

## Chairman's Statement

The Group recorded a loss attributable to shareholders of US\$42.3 million (2004: profit of US\$5.1 million) in the year ended 31 March 2005, representing a loss per share of 3.5 US cents (2004: earnings per share of 0.4 US cent). The loss was mainly attributable to the Group's share of loss after tax from Bridge Investment Holding Limited ("BIH" and together with its subsidiaries, the "BIH Group") of US\$42.6 million. The revenue of the corporate investment business division increased significantly to US\$2.8 million (2004: US\$1.4 million), while the revenue of the asset management business division was reduced by 29.3% to US\$0.8 million (2004: US\$1.1 million), which was primarily due to the reduction in assets under management.

The value of shareholders' equity decreased by 47.2% to US\$51.4 million (2004: US\$97.3 million) over the previous year, which was primarily a result of the Company equity accounting the loss after tax from BIH of US\$42.6 million including US\$25.3 million in respect of BIH's impairment of US\$62.9 million in its investment in Bridge Securities Co., Ltd ("BSC"). Net assets per share were 4.3 US cents (2004: 8.2 US cents), a decrease of 47.6% over the previous year.

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

	US\$ million
Share of loss connected with BIH	(35.9)
Share of profit from other associates	0.7
Corporate investments	1.2
Asset management	(1.4)
Others	(0.1)
<b>Loss before tax</b>	<b>(35.5)</b>
Tax	(6.8)
<b>Loss after tax attributable to shareholders</b>	<b>(42.3)</b>

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

	US\$ million
Stake in BIH	41.5
Value of technology related assets	3.0
Other net assets	6.9
<b>Total shareholders' equity</b>	<b>51.4</b>

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

## Chairman's Statement

On 26 August 2004, the shareholders approved the payment of a final dividend of 2.72 US cents per share. On the basis of the Company's then issued share capital, payment of the final dividend amounted to approximately US\$32.5 million. Accordingly, together with the 2004 special interim dividend, the Directors have approved a distribution in aggregate of 3.015 US cents per share or 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH. The dividend of 2.72 US cents was paid on 17 September 2004.

During the year and up to the date of this annual report, no new shares, whether ordinary or deferred shares, were issued to third parties (2004: Nil) apart from 3.2 million shares, which were issued pursuant to the exercise of various options.

My fellow Director, Jamie Gibson, will provide an update concerning the main operations of the BIH Group, which is as follows:

### I BRIDGE INVESTMENT HOLDING LIMITED

#### I.1 REALISATION OF BRIDGE SECURITIES CO., LTD

The board of directors of BSC has approved on 23 June 2005 a KRW 100 billion mandatory capital reduction (the "**Mandatory Capital Reduction**"), pursuant to which BSC's shares will be repurchased by BSC mandatorily at KRW 3,380 (or US\$3.3) per share, representing approximately 52.1% of BSC's net asset value as at 31 March 2005. It is expected that the Mandatory Capital Reduction will complete on or around 20 September 2005.

An extraordinary general meeting of BSC (the "**BSC EGM**") has been convened to be held on 4 August 2005, at which a resolution will be proposed to shareholders to consider and, if thought fit, approve the Mandatory Capital Reduction.

BIH will procure its subsidiaries to vote in favour of the Mandatory Capital Reduction at the BSC EGM.

As part of the Mandatory Capital Reduction, creditors of BSC are allowed to present their objection, if any, before 5 September 2005. Assuming that no creditors object, the BIH Group will receive approximately US\$76.91 million, before taxes, on or around 20 September 2005. BIH expects that withholding taxes of approximately KRW 3.59 billion (or US\$3.55 million) will be levied on the BIH Group in respect of the Mandatory Capital Reduction. It is therefore expected that the BIH Group will receive approximately US\$73.36 million, net of estimated Korean taxes.

## Chairman's Statement

### I BRIDGE INVESTMENT HOLDING LIMITED (Continued)

#### I.1 REALISATION OF BRIDGE SECURITIES CO., LTD (Continued)

It is the intention of the BIH directors to distribute the net proceeds received from the Mandatory Capital Reduction to all shareholders, after making provision for sufficient working capital, including the payment of all trade creditors and outstanding Korean withholding taxes and interest accrued on the late payment of such withholding taxes amounting in aggregate to US\$12.9 million. It is the BIH directors' intention that BIH will therefore distribute to all shareholders approximately US\$60.57 million received from BSC equivalent to US\$1.35 per share. However, the BIH directors will consider the amount of the distribution that BIH will make to all shareholders nearer the time the proceeds are paid by BSC and an appropriate update will be made to BIH shareholders in the usual manner.

