

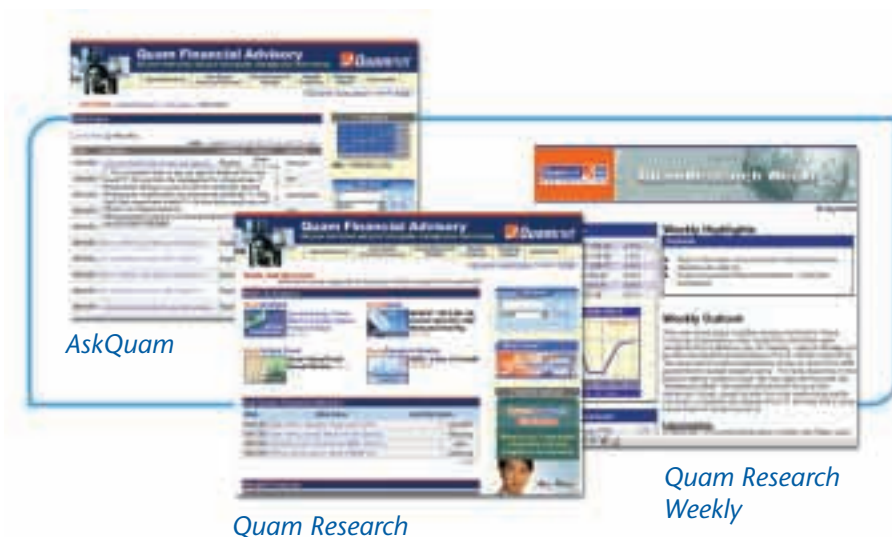


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◀ Vincent Lam  
Director of Quam (IA) Limited and  
Quam Asset Management Limited

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## DIRECTORS' REPORT

The directors of Quam Limited (the "Company") have pleasure in submitting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004.

### Principal activities

The principal activities of the Company are investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements.

### Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2004 is set out in note 3 to the financial statements.

### Results and appropriations

The results of the Group for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 52.

### Dividends

The directors do not recommend any dividend for the year (2003: Nil).

### Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 53. This summary does not form part of the audited financial statements.

### Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

### Share capital and share options

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements.

### Pre-emptive rights

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

### Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## DIRECTORS' REPORT

### Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

### Distributable reserves

At 31 March 2004, 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), contributed surplus of HK\$253,336,000 may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account, in the amount of HK\$374,349,000, may be distributed in the form of fully paid bonus shares.

### Charitable contributions

During the year, the Group made charitable contributions totalling HK\$15,400.

### Major customers and suppliers

In the year under review, services provided to the Group's five largest customers accounted for 19% of the total turnover for the year of HK\$98.6 million and services provided to the largest customer included therein amounted to 7%.

Services provided from the Group's five largest suppliers accounted for 52% of the total cost of services provided for the year and services provided from the largest supplier included therein amounted to 19%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers/suppliers.

### Directors

The Directors of the Company during the year were as follows:

#### *Executive Directors:*

Mr. Bernard Pouliot  
Mr. Kenneth Lam Kin Hing  
Mr. Richard David Winter

#### *Non-executive Director:*

Mr. William Chow Wai Lap (retired on 26 September 2003)

#### *Independent Non-executive Directors:*

Mr. Steven Kwan Ying Wai  
Mr. Jeremy King  
Mr. Gordon Kwong Che Keung (appointed on 26 September 2003)

In accordance with Bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Kenneth Lam Kin Hing, Mr. Richard David Winter and Mr. Gordon Kwong Che Keung will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## DIRECTORS' REPORT

### Biographical details of directors and senior management

Biographical details of the directors of the Company and the senior management of the Group are set out as follows:

#### *Executive Directors*

**Mr. Bernard Pouliot**, aged 52, 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**, aged 50, is 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 more than 20 years' experience in corporate finance and banking. He is also currently a director for a publicly listed company in Thailand and an independent non-executive director for a Hong Kong listed company.

**Mr. Richard David Winter**, aged 51, is also the Deputy Chairman of the Company. 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.

