

Chairman's Statement

The Group recorded a loss attributable to shareholders of US\$7.3 million (2002: profit of US\$3.6 million) in the year ended 31 March 2003, representing a loss per share of 0.6 US cents (2002: earnings per share of 0.3 US cents). The loss was mainly due to the Group's share of the loss from Bridge Investment Holding Limited ("BIH", formerly "KoreaOnline Limited") of US\$5.7 million. The revenue of the asset management business division was reduced by 28% to US\$2.2 million (2002: US\$3.1 million) partly due to the reduction in assets under management. The technology and internet stock investment environment remains poor. The revenue of internet retailing has been decreased significantly by 99% to US\$15,000 (2002: US\$4.3 million).

The value of shareholders' equity decreased slightly by 2.1% to US\$85.2 million (2002: US\$87.0 million) over the previous year on an unchanged number of shares outstanding. Net assets per share were 7.2 US cents (2002: 7.3 US cents), a decrease of 1.4% over the previous year. As at 31 March 2003, the Group had US\$2.1 million net cash or 2.5% of its total shareholders' equity.

I set out below a brief summary of the main elements of the loss attributable to shareholders as follows:

	US\$ million
Share of losses connected with BIH	(5.7)
Corporate investments	1.4
Provision on technology related investments	(3.1)
Asset management and corporate finance	(0.2)
Other operating income	0.3
Total loss attributable to shareholders	(7.3)

In terms of the consolidated balance sheet, the main elements consist of:

	US\$ million
Stake in BIH	78.0
Value of technology related assets	0.6
Other net assets	6.6
Total net assets	85.2

Full details of the figures and summary are contained in this annual report and the Management's Discussion and Analysis section, respectively.

It should be noted that the Directors have made what they believe to be fair provisions in relation to the technology related assets due to the difficulties encountered within the sector.

The Directors of the Company have decided not to declare a dividend for the year. During the year and up to the date of this report, no new shares, either ordinary or deferred shares, were issued (2002: Nil). Further, your Directors have decided that it is in the best interests of the Company not to seek a mandate from shareholders to issue new shares up to a maximum of 20% of the Company's issued share capital.

Chairman's Statement

Bridge Investment Holding Limited

As mentioned in the Chairman's statement for the six months ended 30 September 2002, the board of directors of BIH was reconstituted on 21 October 2002. I am also pleased to report that the board of directors of Bridge Securities Co., Ltd ("BSC") was reconstituted on 5 June 2003 with William Daniel being appointed the Representative Director and Chief Executive Officer and Harry Wells and Robert Thomas being appointed independent non-executive directors. I am confident that the new management team at BIH and BSC are now focusing their efforts on implementing the restructuring plan with a view to realising the Group's investment in BIH. As stated previously, it is the Directors' current intention that such a realisation will be substantially distributed to all shareholders and by this it is meant that at least 90% of any such realisation will be distributed to all shareholders.

On 1 May 2003, State of Wisconsin Investment Board ("SWIB"), BIH and the Company entered into a new shareholders' agreement regarding the shareholdings of SWIB and the Company in BIH (the "**BIH Shareholders' Agreement**"). The Company, SWIB and BIH have, amongst other things, agreed in the BIH Shareholders' Agreement to explore ways in which to realise their investment in BIH in the most effective and profitable manner. However, it should be noted that the directors of BIH intend to realise BIH's indirect interest in BSC for the benefit of all shareholders of BIH. Accordingly, any such realisation will be substantially distributed to all BIH shareholders.

The value of BIH's shareholders' equity decreased slightly by 1.6% to US\$202.4 million (2002: US\$205.7 million) over the previous year. The decrease was due to an unrealised foreign exchange revaluation surplus of US\$13.6 million offset by an operating loss of US\$16.9 million. Net asset value per share was US\$4.52 (2002: US\$4.59), representing a drop of 1.5% over the previous year. My fellow director, Jamie Gibson, has highlighted the operational performance of BIH during the fiscal year ended 31 March 2003, which follows this section.

Fund Management

In general, the funds managed by the private equity division have performed well. In particular, the investment in PT Bank NISP Tbk, which was made by certain of the funds managed by the Group has performed well. The team expects to realise this investment over the coming financial year.

