

## Report of the Directors

The Directors submit their report together with the audited accounts of the Company and the Group for the year ended 31 March 2002.

### Principal Activities and Segmental Analysis of Operations

The principal activities of the Group are the provision of financial services including financial advisory, securities broking and margin financing and providing financial information and services through the internet.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

### Results and Appropriations

The results of the Group for the year ended 31 March 2002 are set out in the Consolidated Profit and Loss Account on page 25.

The Directors do not recommend the payment of a dividend (2001: Nil).

### Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the accounts.

### Donations

Charitable and other donations made by the Group during the year amounted to HK\$6,000 (2001: HK\$10,000).

### Fixed Assets

Details of the movements in fixed assets are set out in note 11 to the accounts.

### Share Capital

Details of the movements in the share capital of the Company are set out in note 20 to the accounts.

## Report of the Directors

### Distributable Reserves

As at 31 March 2002, the Company had no reserves available for cash distribution and/or distribution in specie. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstance which the Company is presently unable to meet. In addition, the Company's share premium account, with a balance of approximately HK\$478 million, may be distributed in the form of fully paid bonus shares.

### Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 69 to 70.

### Purchase, Sale or Redemption of Shares

During the year the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 27,772,000 shares of HK\$0.01 each of the Company at an aggregate consideration before expenses of HK\$1,252,748. All of these shares were cancelled subsequent to the repurchases. Details of the shares repurchased during the year are set out below:

Month of repurchase	Number of shares	Price per share		Aggregate consideration before expenses
		Highest	Lowest	
		HK\$	HK\$	HK\$
April 2001	12,772,000	0.049	0.034	571,508
May 2001	8,000,000	0.050	0.045	390,000
July 2001	5,000,000	0.050	0.046	241,240
September 2001	2,000,000	0.025	0.025	50,000

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

# Report of the Directors

## Share Options

Share Options are granted to directors, executives and full time employees of the Company or its subsidiaries under the Share Option Scheme for Employees (the “Scheme”) approved on 4 September 1997.

Pursuant to an agreement dated 3 January 2001, entered between the Company and the holder (the “Quamnet Option Holder”) of certain share options of Quam.net Limited (“Quamnet”), a subsidiary acquired by the Company in January 2001, certain share options of the Company were granted to the Quamnet Option Holder as consideration for the cancellation of the share options of Quamnet held.

Details of movements in the number of share options of the Company during the year are summarized as follows:

<b>Date of grant</b>	<b>Exercise price per share</b> <i>HK\$</i>	<b>Exercise period</b>	<b>Outstanding as at 1 April 2001</b>	<b>No. of Options granted during the year</b>	<b>No. of Options lapsed during the year</b>	<b>Outstanding as at 31 March 2002</b>
<i>Directors<sup>1</sup></i>						
31/5/2000	0.22	31/5/2000-3/9/2007	17,000,000	–	–	17,000,000
1/8/2000	0.11	1/8/2000-3/9/2007	25,000,000	–	–	25,000,000
2/3/2001	0.038	5/9/2001-8/9/2011	25,700,000	–	(15,700,000)	10,000,000
			67,700,000	–	(15,700,000)	52,000,000
<i>Employees</i>						
31/5/2000	0.22	31/5/2000-3/9/2007	600,000	–	(600,000)	–
1/8/2000	0.11	1/8/2000-3/9/2007	1,000,000	–	(1,000,000)	–
2/3/2001	0.038	5/9/2001-8/9/2011	127,550,000	–	(67,900,000)	59,650,000
			129,150,000	–	(69,500,000)	59,650,000
<i>Quamnet Option Holders</i>						
12/1/2001	0.19	12/1/2001-11/1/2011	30,710,526	–	–	30,710,526
			227,560,526	–	(85,200,000)	142,360,526

## Report of the Directors

### *Notes:*

1. Details of the options granted to the Directors are set out in the section "Directors' Interests in Equity or Debt Securities".
2. The lapsed options were due to expire on cessation of employment of participants with the Company.
3. No option was exercised during the year.