An agreement was entered into on 24 June 2005 amongst, inter alia, BIH, certain of the BIH subsidiaries, the Company, RPCA (L) Limited (a wholly owned subsidiary of the Company), BSC and the labour union of BSC (the "**BSC Labour Union**"), pursuant to which the BSC Labour Union has confirmed its agreement to the Mandatory Capital Reduction, among others. In particular, it has undertaken that the BSC EGM will proceed without any interference from its members, the Korean Securities Industry Trade Union or any non-governmental organisation.

#### I.2 SHARE SALE OPTION AGREEMENT

The share sale option agreement relating to the sale of 62,341,329 BSC shares was entered into on 13 July 2005 amongst BIH, certain BIH subsidiaries, Golden Bridge Co., Ltd (the "**Purchaser**") and others (the "**Share Sale Option Agreement**"), which has replaced the call option agreement dated 24 June 2005 entered into amongst the same parties (the "**Call Option Agreement**").

Pursuant to the Share Sale Option Agreement, BIH, among others, has agreed to sell to the Purchaser its BSC shares (such shares will be reduced by 41.2231177%, representing the number of shares purchased by BSC pursuant to the Mandatory Capital Reduction), at a total consideration of KRW 33.98 billion (or US\$33.61 million). Of the consideration of KRW 33.98 billion, an initial consideration of KRW 3.4 billion (or US\$3.36 million) in cash was paid by the Purchaser on 29 June 2005 under the Call Option Agreement for the grant of a call option over the said 62,341,329 BSC shares.

BIH will receive approximately US\$106.7 million in respect of the Mandatory Capital Reduction and the sale of its BSC shares, net of estimated Korean taxes.

# Chairman's Statement

## I BRIDGE INVESTMENT HOLDING LIMITED (Continued)

### I.2 SHARE SALE OPTION AGREEMENT (Continued)

If both the Mandatory Capital Reduction and share sale are completed in accordance with the terms indicated above, BIH anticipates making two or more distributions for a total amount of approximately US\$2.10 per share or US\$94.18 million. The BIH directors hope that the distributions shall be made not later than 31 October 2005.

### I.3 OPERATIONAL PERFORMANCE

#### *1.3.1 Summary*

BIH recorded a loss attributable to shareholders of US\$106.1 million (2004: profit of US\$8.3 million) for the year ended 31 March 2005, representing a loss per share of US\$2.37 (2004: earnings per share of US\$0.18).

The change in results is mainly due to the following items:

i) Operating Income:

BSC generated an operating loss before significant non-operating items and tax of approximately US\$3.6 million, which was consolidated by BIH.

ii) Significant Non-Operating Gains:

BIH booked the following significant non-operating gains:

- BSC realised a gain of KRW 6.9 billion (or US\$6.8 million) from the sale of its BSC Building and Regent Securities Building to a third party for a consideration in aggregate of KRW 71.4 billion (or US\$61.5 million), which was consolidated by BIH.
- BIH recognised an unrealised revaluation gain of US\$5.4 million from BSC's holding of shares in the Korea Exchange.

## Chairman's Statement

### I BRIDGE INVESTMENT HOLDING LIMITED (Continued)

#### I.3 OPERATIONAL PERFORMANCE (Continued)

##### *I.3.1 Summary (Continued)*

##### iii) Significant Non-Operating Expenses:

BIH booked the following significant non-operating charges:

- BSC incurred restructuring charges totaling KRW 34.2 billion (or US\$30.9 million) in respect of an early retirement programme ("ERP"), loyalty bonuses paid to non-retiring staff and the cost of closing 19 branches following the ERP, which were consolidated by BIH.
- The BIH Group paid Korean withholding tax of US\$2.4 million on 25 June 2004 concerning the share split that was approved by the BSC directors on 13 May 2004.
- The BIH Group paid Korean withholding tax of US\$8.1 million concerning the capital reduction by BSC of 150 million shares at KRW 1,000 per share on 16 August 2004.
- BIH made a provision of US\$5.9 million concerning additional withholding tax imposed by the National Tax Service of Korea on the deemed dividends received from BSC in the years of assessment of 2000, 2003 and 2004.
- Litigation commenced by Peter Everington and Romi Williamson against BIH was settled.
- The BIH directors decided to make a provision of US\$62.9 million for the impairment of its investment in BSC, based on the proceeds likely to be received from the Mandatory Capital Reduction and the subsequent sale of the BIH Group's shares in BSC to the Purchaser.

