

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 (together the "Group") for the year ended 31 March 2005.

Principal activities

The principal activities of the Company are investment holding and securities trading. 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 activities and geographical area of operations for the year ended 31 March 2005 is set out in note 3 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 69.

The directors do not recommend any dividend for the year (2004: 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 70. 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 26 and 27 to the financial statements, respectively.

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

The Company has not redeemed any of its listed securities during the year. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

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Share premium and reserves

Details of movements in the share premium and reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 March 2005, the Company's reserves available for cash distribution and/or distribution in specie, comprising contributed surplus and retained profits, amounted to HK\$107,204,000. In accordance with the Companies Act 1981 of Bermuda (as amended) the contributed surplus may only be distributed in certain circumstances.

Charitable contributions

During the year, the Group made charitable contributions totalling HK\$38,000.

Major customers and suppliers

In the year under review, services provided to the Group's five largest customers accounted for 12% of the total turnover for the year of HK\$80.6 million and services provided to the largest customer included therein amounted to 4%.

Services provided from the Group's five largest suppliers accounted for 35% of the total cost of services provided for the year and services provided from the largest supplier included therein amounted to 9%.

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 or suppliers.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

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

Non-executive Director:

Mr. Esmond Quek Keng Liang (appointed on 13 September 2004)

Independent Non-executive Directors:

Mr. Gordon Kwong Che Keung
Mr. Steven Kwan Ying Wai
Mr. Jeremy King

Directors' Report

Directors (Continued)

In accordance with bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Esmond Quek Keng Liang and Mr. Jeremy King will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company confirmed that it has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers the independent non-executive directors to be independent.

Directors' emoluments of the Company is set out in note 8 to the financial statements.

Biographical details of directors and senior management

Biographical details of directors of the Company and senior management of the Group are set out on pages 12 to 14 of this annual 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 "Connected Transactions" in this report and notes 29 and 32 to the financial statements, no director had a material interest in any contract of significance to the business of the Group subsisted at the end of the year or at any time during the year to which the Company or any of its subsidiaries was a party.

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.

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Directors' interests and short positions in shares and underlying shares

As at 31 March 2005, the interests and short positions of the directors 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 required to be kept under Section 352 of the SFO or as otherwise notified to the Company and 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			Total	Percentage of issued share capital
	Personal	Family	Corporate		
Bernard Pouliot	87,352	1,500,000 (note 1)	25,992,328 (note 2)	27,579,680	25.92
Kenneth Lam Kin Hing	3,395,697	–	20,274,810 (note 3)	23,670,507	22.24
Richard David Winter	2,192,573	–	–	2,192,573	2.06

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 27 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company.

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 or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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Directors' rights to acquire shares or debentures

Apart from as disclosed in the share option schemes disclosure in note 27 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 2005, the following person or corporations (other than directors of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

LONG POSITION

Name of Shareholders	Number of shares beneficially held	Percentage of issued shares capital
Olympia Asian Limited (<i>Note 1</i>)	20,274,810	19.05
Newer Challenge Holdings Limited (<i>Note 2</i>)	18,873,250	17.73
Porto Global Limited (<i>Note 2</i>)	7,119,078	6.68

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 (other than directors of the Company) as at 31 March 2005.

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Connected transactions

Pursuant to Rule 14A.66 of the Listing Rules on the Stock Exchange that became effective on 31 March 2004, the following transactions were entered into by the Company and its subsidiaries which are deemed connected and the Company is required to make the following disclosure and reporting requirements. On 16 March 2004, the Company made notification via its financial advisor to the Stock Exchange of these transactions and consequently a draft announcement was submitted for consideration. The announcement is still pending regarding the ongoing negotiations with the Stock Exchange on the scope of these new regulations.

