



CHAIRMAN'S STATEMENT

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Investment Questions & Answers

It's QuamSaver Time! Welcome to Quamnet's one and only question and answer forum! Started in the dark ages of HK's dotcom boom - in 1999 - under the tutelage of famed Asian stock analyst and commentator Tony Meador, Q&A is clear, concise and on value.

The style is penetrating, facile, V.I. use. Feel the markets, a Rembrandt!

“

One should leave enough money to one's kids so they can do anything, but not enough so they can do nothing.

Source: Warren Buffett, 1986

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1) Choose an appropriate category

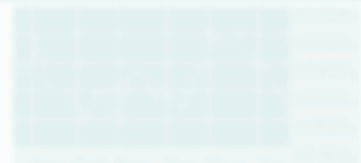
- ☒ Equity ☐ Funds ☐ Property
☐ Mortgage ☐ Other financial instruments

2) Seeking an answer from

3) Please type your wealth enhancing questions below

Your Name

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Chairman's Statement

On behalf of the Board of Directors (the "Board") of Quam Limited (the "Company") together with its subsidiaries (the "Group"), I am pleased to present the annual report and the audited results of the Group for the financial year ended 31 March 2002.

Results for the year

For the year ended 31 March 2002, the turnover of the Group amounted to approximately HK\$67.1 million. The loss attributable to shareholders amounted to HK\$34.8 million representing an increase of about 14% as compared to the loss of HK\$30.5 million for the previous year ended 31 March 2001.

The year in review

This year was a year of major changes for your Company.

The acquisition of Quam.net Limited ("Quamnet") was completed in January 2001. Whilst the company has a well-recognized local brand name, it was adversely affected with a high cost structure. It was necessary to change its business and revenue model from an information provider to a wealth management portal. This involved a significant cut in costs, a reduction and scaling in personnel, a refocus of direction and a new approach to the branding.

Once the future direction of the Company was clarified, operating in the field of wealth management, a number of additional major steps were taken.

First and foremost, we disposed of the remaining business in the marketing and distribution activities of our luggage/handbags operation. We then acquired the Hong Kong financial and securities operations of APC Capital (Holdings) Limited, since then reorganized under Quam Capital (Holdings) Limited. The purpose of the acquisition was to provide us with an offline securities broking, asset and investment management and corporate finance and advisory operation to enhance the website's activities in the field of wealth management.

Chairman's Statement

Quamnet holds the licenses of investment adviser, restricted securities dealer, newspaper and official gazette, where legal/official announcements can be made available. One notable exception however is for public announcements for companies listed on the Stock Exchange of Hong Kong Limited (an unusual restriction and a source of major irritation despite our status). In addition, Quam Capital (Holdings) Limited group provides us with additional complementary licenses and registrations such as, securities dealer, commodities dealer, investment adviser, commodities trading adviser, money lender and exchange participant of both The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited.

In line with the above reorganization, last October we decided to put forward to the shareholders, a resolution to change the name of Wah Fu International Holdings Limited to Quam Limited, reflecting the change of business direction of the Group. However, the Chinese name was retained. We also, subsequently, changed the Chinese name of the website from 寬網 to 華富財經.

In September, we decided to stop the funding of our investment in Corpmart.com Limited ("Corpmart"), an application services provider (ASP), as we saw its market prospects continuing to decline, with little hope of any significant turnaround likely to occur in the near future. As a result of this, the Company incurred a non-recurrent loss on investment of approximately HK\$7.6 million. This increased the losses reported for the six month period to 30 September 2001 to HK\$29.03 million. During the same half-year period, we reduced the monthly losses for Quamnet, from HK\$6 million when we took over in January 2001, to approximately HK\$1.5 million at the end of September 2001.

During the second half of this financial year, continued efforts were made to solidify the online business whilst expanding the reach of the offline businesses of the Quam Capital (Holdings) Limited group. In this instance, we acquired securities broker V Six Securities Limited ("V Six"), settling the acquisition with a combination of shares and cash. The business and operations of V Six have been successfully integrated into our Quam Securities Company Limited operations in order to rationalize the "back office" costs for both of the operations.

In the earlier part of 2002, further cost cuts were made at Quamnet. The news team was reduced from twelve persons to three and the provision of news was outsourced to an independent news agency. While other costs were also trimmed, the sales team was expanded.

Chairman's Statement

Despite the sluggish securities market from September 2001 to March 2002, Quam Capital (Holdings) Limited group managed to register an attributable loss to the Group of only HK\$1.7 million. During the same period, losses at Quamnet were further reduced, to a monthly average of approximately HK\$1 million.

The investment by Quam Limited in X-Team Software International Limited ("X-Team"), produced stellar results with a significant increase of our initial investment of HK\$10 million to an unrealized market value of well over HK\$18 million as at 31 March 2002, following the successful listing of X-Team on the Growth Enterprise Market ("GEM board"), in December 2001. Our investment lock-up period of 6 months, has now been lifted and we intend to realize our investment in an orderly fashion over the next few months.

The final results of the Group reflect the struggle, the reorganization and the new direction of the Company. The Group's results of a loss of HK\$34.8 million can be split into four main segments.

