



Credit Information Services

The highest quality products at reasonable prices!



Quam Data Services
www.quamdata.com



TrustPlus Employment Screening
www.trustplus.com.hk

Quam Data Services is one of Hong Kong's premier risk management information providers, offering the best in credit information and employee screening services.

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the year

For the year ended 31 March 2004, the profit attributable to shareholders amounted to HK\$7.7 million (2003: HK\$239.7 million loss). The turnover for the Group amounted to approximately HK\$98.5 million (2003: HK\$8 million).

The Group's turnover after excluding net realized and unrealized loss/gain on short term investments and other investments in the respective year, amounted to approximately HK\$80.8 million (2003: HK\$43.3 million).

Business Review

The year under review was a contrast of two halves. The first half was burdened by the SARS epidemic and the continuing global events from the War on Iraq. The interim results to 30 September 2003, reported a profit of HK\$3.1 million. The second half benefited from the recovering financial markets and investment sentiment, leading to the overall improved result for the Group as reported.

Website and financial and credit information services

The website management and financial information services saw much improvement on its various fee paying services with a year on year increase in subscriber numbers exceeding 60%. Average revenue per user per month slightly dropped, owing to the dilution from subscription of lower priced products and services, and was approximately HK\$196 at year end (2003: HK\$202).

The Quam Financial Advisory services range of products continued to enjoy a stable subscription base during the year, and was able to implement a moderate price increase on specific products during the year, without significant fall off in subscriber numbers. The research and analyst team have been maturing and developed a very good rapport with its reader and subscriber base, by receiving positive feedback from the investment seminars conducted throughout the year.

The stock quote information services through the QSM range of products also saw increased subscription during the year, in line with the improving investor sentiment of the financial markets. Margins have remained stable.

Advertising and investor relations associated revenue from the website did not reap the anticipated growth we had expected in line with the improving market sentiment. However, in moving forward in the current 2005 financial year, we are seeing good response from clients in respect to their need for these services.

The operations are benefiting from major cost reductions effected at the beginning of 2003 which include rental, salaries and connectivity costs. Further emphasis on utilizing the lower cost base in Shenzhen for specific backend processing has added to the overall saving. Budgeted capital expenditure and replacement of our I.T. hardware infrastructure has been in progress and mapped out over the next coming years. However, we anticipate the replacement cost of such I.T. hardware will be considerably less than the start up days, and with the added benefit of greater capacity for each dollar spent.

Credit information services have not fared as well as expected, having faced stringent competition with margins reduced substantially. It is fortunate that we have a low cost base, and the overall impact to the Group is minimal. With some change in management and the sales team, we are optimistic of some new product launches to bring back positive contribution to the Group.

Net revenue for the year increased to HK\$17.4 million (2003: HK\$13.6 million). On the basis of this trend, we will be looking for monthly EBITDA breakeven to be achieved in the year ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities and futures dealing and financing

It has been a year of much improvement for both the securities and futures dealing business, especially after the SARS epidemic ended in July 2003. Securities trading in the Hong Kong market was stable, maintaining its market share and benefiting from the much improved market volumes experienced in the later half of the year. Securities broking on the Stock Exchange of Hong Kong accounted for approximately 90% of the annual brokerage turnover, with the balance predominantly coming from execution on markets in Thailand, Singapore and United States. We are seeing growth from our client base in respect of these overseas markets, on which we are able to derive greater margins compared to the local market. We also established a new team to focus on the equity capital markets (ECM) and the corporate desk functions and have been receiving very favorable response to this service and look to become a major distributor of new and secondary issues to our clients in the future.

Services were enhanced with the futures online trading platform being launched in July 2003 and we have seen very good growth in terms of clients and turnover since its launch. Online trading of securities has been growing, albeit, still relatively small in total transaction value compared with the overall total securities turnover. As at March 2004, the online securities trading accounted for approximately 12% of securities turnover.

Hardware and I.T. infrastructure and development costs has been contained with respect to online trading services as strategic service providers were deployed in respect to the roll out of these enhanced services to our clients.

The securities margin lending portfolio has grown steadily throughout the year, reflecting the improved market sentiment. The portfolio is financed with a combination of equity and bank facilities, for which average cost of funds are in line with the Hong Kong interbank rates. Credit and risk management is upmost important in respect to this service, which is continually and closely monitored.

Corporate finance advisory and placements

The corporate finance advisory business has been very active during the year, with our completion of the first Co-sponsor listing of an issuer on the GEM board shortly after the year end. Share placement and underwriting activity was active during second half of the year, with the completion of 3 major placements. We completed 21 deals during the year including IPO underwriting, fund raising and corporate financial advisory assignments.

In order to meet the growing mandates and deals in the pipeline, the team has been expanding during the year with a total of 10 professional staff and 2 support and administrative staff.

Prospects

We are cautiously optimistic of the year ahead and of the medium term. We have turned around after three years of losses and since the reorganization of the Company in 2001 into a financial services group. The business units are now consolidating and maturing to the market needs.

The Group's efforts in prior years to extending its reach during the difficult times is beginning to bear fruit. We see this momentum continuing, with the synergy garnered from completion of further deals and transactions in the corporate finance advisory business. This acts as very good catalyst for the other Group services to capitalise on. The visibility of the Quam Group is taking precedent in this improving market.

With the set up of the ECM team and corporate desk, further strategic focus on wholesale and high net worth business will be seen to complement the corporate finance function and enhance distribution of new or secondary issues. Online securities and futures trading services will continue to be seen as a driver of new business and contribute improved margins to the Group.

The build up of our China business network through both strategic alliance and appointment of seasoned experienced representatives over the prior years, will lead to deal-sourcing capability in the corporate finance and advisory business.

MANAGEMENT DISCUSSION AND ANALYSIS

The Quamnet business will be looking to set a continuing trend in both revenue and services delivered through its website.

Liquidity and Financial Resources

The Group's cash and bank balances and short term deposits as at 31 March 2004 amount to approximately HK\$22.9 million.

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 2004, the Group had available aggregate banking facilities of HK\$110 million. As at 31 March 2004, approximately HK\$59.9 million of these banking facilities were utilised.

The Group's gearing ratio, largely the result of the margin and money lending business, was 48.1% as at 31 March 2004.

Employment and Remuneration Policies

For the year ended 31 March 2004, the Group had a total full time staff of 133 and had part time staff of 5. There were 22 staff based in 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 a mandatory provident fund scheme and medical and health insurance. Share options are granted to certain staff and directors of the Group.

Quamnet subscribers and members feedback

"Hi Vincent and team. Thank you very much for your suggestion about "167". I bought 60,000 shares at HK1.28 last December. Thank you for your advice. Best wishes to all of you! "

(by Yang, 26 Feb 2004)

"Dear Sir,

I admit that I am very pleased with the professional advice given by Quam. I joined Quam for over 2 years and my wealth has more than doubled over the past 2 years. I know that my portfolio is a bit over-stretched. I would like to consolidate it so that I can be more focused. Could you please give me some advice as to which shares need to be disposed of and which ones I should buy? "

(by Jacob, 13 Feb 2004)

"Hi, I've recently (3.5.04) come across Quam Research Weekly and under the Earnings Forecasts table have noticed one or two new terms, i.e. 'Spec Buy' and 'NR' and would be grateful if you would elaborate further on them. I am pleased to say that you and your team have spent a lot of time preparing the very complicated Research Weekly in such a professional way. My compliments to you and your colleagues.

Thank you for your excellent work!"

(by Iceberg, 6 May 2004)