## Chairman's Statement

### I BRIDGE INVESTMENT HOLDING LIMITED (Continued)

#### I.3 OPERATIONAL PERFORMANCE (Continued)

##### *1.3.2 Balance Sheet*

Shareholders' equity decreased by 54.5% to US\$103.3 million as at 31 March 2005 from US\$227.2 million as at 31 March 2004. The decrease was due to (i) payment of a dividend of US\$89.6 million to shareholders on 20 August 2004, and (ii) an operating loss of US\$106.1 million (including the provision for impairment of US\$62.9 million on the BIH Group's investment in BSC as mentioned above) offset by (iii) an unrealised foreign exchange revaluation surplus of US\$21.0 million, and (iv) derecognition of negative goodwill of US\$50.8 million in retained earnings, due to the adoption of the new International Financial Reporting Standard 3 "Business Combinations". Net assets per share were US\$2.31.

##### *1.3.3 Funding*

As at 31 March 2005, the BIH Group's cash balance excluding BSC was US\$0.4 million. BSC completed on 16 August 2004 a mandatory buy back of 150 million shares at KRW 1,000 per share at a total cost of KRW 150 billion. BSC therefore mandatorily purchased 67.637667% of each shareholder's interest in BSC. Accordingly, the BIH Group received KRW 116.63 billion (or US\$100.7 million) before payment of Korean withholding tax of KRW 9.3 billion (or US\$8.1 million).

BIH paid a dividend of US\$2.00 per share on 20 August 2004.

##### *1.3.4 Investments*

The BIH Group owns 77.75% of the outstanding share capital of BSC, being the BIH Group's only operating company. During the year, the BIH Group acquired 225,097 BSC shares at an average price per share of KRW 3,273, which preceded the share split of 3.9 shares for every one share held that was approved by the BSC directors on 13 May 2004. As a result of this share split, the BIH Group paid Korean withholding tax of KRW 2.7 billion (or US\$2.4 million) on 25 June 2004.

In June 2004, BSC completed the disposal of 5.5 million Treasury Shares at an average price per share of KRW 830.90 to facilitate the retention of BSC's listing on the Korea Exchange, which has reduced the BIH Group's interest in BSC to 77.75% from 79.73%.

# Chairman's Statement

## I BRIDGE INVESTMENT HOLDING LIMITED (Continued)

### I.4 SIGNIFICANT DEVELOPMENTS

Below is a summary of the more significant developments concerning the realisation of BIH's interest in BSC:

- BIH paid a dividend of US\$2.00 per share on 20 August 2004.
- BSC is in the process of completing, on or around 20 September 2005, the Mandatory Capital Reduction which is equivalent to 52.1% of the shareholders' funds of BSC as at 31 March 2005.
- On 13 July 2005, the BIH Group signed the Share Sale Option Agreement with the Purchaser for the sale of all its BSC shares for a total consideration of KRW 33.98 billion (approximately US\$33.61 million), which has replaced the Call Option Agreement.

If both the Mandatory Capital Reduction and share sale are completed in accordance with the terms indicated above, BIH anticipates making two or more distributions for a total amount of approximately US\$2.10 per share or US\$94.18 million. The BIH directors hope that the distributions shall be made not later than 31 October 2005.

## 2 BIH DISTRIBUTION

As noted above, your Directors understand that it is the intention of the BIH directors to distribute the net proceeds received from the Mandatory Capital Reduction to BIH shareholders, after making provision for sufficient working capital, including payment of all trade creditors and outstanding Korean withholding taxes and interest accrued on the late payment of such withholding taxes amounting in aggregate to US\$12.90 million. On that premise, the Directors expect the Company to receive approximately US\$24.35 million from BIH, net of estimated Korean taxes. It is the intention of your Directors that the Company will distribute 90% of the net proceeds received from BIH, subject to the Group retaining sufficient working capital for the next 24 months. Your Directors will consider the amount of the distribution that the Company will make to all shareholders nearer the time the proceeds are paid to BIH shareholders and an appropriate announcement will be made to shareholders in the usual manner.

