

Management Discussion and Analysis

Financial Review

The Group reports an annual profit of HK\$8.9 million (2005: a loss of HK\$13.9 million). The Group's turnover for the year was HK\$104.4 million (2005: HK\$86.8 million) representing an increase of 20 per cent.

Review of Operations

The Group's operations showed further steady improvement over the year as compared to last year. Securities and futures dealing business further extended its growth and consolidation of its business base, and achieved revenue of HK\$44 million (2005: HK\$30.3 million) a significant growth of 45%. Corporate finance and advisory remained steady but was poised to grow rapidly based on several major deals at year end which have yet to be completed and will be booked in the next financial year. Asset management further consolidated its business with the set up and successful launch of three new funds in June 2005. Revenues reached HK\$4.6 million (2005: HK\$1.3 million). Total funds under management have increased substantially, which provides us with more steady and stable recurrent income. In addition, a resounding first nine months performance of the funds was achieved resulting in additional performance fee revenue. Revenues from website and information and credit services grew at a slower pace with annual revenue at HK\$21.8 million (2005: HK\$ 20.7 million).

Costs have remained under control for the year. However, inflationary pressure is building up and going forward we will continue our scrutiny on our operating costs and to consider additional outsourcing.

We are confident that the continuous improvement and synergy of our business will assist in greater profitability.

Securities and Futures Dealing and Placement

The trading volume in securities dealing was in line with the growth in the domestic market despite a lower than expected placement volume. We witnessed strong growth in our overseas securities trading business as compared to the previous year and we continue to look for opportunities outside our traditional Hong Kong market. The futures trading business continues to grow rapidly with the help of an expanded customer base and the addition of further global futures products, popular amongst our clients. We now deal in 24 products.

The margin lending portfolio grew in line with trade turnover. As at year end our lending portfolio stood at HK\$133.1 million (2005: HK\$122.9 million). Banking and third party financing facilities utilized as at year end stood at HK\$79.3 million. However, as we reduced our money lending business this year, we focused on our margin lending business which grew steadily in line with trade turnover. We have kept close attention to the cost of funds and the increasing interest rate environment during the year. Despite the tightening fiscal environment, and increased volumes in the equities markets during the year, we were able to meet the securities financing requirements of our clients. Margin interest income was HK\$13.3 million (2005: HK\$9.4 million).

In light of the proposed changes in collateral limits related to securities margin financing effective October 2006, it will be important to expand the capital base of the business.

Management Discussion and Analysis (continued)

Corporate Financial Advisory Services

Income from corporate financial advisory services was HK\$12.6 million (2005: HK\$13.3 million). We completed two IPO sponsorships this year and a good number of advisory mandates.

However, a significant aspect of our business focused on activities in the field of mergers and acquisitions, which have been enhanced as a result of our association with M&A International Inc. This has led to a wider scope of options available to our customer base when seeking to expand or dispose of their business. At year end, our mandates were significantly higher and larger than in the past and shall impact positively in the ensuing financial year.

Asset Management

Asset management revenues were HK\$4.6 million (2005: HK\$1.3 million) and are a function of total funds under management as well as greater performance fees at the year end. Although the quantum of revenue is not substantial, we feel that we are on the right path to extend and build on this business, having now established and identified the platform to grow this business. During the year, we strengthened the management and support team to cater for this growth, and we look forward to extend and grow our funds under management by targeting strategic professional and institutional investors. We are confident that the investment process adopted by our investment managers and advisors will be consistent and sustainable.

Total funds under management and advisory at year end was over HK\$250 million (2005: HK\$180 million).

Website and Financial and Credit Information Services

Revenue for the year was HK\$21.8 million (2005: HK\$20.7 million) a slight increase year on year. The subscription revenue for our in-house products have continued to increase steadily. Total subscribers have increased on an annual basis by 3.5%, and ARPU (average revenue per user) increased from HK\$196 per user per month at the beginning of the period to HK\$209 per user per month. We also completed during the year the migration of the two remaining platforms of our stock quote services to a third party provider, after initiating the first stage in last financial year. The initial migration has been a success and moving forward, we feel our users will be better served by this arrangement, while we will benefit from lower capital expenditure and maintenance costs. We have continued to hold investor forums to bring closer our valued subscribers with our research team members and contributing writers. This should solidify the community we have developed within Quamnet. A further feature has been our publication of the monthly magazine, Quam Money, providing us with a greater presence with the Mass Affluent Financial Community and greater visibility for our products and services.

The multi-media division that groups institutional sales, investor relation services and advertising achieved better results. All three sectors contributed to this growth. We held two well received investment seminars that were attended by up to 1,000 investors. It enhanced our presence in the market and increased our visibility. Our new warrants section on Quamnet is now a well-known reference base for warrant trading. The Investor Relations platform now counts over 65 listed companies as clients and our goal is to achieve over time, a market share of 25%, now currently about 6.5%.

The credit information services continued with its steady revenue stream albeit in a very competitive environment. Revenue from Trustplus pre-employment screening services contributed 25% of the total revenues of this division, despite falling slightly short on our expectation of one third as stated in last year's report. We were approached towards the end of the financial year by a group that intended to merge its own business with ours with a view to create a wider and deeper Asia based platform. We felt that this approach would give more scale to our business and have agreed after long running negotiations to merge our business under the Verify Limited flag together with Hill and Associates' pre-employment screening business operating in Malaysia and India. Quam Data Services Limited will own a 25% interest in the enlarged business.

Management Discussion and Analysis (continued)

Prospects and Missions

We have undertaken several new initiatives subsequent to the financial year end review, which we believe can further accentuate growth and in our core business units.