#### *Independent Non-executive Directors*

**Mr. Steven Kwan Ying Wai**, aged 56, 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 advisor and director for many listed companies in Hong Kong and Asia for the past 20 years.

**Mr. Jeremy King**, aged 41, was appointed as an Independent Non-executive Director of the Company in October 2002. Mr. King graduated from Nottingham University with a Degree in Law, and has over 19 years' experience in financial services including broking, corporate finance and fund management. Mr. King is currently the Chief Executive Officer of Seamico Knight Fund Management Securities Co., Ltd., and is a director of Raimon Land Public Company Limited and The Brooker Group Public Company Limited in Thailand.

**Mr. Kwong Che Keung, Gordon**, aged 54, was appointed Independent Non-executive Director of the Company in September 2003. Mr. Kwong graduated from The University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998. He currently is a Non-executive Director of COSCO Pacific Limited and COSCO International Holdings Limited. He also served as Independent Non-executive Director of a number of Hong Kong listed companies. In the public sector services, he was a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He was a member of the Panel of Inquiry appointed by the Financial Secretary on the Penny Stocks Incident in 2002.

#### *Senior Management*

**Mr. Kevin Sew Hoy**, aged 37, is the Chief Financial Officer and Company Secretary to the Group. Mr. Sew Hoy graduated from the University of Otago, NZ with a Degree in Commerce and further completed a Master of Business Administration from 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**, aged 45, is the 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 graduated from the University of Southern California with a Degree in Business Administration.

## DIRECTORS' REPORT

### Biographical details of directors and senior management (Continued)

**Mr. Kenny Ho Yui Kwong**, aged 46, is the 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 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.

**Mr. Adrian Bradbury**, aged 40, is the Director of Corporate Finance of Quam Capital Limited. Mr. Bradbury 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 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 is a Fellow member to the Institute of Chartered Accountants in England and Wales, and an Associate to the Hong Kong Society of Accountants.

**Ms. Karen Wong**, aged 37, is the Director of Corporate Finance of Quam Capital Limited. Ms. Wong 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 had 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. Vincent Lam Siu Yeung**, aged 31, is the 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 Quam Financial Advisory on Quamnet. Mr. Lam is also the Director of Quam Asset Management Limited. He holds a Bachelor's Degree in Social Science (Economics) from the Chinese University of Hong Kong.

**Mr. Choy Sze Chung, Jojo**, aged 45, is the Director of Marketing and Sales for the securities operation. Mr. Choy has extensive experience in securities industry and business management. Mr. Choy has a Master of Business Administration from the University of Wales, Newport. Mr. Choy is the vice chairman of the Institute of Securities Dealers, a committee member of Society of Registered Financial Planners, an associate to the Institute of Financial Accountants.

**Mr. Alexis Wong Lit Chor**, aged 46, is the Director of Quam Securities Company Limited. Mr. Wong graduated from University of Toronto, Canada with a Bachelor of Arts in Economics and Commerce and has obtained a Master of Business Administration from the Chinese University of Hong Kong. Mr. Wong has over 20 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies. He is also currently an independent non-executive director of two Hong Kong listed companies.

**Mr. Franco Tong Sui Lun**, aged 37, is the Director for Equity Capital Markets division of Quam Securities Company Limited. Mr. Tong has extensive experience in the financial industry. Mr. Tong graduated from University of Southern California with a Degree in Computer Science Engineering.

**Mr. Howard Hsu**, aged 32, is the Director of Business Development of Quamnet. He is responsible for the sales and marketing, and business operations of Quamnet. Mr. Hsu has extensive experience in business planning and development, market research and consulting. He graduated from Tufts University with a Bachelor of Science in Civil Engineering.

**Mr. Allan E. Matheson**, aged 27, is Managing Director of Quam Data Services Limited. Mr. Matheson graduated from the University of British Columbia with a Bachelor of Arts in International Relations. Prior to joining Quam Data Services Limited, Mr. Matheson was the Executive Director of the Canadian Chamber of Commerce in Hong Kong and worked for non-profit organizations including the British Columbia's Children's Hospital Foundation.

## DIRECTORS' REPORT

### Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### Directors' interests in contracts

Save as disclosed under the headings "Connected transactions" in this report and note 33 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### 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.