### Directors

The Directors of the Company during the year and up to the date of this report were as follows:

#### *Executive Directors*

Mr. Bernard POULIOT

Mr. Kenneth LAM Kin Hing (appointed on 17 September 2001)

Mr. YIP Tai Him

Mr. MAN Chin (resigned on 15 March 2002)

Mr. William CHOW Wai Lap (resigned on 17 September 2001)

#### *Non-executive Directors*

Mr. William CHOW Wai Lap (appointed on 17 September 2001)

Mr. Richard David WINTER (appointed on 8 March 2002)

#### *Independent Non-executive Directors*

Mr. Steven KWAN Ying Wai

Mr. LI Chi Chung

Mr. William CHAO Hang Man (appointed on 24 May 2001)

In accordance with Bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Kenneth LAM Kin Hing, Mr. Richard David WINTER will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr. YIP Tai Him and Mr. LI Chi Chung will retire and shall not seek re-election.

One third of the Directors of the Company, including the Independent Non-executive Directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the provisions of the Company's Bye-laws.

### Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

# Report of the Directors

## Directors' Interests in Contracts

Save as disclosed in the section "Connected Transactions" in this report, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Biographical Details of Directors and Senior Management

### *Executive Directors*

**Mr. Bernard POULIOT**, age 50, is the Chairman and Managing Director of the Company and has more than 27 years experience in investment, finance and corporate development. Until 1998, he was the Group Managing Director of a Hong Kong listed company. He is responsible for formulating the overall business strategy of the Group.

**Mr. Kenneth LAM Kin Hing**, age 48, was appointed as an Executive Director of the Company on September 2001. He is also the Deputy Chairman of the Company. Mr. Lam has worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. Lam has over 20 years experience in corporate finance and banking. He is also currently a director for a publicly listed company in Thailand and as a non executive director for a Hong Kong listed company.

**Mr. YIP Tai Him**, age 32, is the Chief Financial Officer of the Group and in charge of the Group's overall finance functions. He is a member of the Chartered Association of Certified Accountants and The Hong Kong Society of Accountants. Mr. Yip is also an independent non-executive director of a publicly listed company in Hong Kong.

### *Non-executive Directors*

**Mr. William CHOW Wai Lap**, age 60, has over 25 years experience in the import and export business. He was responsible for the Group's sales and marketing activities in the portfolio, luggage products and accessories.

**Mr. Richard David WINTER**, age 49, was appointed as a Non-executive Director of the Company in March 2002. Mr. Winter has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. Mr. Winter has previously worked for Deloitte & Touche Corporate Finance Limited and Standard Chartered Asia Limited. Mr. Winter is a Fellow of the Institute of Chartered Accountants in England and Wales and received a Degree in Commerce from Edinburgh University.

## Report of the Directors

### *Independent Non-executive Directors*

**Mr. Steven KWAN Ying Wai**, age 54, was appointed as an Independent Non-executive Director of the Company in June 2000. Mr. Kwan has been a Chartered Accountant since 1977 and served as adviser and director for many listed companies in Hong Kong and Asia for the past 20 years. He is currently a Managing Director for a publicly listed company in Hong Kong.

**Mr. LI Chi Chung**, age 33, a solicitor of the Supreme Court of Hong Kong and a partner of a solicitors' firm in Hong Kong. He is also an independent non-executive director of another public company listed on the Growth Enterprise Market.

**Mr. William CHAO Hang Man**, age 45, has over 15 years experience in capital markets in Hong Kong, Thailand and United States of America. Mr. Chao is the Managing Director of Wing Wah Limited, an investment banking and venture capital company, with offices in Thailand and Hong Kong. He is also holding directorships in Seamico Plc., Cal-Comp Electronics (Thailand) Plc. and City Realty Co., Ltd.