Details of the transaction are as follows:

Transaction Date	The financial year commencing 1 April 2004 to 31 March 2005
Parties to the transaction	<p>Quam Securities Company Limited and</p> <ul style="list-style-type: none">• Mr. Bernard Pouliot and his respective associates• Mr. Kenneth Lam Kin Hing and his respective associates• Other directors of the Company's subsidiaries and their respective associates
Transaction	Share margin financing
Total consideration and terms	<p>Total annual aggregate interest charged to connected persons for the year amount to HK\$447,640.</p> <p>The interest rate charged is at prime bank lending rate plus 3 per cent.</p> <p>The margin facilities are secured by collateral securities and are repayable upon demand.</p>
Nature and extent of connected persons interest in the transaction	Pursuant to Rule 14A.66(2) of the Listing Rules, financial assistance was granted to connected persons by way of share margin financing. During the year, the aggregate total value of assistance plus any preferential benefit to the connected persons were within the thresholds stipulated in accordance to Rule 14A.66(2) and is less than HK\$10 million.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total share capital was held by the public as at the date of this report.

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Corporate governance

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 (the "Code") of the Listing Rules on the Stock Exchange throughout the accounting period, 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "Model Code") of the Listing Rules on the Stock Exchange. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 March 2005, and all directors of the Company have confirmed that they have fully complied with the required standard as set out in the Model Code.

During the year, the Company has also established a remuneration committee which include independent non-executive directors.

Pursuant to the changes to the Listing Rules which became effective on 31 March 2004, the Company and its subsidiaries are expected to meet disclosure and reporting requirements of certain transactions that fall within threshold limits set forth in the Listing Rules. One type of transaction required for disclosure and reporting is financial assistance, which is deemed to include securities margin financing. A group of listed companies in the securities industries (the "Submission Group") has made written submissions to the Stock Exchange for the waiver and relaxation of these obligations, as enjoyed by banking companies who do not have to comply with these particular Listing Rules. The banking companies have been granted leniency to these Listing Rules as their business of financial assistance is deemed to be conducted in the ordinary and normal course of business.

At the date of this report, the Submission Group has not received a reply from the Stock Exchange informing of their decision of any waiver and relaxation of the rules in respect to securities margin financing.

Continuing disclosure requirement

The Company has made the following disclosures pursuant to Rule 13.13 of the Listing Rules on the Stock Exchange and which pursuant to Rule 13.20, continue to exist as at 31 March 2005.

Loan Guarantee

An announcement was made on 23 February 2005 that Quam Finance Limited entered into a loan guarantee given in favour of Openlink Limited in relation to a loan facility of US\$800,000 (approximately HK\$6.2 million) granted by Openlink Limited to a borrower. The loan facility is effective for a period of 12 months commencing from 23 February 2005 and the loan guarantee shall cease upon full repayment of the loan facility.

As at the date of this report, the Company is aware that repayments from the borrower to Openlink Limited are on schedule and the Company is currently unaware of any circumstances which would lead to the exercise of the loan guarantee.

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Audit committee

The Company has an audit committee which was established 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. Audit committee meetings are conducted at least 2 times per year.

Auditors

Messrs. Ernst & Young acted as auditors of the Company 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 by the shareholders.

The financial statements for the years ended 31 March 2004 and 2005 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.

