

Chairman's Statement

Dear shareholders,

The year under review has been challenging with success achieved in increasing revenues but net results was adversely affected by the write-down on the investment portfolio.

In the second half we incurred a loss of HK\$2.7 million, which is a net improvement over first half unaudited interim result we announced of HK\$11.2 million. The year's loss totaled HK\$13.9 million. Despite these results, we are confident that the synergies we are creating throughout our business will bring future sustainable benefit to the Group.

On the securities business, despite lower contribution from the equity trading business, the futures online platform expanded rapidly and more than compensated for the lower results in the equities market. The equities market suffered from the low level of activity in the mid-cap sector which reduced our placement and underwriting income. However the advisory and merger and acquisition business compensated for this shortfall.

Quamnet group had improved performance, with glimpses of light at the end of the tunnel. Year on year revenue growth for the past three years has been, on average, in excess of 25 percent. Quam Data Services launched a new product, employee vetting under the TrustPlus label, targeting multinational employers.

We feel that Quamnet is about to turn the corner in terms of bottom line contribution, and with the current mix of services and steady focus on our core competencies, we expect to achieve profitability in the coming year.

The year ahead

Our corporate finance team has expanded and is expecting to complete several new IPO issues in the coming year, thus enhancing our equity distribution and trading network with additional products. We continue to focus on institutional and high net worth clients through our corporate desk and ECM team.

Our futures business has expanded substantially with the roll out of our comprehensive online futures platform. We now offer nine overseas products in addition to the Hong Kong Futures Exchange products. This will be expanded to broaden both the range of products and the customer base. Furthermore, we have finalized the migration of Quam Futures Limited's business into Quam Securities Company Limited and thus now deal with only one trading entity thereby saving on costs and optimizing capital allocation.

With the launch of three new funds under our management in June 2005, we seek to further consolidate our investment management capability with funds under advisory and management totaling over HK\$200 million as of the date of this report.

Strategy and future

Our corporate finance team established over two years ago, continues to be a key asset. The improving investment climate should assist them in expanding their reach and increase their contribution to the Group. The recent membership of M&A International, a leading organization of the world's largest independently owned merger and acquisition specialists and investment banking firms, should enhance their product offering.

Our strategic alliance with Capital Partners Securities Co., Ltd. in Japan since September 2004 will assist us in rolling out Hong Kong and China based investment opportunities for Japanese based investors. It will further add to our distribution base for both new and secondary issues. We continue to garner value from our strategic network around Asia, particularly Thailand. We intend to extend the reach of our equities and futures trading platform through our partners.

Our association with Midland Wealth Management, an independent financial planning platform, has enhanced our distribution base for both the securities business and Quamnet's product and services. This relationship is seen as a further extension of the Group's wealth management strategy.

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Since January 2005, we have established an institutional services team in Quamnet. Its objective is to give institutions better access, through comprehensive marketing solutions, to our community of mass affluent investors, who are users of our products and services. We intend to create value for our institutional clients through our medium as an online financial news provider.

Our subscription base has remained steady since our last report. However our revenues derived from advertising and investor relations services is growing steadily. The improving economy will encourage many users for these services and we expect to capture an increasing share of this growing market. There will be increased marketing of our products through our link-ups with China and Hong Kong based websites together with traditional offline solicitation through seminars, our in house magazine "Quam Money" and smaller group presentations.

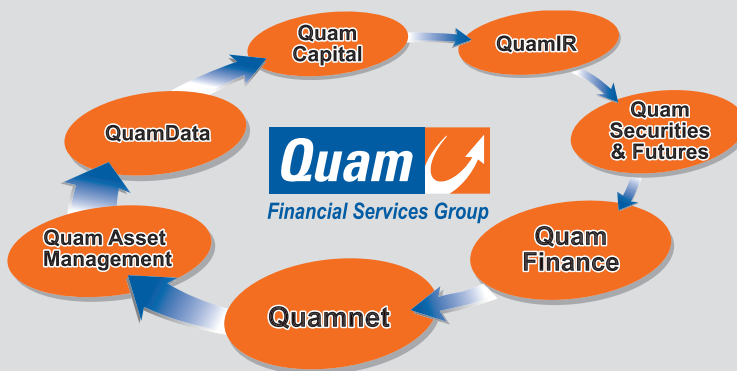
Conclusion

To reiterate from last year's report, Quam is here to stay and prosper. We believe that the Hong Kong and China story is a compelling investment opportunity and we intend to participate fully in this development.

We believe that Hong Kong will play an essential role in the development and integration of China in the world market and as such we intend to promote the Hong Kong advantage, forcefully and aggressively.

I would like to take this opportunity to thank all of our staff, suppliers, bankers and shareholders who have remained confident and supportive of the Quam Group.

Bernard Pouliot
Chairman





Equipped with strong trading facilities and research support, Quam Securities provides customers with traditional brokerage services and internet trading.

透過完善的買賣平台及強大的研究團隊，華富嘉洛證券提供全面的(包括網上)證券買賣服務。