## Chairman's Statement

### 2 BIH DISTRIBUTION (Continued)

If the Share Sale Option Agreement completes whereby BIH's BSC shares are purchased by the Purchaser, it is, as far as the Directors understand, the intention of the BIH directors to distribute the net proceeds received from the Purchaser to BIH shareholders, after making provision for sufficient working capital, including payment of all trade creditors and outstanding Korean withholding taxes and interest accrued on the late payment of such withholding taxes amounting in aggregate to US\$12.90 million. On that premise, the Directors expect the Company to receive approximately US\$13.52 million from BIH, net of estimated Korean taxes. It is the intention of your Directors that the Company will distribute 90% of the net proceeds received from BIH, subject to the Group retaining sufficient working capital for the next 24 months. Your Directors will consider the amount of the distribution that the Company will make to all shareholders nearer the time the proceeds are paid to BIH shareholders and an appropriate announcement will be made to shareholders in the usual manner.

On the basis of the above estimation, the total proceeds to be received by the Company from BIH in respect of the Mandatory Capital Reduction and the sale of BIH's BSC shares, net of estimated Korean taxes, will amount to approximately US\$37.87 million.

### 3 FUND MANAGEMENT

The Group has assets under management of US\$27.1 million. During the year, Asian Opportunity Fund 1998 - II was wound up after returning the bulk of its investments in cash to shareholders. In addition, during the year and up to the date of this annual report, Asian Opportunity Fund 1998 - I and Undervalued Assets Property Fund – Series Two have returned in aggregate US\$3.3 million and US\$7.9 million respectively to their shareholders. It is the Group's intention that it will focus entirely on its corporate investments, including in particular its recent announcements relating to the establishment of a joint venture company for the purposes of exploring, mining and processing base metals in the People's Republic of China (the "PRC")(see below for further information).



## Chairman's Statement

### 4 TECHNOLOGY INVESTMENTS

The Group's 49.9% associate, Regent Markets Holdings Limited ("**Regent Markets**", formerly known as Exchangebet.com Holdings Limited), provides online financial betting services via the websites [betonmarkets.com](http://betonmarkets.com) and [betonmarkets.co.uk](http://betonmarkets.co.uk). The group has continued to perform in the year ended 31 March 2005, achieving turnover of US\$72 million, gross profit of US\$2.9 million, and net profit after tax of US\$1.1 million. The group however suffered some setbacks such as a slow start to turnover and profits in 2005 and an increased competitive environment. However the group remains on track with a growth strategy targeted at the United Kingdom and China markets, supported by its core strengths in IT and compliance.

Regent Markets has offices in Malta, the Isle of Man, and Cyberjaya, Malaysia, and operates via bookmakers licenses in the United Kingdom, Isle of Man, and Malta. The company's growth leverages from its low cost bases in Malta and IT centre in Malaysia, enabling it to generate organic profits, which are invested into marketing, research & development and further expansion.

### 5 OUTLOOK

The Group is committed to realising its investment in BIH and we are hopeful that the BIH directors will achieve this by 31 October 2005.

As you may know from the Company's announcement dated 4 July 2005, the Company entered into a cooperation agreement on 23 June 2005 with Red Dragon Resources Corporation ("**RDRC**"), among others, for the conditional acquisition of all the issued share capital of RDRC for a total consideration of US\$4.8 million. The Company has paid US\$3.5 million to-date for an 80% equity interest in RDRC, with the balance due in consideration shares subject to the approval of shareholders at the Company's extraordinary general meeting that is expected to take place in September 2005.

RDRC is currently in discussions with a Chinese company with the view to establishing a joint venture company (the "**JV Company**") for the purposes of exploring, mining, processing and selling base metals in the PRC. If the JV Company is established, RDRC can acquire an 80% interest for a cash investment of US\$27 million. Such cash investment will be funded through a combination of the Company's internal working capital resources and external financing (by way of equity and/or debt financing), the relative proportions of which have not yet been determined.

## Chairman's Statement

### 5 OUTLOOK (Continued)

Your Directors believe that the Company will capture a good opportunity for investment in the minerals exploration, mining and processing industry in the PRC in the form of an investment in the JV Company. In particular, shareholders should note that the current investment opportunity, which is the subject of the joint venture negotiations is a profitable mine currently mining, processing and selling certain types of base metals in the PRC.

The Company will continue to be an investment holding company and as such is regularly evaluating and considering new investment opportunities particularly in the light of the need for reinvestment of part of the proceeds to be received from BIH. Your Directors believe that the current investment opportunity can, if successfully completed, provide an excellent opportunity for creating shareholder value.

Your Directors remain 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.

**Anthony Baillieu**

Hong Kong, 21 July 2005