



Tony Heasor has over 40 year's experience in investment in Hong Kong, London and the Asia Pacific Region. Mr. Heasor has been a member of the committee of the stock exchange in Malaysia and Singapore, a stockbroker, a journalist and a successful fund manager in Hong Kong.

Tony's Daily

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Fellow Investor,

Rules of Thumb

“ The private wealth market comprises more than 7 million HNWLs (> US\$1 m) worldwide, totalling approximately US\$26 trillion.

This market is expected to expand by 8% annually, reaching US\$45 trillion by year-end 2004.

Source: World Wealth Report 2002
Merrill Lynch
Cap Gemini Ernst & Young ”

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This sounds like a rather convoluted question, and parts of it I really cannot answer, such as whether there is a rule of thumb in determining whether a share is a good investment. To a large extent this must depend on one's nose, and whether it smells right.

But obviously the only difference between good blue-chips and good small-caps is their capitalisation, and the best time to invest in either is when they are cheap.

Management Discussion and Analysis

Business Review

The Group, despite its purchase of both APC Capital (Holdings) Limited and V Six Securities Limited and a loss for the year of HK\$34.8 million and on an EBITDA of HK\$25.4 million, has remained liquid.

The Group focused on implementing its wealth management strategy by expanding subscription products, enriching its content and tightening and diversifying its manpower to increase productivity.

The Quam Capital (Holdings) Limited group expanded its corporate finance unit with the addition of a team, led by Mr. Richard David Winter, who joined the company as a non-executive director. We have also expanded our securities operation with the contribution derived from the acquisition of V Six Securities Limited. The securities operation was involved as an underwriter, on a number of new issues, placements and rights issues from different issuers. With the expected imminent opening of the China market to allow free investment in Hong Kong listed securities, we have expanded our business development team for China in order to capture a share of this expected large market.

At Quamnet, we have emphasized our distribution platform capability by launching new sites, new products that will further empower investors to increasingly rely on us as a backbone for their investment decisions.

Quam Limited, the listed company, with seven staff, has remained lean and mean. The intention is to concentrate our resources to our subsidiaries and scale up their operations.

In Thailand, Quamnet (Thailand) Co. Limited ("Qthai") is now the foremost financial information site. We sold 50% of our holdings in Qthai to a Thai listed company, The Brooker Group Public Company Limited, which specializes in the publication and distribution of financial information and market studies. Qthai will expand their reach with their web-based solution.

Our direct investments have had mixed results. Corpmart was fully written off, whilst X-Team was listed successfully on the GEM board. The expected realization on X-Team should cover our loss incurred in Corpmart.

The Company announced on 11 June 2002 a proposed rights issue for the Group which should raise approximately HK\$28 million, net of expenses. This will give us added strength to develop the China market and provide us with means to acquire complementary operations that will enhance our existing operations.

The past was difficult, the present is brightening but the future is exciting. We believe that the development of the Quamnet brand name and its underlying activities will offer exciting future opportunities and return profitable rewards to our shareholders.

Management Discussion and Analysis

Business Strategies

We intend, to expand our products, and to add further substance to our claim to wealth management. We think that our penetration in Hong Kong can be further expanded but that the real upside lies in China.

In China, we intend to link up with an on-line financial party, that will permit us to expand our reach and increase the sale of our products for Quamnet.

The Quam Capital (Holdings) Limited group will be looking to move North where boundless opportunities are available, for bundling and packaging products for the Hong Kong capital markets. Hong Kong and China despite being within one country, two systems, will prove the adage that money has no borders. This will accelerate the securities operation's plan to establish a physical presence in different regions of China and be closer to these markets. Quamnet's presence, as a prominent website, should help solidify and further promote their activities.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 31 March 2002, the Group had available aggregate banking facilities of approximately HK\$118.5 million of which HK\$36 million was utilized. The facilities are secured by securities and bonds owned by the Group and its margin clients. The Group's cash and bank balances as at 31 March 2002 amounted to approximately HK\$13.5 million.

The Company issued a convertible note of face value of HK\$11.74 million to the vendor of the acquisition of APC Capital (Holdings) Limited in 6 September 2001. The note is convertible into 163,055,555 ordinary share at a conversion price of HK\$0.072. The note will mature on 6 September 2002. Subject to certain conditions, the issuer and the note holder have the right to implement conversion.

Subsequent to the 31 March 2002, the Company had announced on 11 June 2002, a proposed rights issue to raise net proceeds of approximately HK\$28 million. Events were still in progress at the time of printing this annual report and the rights issue has yet to become unconditional.

Management Discussion and Analysis

Employment and Remuneration Policies

As at 31 March 2002, the Group had a total full time staff of 109 and had part time staff of 7.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.