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# Press Release

May 27, 2005

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## **FSC Action on Leading Investment & Securities' Applications for Share Acquisition and Merger with Bridge Securities**

The Financial Supervisory Commission announced on May 27 that it had decided not to give regulatory approval to the applications by Leading Investment & Securities Co., Ltd. to acquire shares of Bridge Securities Co., Ltd. and merge with the company.

Leading Investment & Securities Co., Ltd. stated in the business plan it submitted to the FSC that it envisioned a sharp turnaround after the proposed merger with Bridge Securities (cumulative three-year net income totaling KRW33.9 billion following the merger). Leading Investment & Securities also anticipated securities underwriting and investment banking as its key revenue sources.

The FSC noted that the two companies incurred large net cumulative losses totaling KRW58.4 billion between April 2002 and December 2004 from mostly engaging in securities brokerage and dealings. The FSC further noted that the amount of financing put forth by Leading Investment & Securities to complete the merger (KRW149.4 billion), including share purchases, restructuring expenses, and share buybacks, can be covered only by disposing of nearly all of the liquid assets of the merged company (KRW156.1 billion). Because the merged company would then be left only with illiquid assets such as unlisted shares and physical assets, it is unrealistic to expect the company to engage in normal securities dealings and underwriting activities, both of which typically require substantial financial resources.

Furthermore, the recent increase in share buyback price Leading Investment & Securities proposed for the shareholders of Bridge Securities as well as other merger expenses raise serious doubts about post-merger liquidity positions of the company. It was also determined that revenue outlook for the company was uncertain given the planned downsizing of branch operations and underwriting business and a lack of experience in and specific business strategies for investment banking.

After taking into consideration the asset structure, the underlying business strength and other relevant aspects of the proposed merger, the FSC determined that the merger objectives as envisioned by Leading Investment & Securities lack substance given the company's unrealistic business plans and doubts about its viability as a full-service securities company. The proposed merger also raises serious concerns about its potential to undermine the soundness and the integrity of the financial system because of large losses recently incurred and an uncertain business outlook.



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Therefore, the FSC concluded that the proposed merger between Leading Investment & Securities Co., Ltd. and Bridge Securities Co., Ltd. fails to satisfy merger requirements as provided for under Article 4 of the Act on Structural Improvement of Financial Industry, Article 35 of the Securities and Exchange Act, and Article 25 of the Enforcement Decree of the Securities and Exchange Act.

Throughout the regulatory review of the proposed merger, the FSC focused on whether it met the legal and regulatory criteria for mergers as set forth in the Act on Structural Improvement of Financial Industry and in the Securities and Exchange Act, in particular whether the post-merger company would be able to carry out its securities businesses with the expected financial soundness and business structure.

The decision the FSC announces today is not in any way related to divestiture of foreign investment, and the right of foreign investors to divest their investment from Korea in accordance with the law is, and will be, fully guaranteed and protected in Korea.

Attached: Corporate Summary of Bridge Securities and Leading Investment & Securities



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### Corporate Summary of Bridge Securities and Leading Investment & Securities

	Bridge Securities Co. Ltd.	Leading Investment & Securities Co. Ltd.
Date of incorporation (Date of listing)	Aug. 30, 1954 (Aug. 25, 1988)	March 17, 2000 (not listed)
President/CEO	Anthony Butler	Park Dae Hyuk
Principal shareholders	BIH 78.29% <i>RPGL Ltd.</i> 28.57% <i>SWKOL</i> 27.42% <i>KOL Ltd.</i> 14.10% <i>SWIB</i> 7.79% <i>RPCAL</i> 0.42% Minority shareholders 11.84% Treasury stocks 9.87%	Park Dae Hyuk 31.03% Korea Electric Terminal 9.96% Lee Keum Hwa 8.66% Lee Seung Soo 6.49% Minority shareholders 43.86%
Business	Full-service securities business	Securities brokerage & dealings
No. of officers and employees	200	82
No. of branches	9	1

  

(In KRW, billions)	FY 2002	FY2003	12/2004	FY 2002	FY 2003	12/2004
Capital	102.4	68.8	79.6	23.1	23.1	23.1
Shareholders' Equity	406.3	376.6	198.5	22.4	19.5	22.7
Net Income	-21.7	2.7	-35.5	-4.2	-2.8	3.1

Note: Fiscal year for securities companies ends in March.

Please forward questions or comments regarding this press release to the FSC Securities Supervision Policy Division (Bae Joon Soo, 3771-5049) or FSS International Cooperation Office (Douglas Kim, 3786-7915).