

CHAIRMAN'S STATEMENT

TO THE SHAREHOLDERS

On behalf of the Board of Directors (the "Board") of Softbank Investment International (Strategic) Limited (the "Company" or "Softbank Strategic"), I hereby announce the audited final results of the Company and its subsidiaries (the "Group") for the 18-month period from 1 July 2001 to 31 December 2002.

We have experienced difficult and unpredictable times during the whole period of the extended 2001/2002 financial year, when the Hong Kong economy remained largely bearish in the midst of geopolitical developments and uncertainties in other parts of the world. The Hong Kong market remained quiet with subdued activity and competition for business was much keener than before. Since no significant turnaround can be comfortably predicted in light of the above circumstances, the Group recognised large impairments from diminutions in the value of investment securities and full provision of goodwill for subsidiaries which were acquired during a period when market conditions were more favourable, resulting in a consolidated loss attributable to shareholders of HK\$497.5 million for the period. Having now consolidated our position, we believe that the Group is in a good position to face the challenges that may be presented before us in the coming future.

CHANGE IN FINANCIAL YEAR END

In view of the increasing level of investments in Mainland China, the financial year end of the Company has been changed from "30 June" to "31 December" in order to coincide with the year ends of the Company's various PRC subsidiaries which have a common year end of 31 December. The Company hereby announces the final results for the 18-month period from 1 July 2001 to 31 December 2002. (Comparatives for the 12-month period from 1 July 2000 to 30 June 2001 are also presented).

RESULTS AND DIVIDENDS

The Group attained a consolidated turnover of HK\$334.3 million for the 18-month period ended 31 December 2002 (12-month period ended 30 June 2001: HK\$187.5 million), consolidated loss attributable to shareholders of HK\$497.5 million for the 18-month period (12-month period ended 30 June 2001: HK\$97.2 million) mainly due to provisions for substantial impairment losses, and loss per share of HK\$0.21 (12-month period ended 30 June 2001: HK\$0.05). The Board has resolved not to pay any final dividend to shareholders (12-month period ended 30 June 2001: nil).

BUSINESS REVIEW

Last year was also a period of consolidation and rationalization owing to the difficult economic environment. The Group therefore has continued to maintain a prudent and conservative approach in accounting policy as well as daily operations, with the adoption of stringent and rational measures to reduce cost, streamline processes and enhance efficiency.

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In view of Mainland China's continued economic growth (with average GDP growth of 7.7 per cent in 1997 to 2002 and a 7 per cent is forecast for 2003), our business focus has been shifting towards the China market in order to capitalise upon the increasing number of excellent investment and business opportunities that have emerged following China's entry into WTO and the gradual but certain liberalisation of the market.

Vigorous effort has been (and is continually being) made to strengthen our corporate governance. Members of the Board and the Management meet regularly to devise overall policy and strategy, monitor policy execution and review operational performance. The Group also proactively participates in the strategy and overall direction of the investee companies, in order to maximize the performance and value of such investments and increase the Group's investment returns and shareholders' value.

PROSPECTS

The coming year is expected to remain a challenging and unpredictable one as the world awaits a lasting resolution to the conflict in Iraq and the Middle East, tensions continue to rise in the Korean peninsula, and the full impact of atypical pneumonia remains to be assessed. Nevertheless, as mentioned above, we see increasing opportunities in the China market with stimulation from both the government as well as the private sector. We will increase our exposure in Mainland China through direct investment and/or via venture capital funds in a prudent and conservative manner.

The Group has sufficient resources to undertake investment activities in its core areas of activities, and will continue to focus on investment, financial services as well as consulting, marketing and technology services that have proven to be synergistic with each other to enable the Group to provide one-stop comprehensive services to investee companies and other customers. It is expected that these different sectors will continue to make steady development and eventually contribute net earnings to the Group augmented by our efficient business model enhanced through rationalization and cost saving measures.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank employees, shareholders and customers for their continued support and commitment.

YOSHITAKA KITAO

Chairman

HONG KONG, 16 April 2003