

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits

The Group recorded a loss after tax and minority interests of US\$42.3 million for the year ended 31 March 2005.

The loss was mainly attributable to the Group's share of loss after tax of US\$42.6 million (after adjustment in accordance with the Group's accounting policy) from its associate, Bridge Investment Holding Limited ("BIH"). BIH recorded a loss attributable to shareholders of US\$106.1 million for the year ended 31 March 2005.

The BIH loss is mainly attributable to:

	US\$ million
By business:	
- Bridge Securities Co., Ltd (before the following significant items)	(3.6)
- Profit on sale of properties (including the sale of the BSC Building and Regent Securities Building)	5.7
- Revaluation of the Korea Exchange	5.4
- Restructuring charge	(30.9)
- Impairment based on estimated proceeds from the Mandatory Capital Reduction (as defined in the Chairman's Statement) and subsequent sale	(62.9)
	(86.3)
- Corporate and other interests	(8.9)
Pre-tax loss	(95.2)
Write-down of deferred tax assets	(0.3)
Korean withholding tax	(16.4)
Minority interest	5.8
Net loss for the year	(106.1)

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.

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits (Continued)

The main elements of the loss are as follows:

	US\$ million
Share of loss connected with BIH (after adjustment in accordance with the Group's accounting policy)	(35.9)
Share of profit from other associates	0.7
Corporate investments	1.2
Asset management	(1.4)
Others	(0.1)
Loss before tax	(35.5)
Tax	(6.8)
Loss after tax and minority interests	(42.3)

Balance Sheet

The shareholders' equity decreased by 47.2% to US\$51.4 million from US\$97.3 million during the year and BIH accounted for approximately 80.7% of the Group's total shareholders' equity as at 31 March 2005. The remaining Group assets comprised: (i) cash of US\$1.1 million, (ii) technology investments of US\$3 million and (iii) other corporate investments of US\$5.8 million.

Dividend

On 20 August 2004, the Company received a dividend of US\$36 million from BIH. On 26 August 2004, the Company's 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 approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH. The dividend was paid on 17 September 2004.

Management's Discussion and Analysis of the Group's Performance

Future Funding

As at 31 March 2005, the Group had US\$1.1 million net cash or 2.1% of its total shareholders' equity, which does not take into account of the Group's holding of listed securities that amounts to US\$4 million. There were no material charges against Group assets.

The Company's subsidiaries and associates may require funding as their businesses develop. It is expected that the bulk of such funding will be obtained from external sources but, dependent upon the amount and the duration, funding will also be made available by the Group from its internal resources.

Management of Risk

The Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. The Group has not taken any currency hedge against the investments in Korea and United Kingdom due to their non-cash nature and the high cost such hedging would involve.

As BIH was responsible for approximately 80.7% of the total shareholders' equity as at 31 March 2005, the Company is exposed to the fluctuations in the equity values of BIH. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the BIH management.

Through investments of Interman Holdings Limited and Interman Limited in technology related ventures, the Group is exposed to the technology sector. The ability of these companies in controlling their operating cash requirements is key to their development and hence the value of the Group's investment in them. The Group closely monitors the operations and performance of these companies.

The Group will operate both equity market and currency hedges from time to time. Investment is carefully controlled, in accordance with parameters set by the Board, in short term situations where physical assets may be inappropriate. There is strict segregation between the investment management and settlement functions.

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2005, the amount of these margin deposits was US\$275,000 (2004: US\$185,000).

In terms of the total operations of the Group, activities of this nature are of limited materiality.

Management's Discussion and Analysis of the Group's Performance

Contingent Liabilities

The Group was not involved in any material litigation or disputes during the year ended 31 March 2005 apart from the action commenced by the former executive directors of BIH against BIH, which is described in the financial statements contained in this annual report.

Employees

The Group, including subsidiaries but excluding associates, employed approximately 10 employees at 31 March 2005. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by a remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this annual report, options in respect of an aggregate of 21,400,000 ordinary shares in the Company were granted to eligible participants.