- I. Securities Broking – including securities and futures broking, advisory and placement fees and provision of margin financing services. This segment consists mainly the contributions from the APC Capital (Holdings) Limited group and V Six operations. The segment attributed an operating loss of about HK\$1.0 million before corporate expenses, finance costs and taxation. The average daily turnover on the Stock Exchange approached historical lows and the average daily trading for Quam Securities Company Limited was down to HK\$20.4 million as against HK\$42.6 million in the preceding year.
- II. Investments holding and trading of investment securities contributed an operating gain of about HK\$7.4 million before corporate expenses, finance costs and taxation.
- III. Websites – management of websites as an advertising and referral tools by on line customers. This being the operations of Quamnet attributed an operating loss of about HK\$38.5 million before corporate expenses, finance costs and taxation. We have managed to refocus the business model from an advertising geared revenue basis to a subscription basis. We have expanded considerably our reach by having sold nearly 5,000 subscriptions as of June 2002 at an average monthly revenue of over HK\$200 per subscriber. We have expanded our coverage with new sites, new columnists, new products and more focused research.
- IV. Discontinued Operations consisting the manufacture and sales of portfolios, portable cases, luggage products, purses and accessories. This segment contributed an operating gain of about HK\$4.8 million before corporate expenses, finance costs and taxation.

Chairman's Statement

Future plans and prospects and the road ahead

Our vision is to empower Hong Kong and China investors to manage their own investments. Our mission is to offer the right tools and advice, at the right time, with the right investment strategy. We intend to expand in China, where we feel the knowledge of wealth management is at its infant stage and where Quamnet can facilitate the growing demand. We have made our site accessible to the China market, with the text available in simplified Chinese and have modified our China site, www.Quamnet.com.cn to better reflect our coverage of the Hong Kong market.

Our strategy to achieve this growth in China will predominantly come from aligning recognized strategic alliances that can provide significant distribution of the services of Quamnet under a model that requires a minimal capital outlay.

We are aiming to expand the subscription base of Quamnet in China and achieve a total subscriber base for both Hong Kong and China of at least 12,500 by the end of the financial year with an average monthly revenue of at least HK\$200 per subscriber. Quamnet will be offering a range of products that will cover financial information, financial advice and tools that will empower investors to manage their money in total confidence and with the broadest perspective through different delivery means such as SMS, wireless delivery and internet platform. The internet population is expanding by leaps and bounds in China and we intend to be there to address their financial requirements. Quamnet is the solution to their needs.

Appreciation

I would like to express my sincere appreciation to the continued dedication of the management and staff and to all shareholders, suppliers, customers and bankers for their support for the Group.

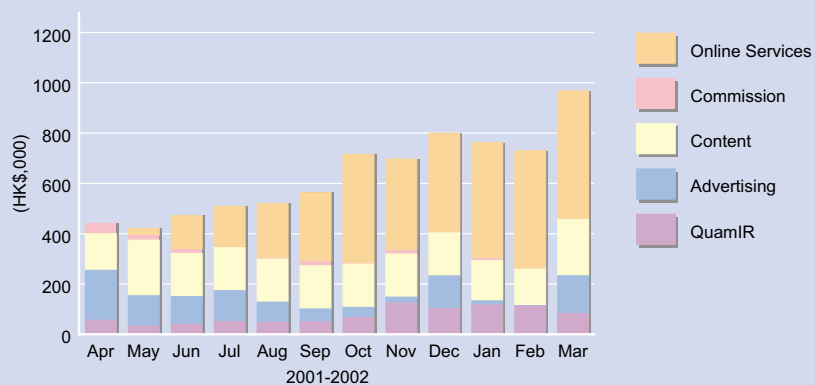
Bernard Pouliot

Chairman

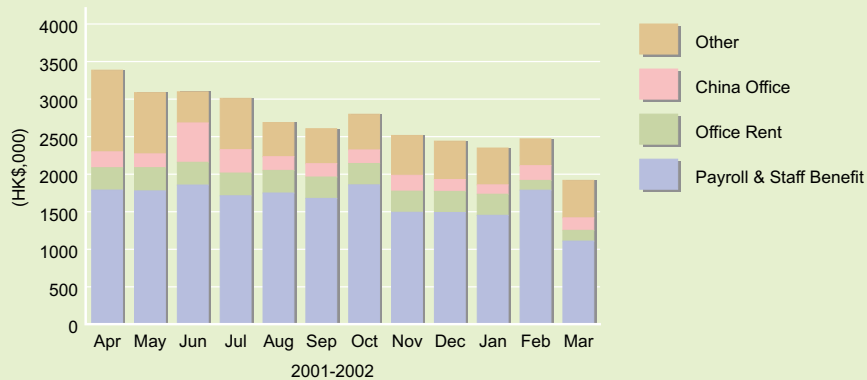
Hong Kong, 8 July 2002

Chairman's Statement

Quam.net Group Monthly Revenue



Quam.net Group Monthly Operating Expenses



Quam.net Group Monthly Revenue & Expenses