### *Senior Management*

**Mr. Kevin SEW HOY**, age 35, Company Secretary for Quam Limited and Compliance Officer to the financial services operations. Mr. Sew Hoy graduated from the University of Otago, NZ with a Degree in Commerce and further completed a Master of Business Administration for the University of South Australia. Mr. Sew Hoy is a member of the Institute of Chartered Accountants, New Zealand and an Associate to The Hong Kong Society of Accountants.

**Ms. Katherine CHAN Wai Kay**, age 43, is Director of Sales for securities and futures operations. Ms. Chan has been involved in the securities and futures operations for over 10 years. Ms. Chan is a registered securities and commodities dealer in Hong Kong, and graduated from the University of Southern California with a Degree in Business Administration.

**Mr. Kenny HO Yui Kwong**, age 44, is Director of Dealing for the securities and futures operations. Mr. Ho has extensive experience in the securities and futures industry in Hong Kong since 1983. Mr. Ho is a registered securities and commodities dealer in Hong Kong, and graduated from the University of Wisconsin with a Degree in Business Administration and also completed a Master of Business Administration at the University of San Francisco. Prior to joining the securities and futures division, Mr. Ho had been associated with BNP Paribas Peregrine Limited, Wardley Thomson Limited and Wardley Acli Commodities Limited.

## Report of the Directors

**Mr. Adrian J. BRADBURY**, age 38, is Director of Corporate Finance of Quam Capital Limited. Mr. Bradbury is a registered investment adviser in Hong Kong and graduated from Manchester University with a Degree in Civil Engineering. Mr. Bradbury has been associated with Quam Capital Limited since 1999. Prior to this he has held posts as Company Secretary for a Hong Kong listed company, Vice President of Corporate Finance for Mbf, and in the investigations unit of Deloitte Touche Tohmatsu. Mr. Bradbury has been admitted as a Fellow member to the Institute of Chartered Accountants in England and Wales, and an Associate to The Hong Kong Society of Accountants.

**Mr. WU Wing Kin**, age 46, is Director of Operations for the securities and futures operations. Mr. Wu has over 20 years experience in the financial services industry in Hong Kong. Mr. Wu also holds posts to one executive and one non-executive directorship in Hong Kong listed corporations.

**Ms. Karen WONG**, age 35, is Director of Corporate Finance of Quam Capital Limited. Ms. Wong is a registered investment adviser in Hong Kong and graduated from the London School of Economics and Political Science with a Bachelor of Science Degree in Economics. Prior to joining Quam Capital Limited, Ms. Wong has worked for Deloitte & Touche Corporate Finance Limited, Standard Chartered Bank Investment Banking division, Standard Chartered Asia Limited and the Corporate Finance unit of The Stock Exchange of Hong Kong Limited.

**Mr. Patrick LUK Siu Kei**, age 37, is one of the co-founding members of Quamnet. Mr. Luk is Director of Technologies at Quamnet. He has extensive expertise in computer and technologies related business. His career started in 1991 when he operated his own company providing consultancy services and training sessions to medium sized firms in Hong Kong. Mr. Luk founded Datalive Limited in late 1996, the one and only, net advertising hosting and management company serving the Asian communities. Before these ventures, Mr. Luk played key administrative roles in Manufactures Life Insurance Company and DHL International for providing operation and logistical support. He graduated from Lingnan College with Higher Diploma and Honor Diploma in Economics.

**Mr. Vincent LAM Siu Yeung**, age 29, is Director of Research at Quamnet. He leads the Quam Research team, who contributes to the writing of analyst reports and the provisions of investment advice on the Interactive Money Managers section, a fee-based internet platform on Quamnet. Mr. Lam is also a Director of Quam Asset Management Limited. He holds a Bachelor Degree in Social Science (Economics) from the Chinese University of Hong Kong.