In the securities and futures business, a further strengthening of our institutional team business was made with the hiring of key staff. The Group's solid base in research combined with our corporate finance team experience should help in attracting institutional business. Our funds management business has had further enhancements with the expansion of the management team in March 2006. Our aim is to focus growth of the assets under management for the existing funds by targeting professional and institutional investors including fund of funds. Our decision to identify fund management as a core business is in line with our long term objective to develop a solid recurring revenue base.

The Quamnet website is poised to grow faster with the identification of two clear business units, multi-media and products/subscription. The multi-media division encompassing IR, advertising and institutional sales, should be able to expand traffic and offer greater customer acquisition opportunities to our institutional clients. The product and subscriptions division should be able to widen the range of in-house and third party products offered to our subscriber base while taking advantage of accrued traffic from the site. The ultimate objective is to penetrate further in China and various efforts will be displayed in this connection. Scalability is the key word and China offers that.

Finally, our network of affiliated companies in Tokyo, Bangkok and forthcoming, Dubai should assist the Group in widening its market and product offer.

Liquidity and Financial Resources

The Group's cash and bank balances and short term deposits as at 31 March 2006 amount to approximately HK\$21.5 million (2005: HK\$26.9 million).

The Group generally finances its operations with internally generated cash flow and banking and short-term loan facilities provided by its principal bankers in Hong Kong and short term loan from a third party. As at 31 March 2006, the Group had available aggregate banking facilities of approximately HK\$135 million which are secured by legal charges on certain securities owned by the Group or its margin and money lending clients. The Group had pledged HK\$6.7 million of its investment securities to secure banking facilities as at 31 March 2006. As at 31 March 2006, approximately HK\$59.3 million was utilised on these banking facilities. Short term funding of HK\$20 million from a third party was utilised, which is unsecured, bears interest at 7% per annum and matures on 31 July 2006.

The Group's gearing ratio, largely the result of the margin and money lending business, is 63.8% as at 31 March 2006 (2005: 77.3%).

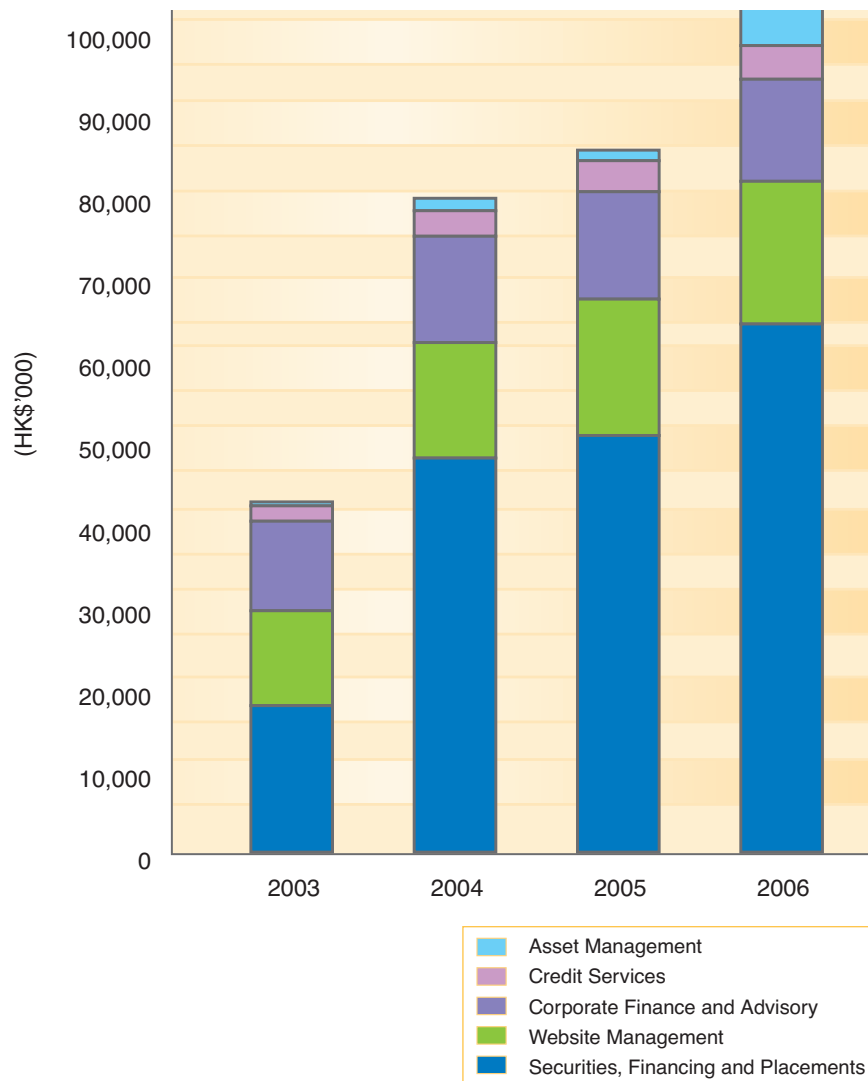
Management Discussion and Analysis (continued)

Employment and Remuneration Policies

For the year ended 31 March 2006, the Group had a total full time staff of 143 and had part time staff of 4. There were 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.

Quam Group Operating Revenue



Quamnet Online Subscription Services

華富財經網站的網上認購服務

- Real-time Quotes 即時報價
- Fundamental Data 基本數據
- Independent Research, Advisory, Financial News and Charting Tools
獨立研究、投資建議、財經新聞及圖表工具

Financial Research & Investment Tools
財經研究及投資工具