Overall, the Group's core business remains loss making with the conditions for raising new money for Asian investment proving difficult. Both our fund management and corporate finance businesses are loss making, which is primarily due to (i) operating in a high cost base environment, (ii) a relatively small amount of funds under management, and (iii) difficult stock market conditions. The Group has therefore taken steps to reduce costs in this area to restore the Group to profitability. In particular, the Group has decided to terminate its corporate finance activities with effect from 30 June 2003.

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Technology Investments

The Directors have decided to make a further provision of US\$3.1 million against certain of the Group's holding of technology related investments. The Group's 49.9% associate, Exchangebet.com Holdings Limited, which provides online fixed-odds betting on financial markets, made a net profit after tax of US\$58,000 for the financial year ended 31 December 2002. The company has seen significant growth in its turnover and operating profit during the current financial year. For the six months to 30 June 2003, the company's unaudited turnover was US\$23.7 million and its unaudited gross profit was US\$2.4 million. The company's main web-sites are: www.fixedoddsgroup.com and www.betonmarkets.com.

Outlook

The Asian stock markets have continued to be very taxing during the financial year ended 31 March 2003, which coupled with the SARS epidemic has significantly affected the Asian region with growth forecasts being revised downwards for most Asian countries. However, the world markets have shown signs of a recovery in the second quarter of this calendar year.

The Group is committed to realising its investment in BIH. However, it should be noted that there are approximately 11 securities firms up for sale in Korea therefore management will face a challenging time in the short-to-medium term.

Your Directors are fully committed towards taking steps that will enhance the value of all shareholders' investment in the Company.

I would like to thank my fellow Directors and colleagues for all their hard work during the past year. I would also like to thank David McMahon, Mark Child and Julian Mayo (all former Directors of and within the Company) for their valuable contributions made during their tenure.

Anthony Baillieu

Hong Kong, 16 July 2003

Chairman's Statement

Operational Highlight of Bridge Investment Holding Limited

(formerly KoreaOnline Limited)

Bridge Investment Holding Limited ("BIH" and collectively with its subsidiaries, the "BIH Group") recorded a loss attributable to shareholders of US\$16.93 million (2002: profit of US\$30.59 million) for the year ended 31 March 2003, representing a loss per share of US\$0.38 (2002: earnings per share of US\$0.69). The change in the results is mainly due to the following:

- Significant reduction in brokerage commission at Bridge Securities Co., Ltd ("BSC") due to the drop in commission rates to 0.21% from 0.45% (impact of increased online trading) and loss of market share to 0.73%;
- Significant loss experienced at the retail division;
- Decline in market turnover of BSC as compared to last fiscal year;
- Inadequate planning process and business plan by former management of BSC pre and post merger of Illeun Securities Co., Ltd ("ISC") and Regent Securities Co., Ltd ("RSC");
- Significant write down of the deferred tax assets at BSC; and
- Increase of general provisions relating to certain litigation.

The value of BIH Group's shareholders' equity has decreased slightly by 1.6% to US\$202.4 million (2002: US\$205.7 million) over the previous year. The decrease was due to an unrealised foreign exchange revaluation surplus of US\$13.6 million offset by an operating loss of US\$16.9 million. Net asset value per share was US\$4.52 (2002: US\$4.59), representing a drop of 1.5% over the previous year. As at 31 March 2003, BIH Group had net cash of US\$117.5 million or 58% of total shareholders' equity.

On 2 May 2003, BIH shareholders approved the change of name to Bridge Investment Holding Limited and the adoption of new Memorandum and Articles of Association.

On 5 June 2003, BSC's shareholders approved a mandatory buy back of 18.75 million shares at Korean Won ("KRW") 2,000 per share. This means that BSC will mandatorily purchase 25.2682% of each shareholder's interest in BSC on or around 7 August without any detrimental effect to BIH Group's net asset value. Accordingly, BSC will buy back 14,701,487 shares from BIH Group for cash at KRW 2,000 per share thus raising approximately KRW 29.4 billion (before applicable taxes) for BIH Group.