**Mr. Henry Da-Cheng LEE** age 37, is Director of Alternative Investments at Quamnet. Mr. Lee has over 15 years experience in hedge fund management, corporate finance, mergers and acquisitions advisory and private wealth management for clients in the US, Europe and Asia. Mr. Lee is a graduate of the Wharton School, University of Pennsylvania and a member of Hong Kong General Chamber of Commerce.

## Report of the Directors

**Mr. Stephen ROGERS**, age 44, is Director of Mutual Funds Investment at Quamnet. Mr. Rogers is responsible for the development and content of the mutual funds site of Quamnet. Mr. Rogers studied economics and politics at the University of Ireland. Prior to joining Quamnet, Mr. Rogers has been involved in the sales and marketing of securities and mutual funds with Sassoon Securities, Asia Equity and UBS Securities and has worked for the Barclays Bank in South Africa.

**Mr. March TSUI Yeung Ho**, aged 32, is Director of Sales and Marketing and manages the business and marketing strategy at Quamnet with responsibilities covering Hong Kong and China. Mr. Tsui has over 10 years experience in media field in Hong Kong and China. Before joining Quamnet, Mr. Tsui had worked at 24/7 Media Asia, Media Nation, MPI and TDI Company.

**Mr. Rico LAM Chi Kong**, aged 49, is the Senior Manager at Quamnet involved in business development and responsible for editing columns and managing programmes in QuamTV. He holds a Marketing diploma from The University of Hong Kong and a certificate in Hong Kong Securities Broker Course. He is a member of Hong Kong Institute of Marketing and a committee member for the Hong Kong Securities Professionals Association. Mr. Lam has over ten years experience in stock trading and investment management in the local securities industry.

### Connected Transactions

During the year, the following connected transactions have been entered into by the Company and its subsidiaries to which The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has, subject to certain conditions, granted waiver to the Company from compliance with the requirements stipulated in Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval (the "Waivers")

Transactions	Parties to the transaction	Date on which the conditional waivers granted by the Stock Exchange
Securities dealing transactions and margin financing arrangements	<p>Quam Securities Company Limited and</p> <ul style="list-style-type: none"> <li>• Mr. Bernard Pouliot and his respective associates.</li> <li>• Mr. Kenneth Lam Kin Hing and his respective associate.</li> <li>• Mr. Man Chin and his respective associate.</li> <li>• Other directors of the Company's subsidiaries and their respective associates.</li> </ul>	24 August 2001



## Report of the Directors

The Independent Non-executive Directors reviewed and confirm the transactions pursuant to the conditional waiver granted by the Stock Exchange on 24 August 2001 that:

1.
  - a) the transactions entered into by the Group are in the ordinary and usual course of its business;
  - b) the transactions have been conducted either on normal commercial terms or on terms that are fair and reasonable;
  - c) the transactions have been entered into either in accordance with the terms of the agreements governing such transactions or where there is no such agreement, on terms no less favorable than those available to or from independent third parties.
2. the aggregate amount of commission income received under the securities dealings transactions and the amount of outstanding margin loan including interest accrued under the margin financing arrangements at any time, has not exceeded the higher of HK\$10,000,000 or 3% of the latest audited consolidated net tangible assets of the Group from time to time.

### Directors' Interests in Equity or Debt Securities

As at 31 March 2002, the interests of the Directors, the Chief Executive and their associates in the share capital of the Company and its associated corporations, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Personal	No. of shares		Total
		Family and Trust	Corporate	
Mr. Bernard POULIOT <sup>1</sup>	2,729,757	—	527,130,963	529,860,720
Mr. Kenneth LAM Kin Hing <sup>2</sup>	15,204,835	—	27,127,632	42,332,467
Mr. William CHOW Wai Lap	1,000,000	—	—	1,000,000
Mr. Richard David WINTER	3,000,000	—	—	3,000,000
Mr. LI Chi Chung	33,333	—	—	33,333

## Report of the Directors

### Notes:

1. The corporate interests are held by Newer Challenge Holdings Limited, a substantial shareholder of the Company, which is beneficially owned by Mr. Bernard POULIOT, and Porto Global Limited which is also beneficially owned by Mr. Bernard POULIOT.
2. The corporate interests are held by Olympia Asian Limited, a company beneficially owned by Mr. Kenneth LAM Kin Hing.