### Directors' interests in shares and underlying shares

At 31 March 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register or required to be kept under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers were as follows:

| Name of directors    | Number of ordinary shares held and nature of interests |                       |                        |            | Percentage of issued share capital |
|----------------------|--|-----------------------|------------------------|------------|------------------------------------|
|                      | Personal   | Family                | Corporate              | Total      |                                    |
| Bernard Pouliot      | 87,352   | 1,500,000<br>(note 1) | 22,421,184<br>(note 2) | 24,008,536 | 22.56                              |
| Kenneth Lam Kin Hing | 486,553  | –                     | 20,274,810<br>(note 3) | 20,761,363 | 19.50                              |
| Richard David Winter | 556,000  | –                     | –                      | 556,000    | 0.52                               |

#### Notes:

1. The family interests of Mr. Bernard Pouliot are held by his wife, Ms. Chan Wai Yin, Elizabeth.
2. The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, the controlling shareholders of the Company, which are wholly beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.
3. The corporate interests are held by Olympia Asian Limited, a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

## DIRECTORS' REPORT

### Directors' interests in shares and underlying shares (Continued)

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### Director's rights to acquire shares or debentures

Apart from as disclosed in the share option scheme disclosures in note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Substantial shareholders

As at 31 March 2004, the following persons or corporations (other than directors or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### LONG POSITION

| Name of Shareholders                               | Number of shares<br>beneficially held | Percentage<br>of issued<br>shares capital |
|--|---------------------------------------|---|
| Olympia Asian Limited ( <i>Note 1</i> )            | 20,274,810                            | 19.05                                     |
| Newer Challenge Holdings Limited ( <i>Note 2</i> ) | 16,000,106                            | 15.03                                     |
| Porto Global Limited ( <i>Note 2</i> )             | 6,421,078                             | 6.03                                      |

#### Notes:

1. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.
2. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.

Save as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 March 2004.

### Connected transactions

#### Ongoing connected transactions

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



## DIRECTORS' REPORT

### Connected transactions (Continued)

| Transactions  | Parties to the transaction  | Date on which the conditional waivers was granted by the Stock Exchange |
|---|---|---|
| Securities dealing transaction and margin financing arrangement | Quam Securities Company Limited and <ul style="list-style-type: none"><li>Mr. Bernard Pouliot and his respective associates</li><li>Mr. Kenneth Lam Kin Hing and his respective associates</li><li>Mr. Richard David Winter</li><li>Other directors of the Company's subsidiaries and their respective associates</li></ul> | 24 August 2001 and ended 31 March 2004                                  |

The Independent Non-executive Directors have reviewed the transactions covered by the conditional waiver granted by the Stock Exchange on 24 August 2001 and confirmed that:

- the transactions entered by the Group are in the ordinary and usual course of its business;
  - the transactions were conducted either on normal commercial terms or on terms that are fair and reasonable; and
  - the transactions were entered into either in accordance with the terms of the agreements governing such transactions or where there was no such agreement, on terms no less favorable than those available to or from independent third parties.
- 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.

### Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange, throughout the accounting period covered by the annual report, except that the Non-executive Directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

### Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three Independent Non-executive Directors of the Company.



## DIRECTORS' REPORT

### Auditors

Messrs. PricewaterhouseCoopers acted as auditors of the Company for the years ended 31 March 2001 and 2002. At the annual general meeting held on 30 September 2002, Messrs. PricewaterhouseCoopers retired, and Messrs. Ernst & Young were appointed as auditors of the Company by the shareholders for the year ended 31 March 2003.

At the annual general meeting on 26 September 2003, Messrs. Ernst & Young retired, and Messrs. Grant Thornton were appointed as auditors of the Company. The financial statements for the year ended 31 March 2004 have been audited by Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

### Appreciation

The directors would like to take this opportunity to thank Mr. William Chow Wai Lap for his loyal services to the Group and welcome Mr. Gordon Kwong Che Keung as an Independent Non-executive Director.

ON BEHALF OF THE BOARD

**Bernard Pouliot**

*Chairman*

Hong Kong  
8 July 2004