Chairman's Statement

Operational Highlight of Bridge Investment Holding Limited (Continued)

BSC completed two share buy back programmes during the year to 31 March 2003: (i) on 15 November 2002 BSC acquired approximately 13.1 million shares at a price of KRW 2,000 per share at a total cost of approximately KRW 26.2 billion, and (ii) on 11 February 2003 BSC acquired 985,483 shares at a price of KRW 2,000 per share at a total cost of KRW 1.97 billion. BIH Group and State of Wisconsin Investment Board ("SWIB"), the two largest shareholders, did not subscribe in either of these buy back programmes. As a result, BIH Group's and SWIB's shareholdings in BSC have increased to 78.4% from 65.9% and to 8.4% from 7.0% respectively.

As the recent buy back price was at less than book value, there was an increase in the value of BIH Group's investment in BSC based upon the attributable net asset value. This increase was recorded in the second half of the fiscal year.

Operational Performance

BSC represents the merged operations of RSC and ISC, which was completed on 22 January 2002.

Market conditions in the securities business have been difficult with the Korean market dropping approximately 40.2% during the fiscal year. Smaller brokerage companies have lost market share over the past 3 years but the loss of BSC's market share has been higher than its peers. Market share has fallen from 3.1% in 1999 to 0.73% at the end of March 2003. Furthermore on an International Financial Reporting Standards basis, BSC incurred a loss after tax of US\$20.4 million for the year ended 31 March 2003. Despite this loss, the level of BSC's shareholders' equity is substantially more than that required in the company's underlying brokerage business.

The merger between RSC and ISC was a condition to the acquisition of ISC by the BIH Group. Management of both companies had more than 12 months to plan for this merger. However it is clear that the planning process was less than adequate. A number of key issues relating to the integration of the two companies that should have been resolved and agreed prior to the merger remain unresolved even at the present time. A key priority for the new management of BSC is to address these issues and develop a business strategy that will put BSC on a recovery path and that will result in increased market share and a satisfactory level of profitability.

BIH has incurred considerable legal and other expenses in resolving the recent BIH and BSC board and management restructuring disputes with SWIB and the Company. Furthermore, a number of legal matters remain outstanding, the most significant of which is with (i) Peter Everington and Romi Williamson, and (ii) Regent Insurance Co., Ltd ("RIC") that was taken over by the Financial Supervisory Services. Management is in final discussions with RIC with a view to settling the litigation. Where appropriate, potential liabilities have been estimated and included in the financial statements as at 31 March 2003.

Chairman's Statement

Operational Highlight of Bridge Investment Holding Limited (Continued)

Restructuring Plan

The BIH directors have requested that BSC management initiate a comprehensive restructuring plan to reduce costs and bring BSC's capital in line with its underlying business. In this respect, BSC management has commenced a cost reduction programme, the main elements are as follows:

- Immediate closure of 8 retail branches;
- Introduction of an Early Retirement Programme ("ERP") which will be offered to all regular members;
- Merger of the two head offices and a restack at the headquarters building; and
- Rationalisation of the head office operations.

BSC management has also begun a productivity upgrade of the retail division where the main focus is on enforcing minimum productivity levels and replacing under performing staff. In addition, BSC management will seek to reorganise the investment banking teams to avoid duplication and invest in areas that generate an acceptable return on capital.

An ERP is a key method for initiating headcount reductions in Korea's inflexible, and in BSC's case, heavily unionised labour force. The ERP was offered to 542 regular staff (70% of the total). 128 staff accepted the ERP offer and will leave BSC on or around 25 July 2003. 89% of the takers were from the retail division. The average cost per head of the ERP will be KRW 45 million, which will equate to a total cost of KRW 5.76 billion for the ERP, being 10% lower than BSC's budgeted number. In addition, BSC will close 8 branches by the end of August 2003 out of a total of 39.

Realisation

When BSC has completed its restructuring plan and its capital has been brought into line with the underlying business, BIH directors will attempt to sell BIH's interest in BSC and to obtain the best possible price for shareholders. However, a successful sale will be dependent upon, but not limited to, market conditions, geopolitical climate and the appetite of potential buyers at the relevant time. BIH directors expect that it could take up to 2 to 3 years to achieve a successful realisation although there is no certainty on this timetable.

Working in conjunction with the staff, BSC's management hopes to create a culture in which the achievement of increased market share, productivity and profitability will be the priority.

BIH directors recognise the challenges that are presented by the current tough market conditions but are fully committed towards taking steps that will enhance the value of all shareholders' investment in BIH.

Jamie Gibson