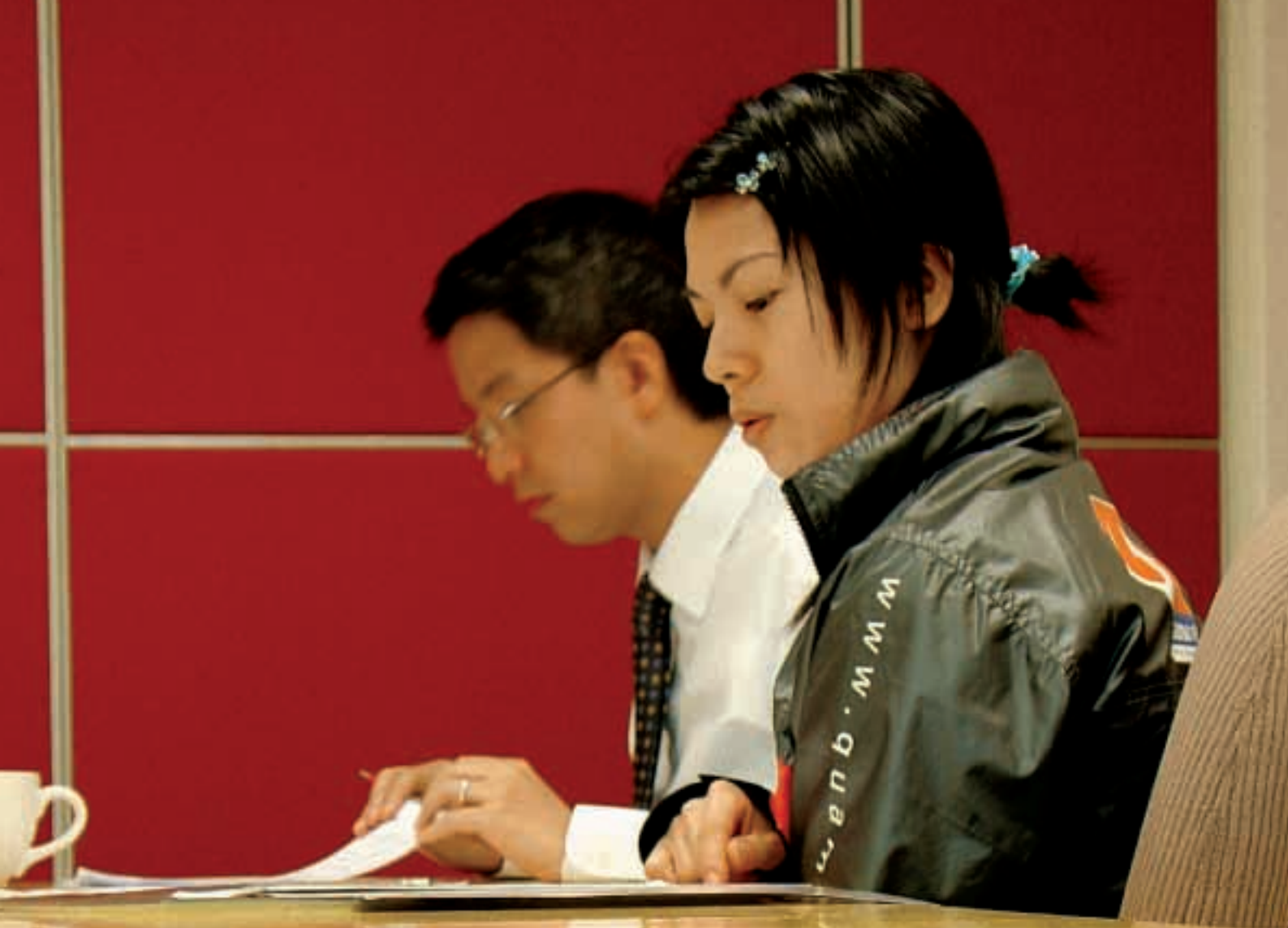
Appreciation

The directors would like to take this opportunity to welcome Mr. Esmond Quek Keng Liang as our non-executive director.

On behalf of the board

Bernard Pouliot
Chairman

Hong Kong
8 July 2005



Quamnet

Quamnet and the Li Ka Shing Institute of Professional and Continuing Education (LiPace), run by the Open University of Hong Kong, have jointly launched a short-term investment course "Value Investing: Theories and Practices".

In addition, Quamnet publishes a monthly financial and investment magazine "Quam Money" for the investing community, professionals, business owners and executives, as well as listed companies in Hong Kong. Photo: Ms. Phoebe Lam, Editor of Quamnet and Quam Money.



華富財經與香港公開大學李嘉誠專業進修學院合辦短期投資課程「價值投資法：理論與實踐」。

同時，華富財經亦定期出版投資雜誌「Quam Money」，為投資群眾、專業人士、商家及香港上市公司提供各式投資及財經資訊。圖：林小玲女士，Quamnet 及 Quam Money 編輯。