnover for the financial period ended 30 September 2001 was over HK\$18 million, representing a decrease of approximately 8 per cent, as compared to the turnover for the corresponding period ended 30 September 2000. The loss attributable to shareholders was about HK\$29 million.

## **REVIEW OF OPERATIONS**

Since the beginning of this period, the Group continued to change its main business focus by disposing of the design, marketing and distribution arm of its handbag business and completing the purchase of a financial services and brokerage businesses, APC Capital (Holdings) Limited ("APC Capital") in September 2001. The latter was acquired at a total cost of about HK\$90 million and paid as to HK\$78 million in cash payment and HK\$12 million in form of convertible bonds. APC Capital's contributions to the results for this short period has been minimal. However, since October the company has enjoyed strong revenue growth.

Since 30 September, 2001, the Group's business activities have exclusively comprised the provision of financial services either on-line through Quamnet, a wealth management portal, or off-line, through APC Capital. To reflect the change in business focus and to streamline the Group's corporate identity, the English name of the Company was changed in October 2001 to Quam Limited although the Chinese name of both the company and the securities business have remain unchanged.

Following the acquisition of APC Capital, Mr. Kenneth Lam Kin Hing was invited to join the board of the Company, as Vice Chairman and director.

In October, the Group entered into an agreement to buy a local brokerage house, called V Six Securities Limited ("V Six") in order to enhance the customer base of the securities business of the Group. Closing of this transaction is expected to be completed before the year end.

During the same period, results at Quamnet level were encouraging albeit still negative. Quamnet has reduced substantially its costs which now total less than HK\$2.5 million per month while revenues have increased to over HK\$1 million a month, thus leading to a monthly loss of HK\$1.5 million. As the subscription base increases and support from institutions is being restored to pre-September 11 level, the directors aim to achieve a break-even on a month-to-month basis, before the end of this financial year.

As the market environment for application service providers (ASP) deteriorated during the period, the directors decided to sell at a loss of about HK\$7.6 million the convertible loan note issued by Corpmart.com Limited.

The recent listing on the GEM board of the Group's investment in X-Team Software International Limited has been successful, the benefits of which are expected to be included in the financial year-end results.

## **PROSPECTS**

The Group continues to develop its website into a comprehensive wealth management center and has added a number of features to enrich the site. In July, a subscription model was launched which included six main products: the Inter-Active Money Manager (IMM), Tony's daily, Quam Stock Monitor (QSM), Quam Stock Monitor + (QSM+) and the Wing Luk Chat room. Since then, we have had over 3,000 subscribers to these products at prices ranging from HK\$138 to HK\$300 per month.

IMM subscribers have access to real time interactive Q&A sessions with our staff assisting them in their investment strategy. Tony's daily offers subscribers, his expertise in the field of investing. The QSM subscribers have access to unlimited real time quotes with different services associated with the subscription chosen.

The Group will continue expanding its reach in the field of virtual private banking in Hong Kong through its Hong Kong portal and, in addition we aim to establish the same strategy in China through Quamnet China at "<http://china.quamnet.com>".

The acquisition of APC Capital and V-Six will permit the Group to tap into the securities brokerage, corporate finance and asset management business. By joining hands with APC Capital and V Six, the Group expands its reach and offers a platform for products in addition to the financial advisory role offered by Quamnet.

The directors are confident that the synergy emanating from both of these operations will be reflected positively in the future results of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. As at 30 September, 2001, the Group had available aggregate banking facilities of approximately HK\$64 million which were secured by legal charges on certain securities and bonds owned by the Group and its margin clients. The Group's cash and bank balances and short term bank deposits as at 30 September 2001 amounted to approximately HK\$82 million.