In addition to the above, Mr. Bernard POULIOT and Mr. YIP Tai Him hold shares in certain subsidiaries of the Company in a non-beneficial capacity solely for the purpose of complying with the minimum company membership requirements.

### Directors' Rights to Acquire Shares and Debentures

Under the terms of a share option scheme adopted by the Company on 4 September 1997, the Board of Directors may, at their absolute discretion, grant options to eligible employees of the Group, including executive Directors, to subscribe for shares in the Company. Further details of the share options scheme are set out under the section "Share Options" of this report.

Details of movements in the number of share options granted to the Directors of the Company during the year are summarized as follows:

Name of Directors	At 1 April 2001	Number of share options		At 31 March 2002	Exercise period	Exercise price HK\$
		Granted during the year	Lapsed during the year			
Mr. Bernard POULIOT	10,000,000	–	–	10,000,000	31/5/2000 – 3/9/2007	0.22
	15,000,000	–	–	15,000,000	1/8/2000 – 3/9/2007	0.11
	5,000,000	–	–	5,000,000	9/9/2001 – 8/9/2011	0.038
Mr. YIP Tai Him	5,000,000	–	–	5,000,000	31/5/2000 – 3/9/2007	0.22
	5,000,000	–	–	5,000,000	5/9/2001 – 4/9/2011	0.038
Mr. William CHOW Wai Lap	10,000,000	–	–	10,000,000	1/8/2000 – 3/9/2007	0.11
Mr. Man Chin <sup>#</sup>	15,700,000	–	(15,700,000)	–	5/9/2001 – 4/9/2011	0.038

<sup>#</sup> The share options of Mr. Man Chin lapsed due to his resignation as a Director of the Company on 15 March 2002.

HK\$10 was payable by each of the grantees upon the acceptance of the grant of an option.

## Report of the Directors

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Substantial Shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 March 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issue share capital.

Name	No. of shares held
Newer Challenge Holdings Limited	500,003,331

Mr. Bernard POULIOT is taken to be interested in the shares held by Newer Challenge Holdings Limited pursuant to the SDI Ordinance, which were also included in "Directors' Interest in Equity or Debt Securities" above.

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Major Customers and Suppliers

Sales to the five largest and the largest customer of the Group accounted for approximately 24% and 7% of the Group's aggregate turnover for the year respectively.

Purchases from the five largest and the largest supplier of the Group accounted for approximately 48% and 19% of the Group's aggregate purchases for the year respectively.

As far as the Directors are aware, neither the Directors, their associates, nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any beneficial interest in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraphs.

## Report of the Directors

### Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the Directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual period, save that the Non-executive Directors are not appointed for any specific terms of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the Bye-laws of the Company. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

### Audit Committee

The Audit Committee of the Company as at 31 March 2002, comprised Mr. LI Chi Chung and Mr. William CHAO Hang Man, both being Independent Non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year, the Audit Committee had held two meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board. The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation.

### Directors' interest in competing business

During the year, no Director upon his appointment, held any interest in any competing business of the Group.

### Auditors

The accounts of the Company for the year ended 31 March 2000 was audited by Messrs. Ernst & Young. For the year ended 31 March 2001 and 2002 were audited by Messrs. PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

# Report of the Directors

## Appreciation

The Board would like to take this opportunity to thank Mr. MAN Chin for his loyal services to the Group and welcome Mr. Kenneth LAM Kin Hing as Executive Director and Mr. Richard David WINTER as Non-executive Director.

On behalf of the Board

**Bernard Pouliot**

*Chairman*

Hong Kong, 8 July 2002