

Management Discussion and Analysis

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Today's Top Cases

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YANG RONG VS. BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD

REID PHILIP GORDON VS. CABLE & WIRELESS PUBLIC CO LTD

SHANGHAI LAND HOLDINGS LTD VS. QUALORING MOAL PARTNERS

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Announcements

BaXcom : NOTICE TO CREDITORS TO PROVE DEBTS

STERLING MANAGEMENT : NOTICE TO CREDITORS TO PROVE DEBTS

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Liability : noun, pl -ties

1) the debts of a business

2) to one's disadvantage

3) Wall Street analyst advice



QuamResearch Weekly

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HKSAR Government Gazette

Date	Volume	Number	Supplement 6
2003-07-18	7	29	High Court Group
2003-07-11	7	28	High Court Group
2003-07-04	7	27	High Court Group
2003-06-27	7	26	High Court Group

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Civil Litigation Charts



■ High Court Action
■ District Court Civil Jurisdiction Proceedings
■ High Court Winding Up Proceedings



■ High Court Bankruptcy Proceedings
■ Small Claim Tribunal Case

Results for the Year

For the year ended 31 March 2003, the loss attributable to shareholders amounted to HK\$239.7 million (2002: HK\$34.8 million loss). The Group's turnover before net realised and unrealised losses/gains on short-term investments in the respective year, amounted to approximately HK\$43.3 million (2002: HK\$40.9 million). The net turnover for the Group including these net realised and unrealised losses of HK\$35.2 million (2002: gains of HK\$14.5 million) amounted to approximately HK\$8 million for continuing operations (2002: HK\$55.4 million).

Business Review

The business environment in Hong Kong was affected by the uncertain global economic conditions and remained difficult and highly competitive. The Group's operating results reflect this difficult business climate.

The Group's loss of HK\$239.7 million for the year is disappointing. This includes an impairment provision of HK\$150 million on the goodwill arising from the acquisition of Quam.net Limited and its subsidiaries in a prior year. It should be noted that the impairment provision does not affect the net asset value of the Group, as the Group applied the transitional provision of SSAP 30 "Business Combination" adopted as at 1 April 2001, which permitted the entire amount of goodwill associated with the acquisition of Quam.net Limited and the subsidiaries to remain eliminated against its consolidated reserves. Under current accounting policy as stipulated in SSAP 31 "Impairment of Assets", the impairment provision is required to be accounted for in the respective year's profit and loss account when the impairment arises.

The Group also made impairment provisions of approximately HK\$8.56 million on several long-term investments. This includes the full provision on the investment holding of Quamnet (Thailand) Co. Limited and a provision on the private venture investment of Angel Ventures II Limited.

The short term investments classified in the Group's consolidated balance sheet have been valued at fair values in accordance with the current accounting policy and standards. We wish to point out that the valuation of all these investments under

fair value of HK\$23.2 million and market value of HK\$84.8 million, results in a difference of approximately HK\$61.6 million as at balance sheet date which has not been recognised in this year's results.

The Group's operating activities

Website and financial information services

The website management and financial information services division held under Quam.net Limited has been continually monitored from a cost perspective. Major cost reductions includes a substantial reduction of 50% in premises costs, 10% adjustments to salaries in January 2003 and 20% reduction in connectivity costs.

Net revenue for the year increased to HK\$11.7 million (2002: HK\$10.6 million) contributed by the subscription, advertising and sale of contents and Quam investor relation services. The growth is positive, albeit, continued efforts are still required to reach EBITDA breakeven.

In August 2002, the Group acquired the business of e-Credit.com.hk Limited, a credit information business which was integrated under Quam Data Services Limited. The performance over the 7 months of operations has been encouraging albeit the scale of business is relatively small. Revenues have grown steadily and amounted to HK\$1.9 million (2002: Nil) for the year, with positive EBITDA being achieved.

Securities dealing, financing and advisory

It has been a difficult year for the securities and futures broking business. This was compounded by the poor investment climate, restructuring reforms in the investment and broking industry with the abolition of minimum commission rates on 1 April 2003, and the introduction of the new Securities and Futures Ordinance effective, 1 April 2003. The market share of broking business remained stable but volume was affected. Reducing back office costs and further extending services through real time online securities trading and automated backend processing were priorities.

Corporate finance and advisory

The corporate finance and advisory business grew steadily during the year, extending its scope of services with the addition of key staff and the approval from the Stock Exchange of Hong Kong Limited in March 2003 of a co-sponsor license for Growth Enterprise Market (GEM) listings.

Prospects

The directors have taken advantage of the year's difficult financial conditions by cutting costs significantly, restructuring the Group's operations and developing new business initiatives. SARS, the war in Iraq and Asian recession are now behind us and China experiences ever increasing prosperity. The Group is well positioned to benefit from this exciting environment.

The Group is extending its reach during these difficult times in the investment industry, and is expanding its investor relations services to both Hong Kong and PRC corporations. We now service over 30 publicly listed companies and the number is growing.

The securities broking and financing business is undergoing difficult times. Brokerage margins have been maintained at pre 1 April 2003 rates, despite the abolition of the minimum commission.

The Group intends to expand its asset management business, after the successful launch of the Quam Equity Growth Fund Limited, a private fund set up in July 2002 and managed by Quam Asset Management Limited. The Group is in the process of establishing several more funds to cater to professional investors.

The corporate finance business under Quam Capital Limited, received approval, in March 2003, from the Stock Exchange of Hong Kong Limited, to be a co-sponsor for the Growth Enterprise Market (GEM) listings. This will extend the scope of services available. Growth of clients in the People's Republic of China is expected through the strategic alliance of the Group with major securities houses in China.

Liquidity and Financial Resources

The Group's net current assets is approximately HK\$58.4 million (2002 : HK\$93.0 million) which includes cash and cash equivalents of approximately HK\$17.0 million, and short-term

investments of HK\$23.2 million, which have been valued at fair value basis. The mark-to-market values of these short-term investments was approximately HK\$84.8 million as at 31 March 2003.

As at 31 March 2003, the Group had available aggregated banking facilities of approximately HK\$123.5 million of which HK\$29.9 million was utilized.

The Group generally finances its operations from internally generated cashflow and banking facilities. In addition, the Company raised approximately HK\$29 million before expenses through a rights issue, which was completed in mid August 2002. The proceeds of the rights issue have been utilised for working capital and for acquisitions related to the Group's business.

Employment and Remuneration Policies

For the year ended 31 March 2003, the Group had a total full time staff of 132 and part time staff of 3. This included 20 staff based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed and bonuses paid on annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the group include mandatory provident fund scheme and medical and health insurance. Share options are granted to certain staff and directors of the Group.