



CHAIRMAN'S STATEMENT

TO THE SHAREHOLDERS

On behalf of the Board of Directors (the "Board") of Softbank Investment International (Strategic) Limited (the "Company" or "SIIS") and its subsidiaries (hereinafter referred to as the "Group"), I hereby announce the audited financial results of the Group for the year ended 31 December 2003.

We have again experienced a turbulent and volatile year, with the Hong Kong economy subjected to both positive and negative factors, internally and externally. For the most part of the 2003 financial year, the Hong Kong markets remained bearish amid structural weakening of the Region's fiscal position, fuelled internally by a significant budget deficit, a persistently high unemployment rate and a largely stagnant property market, and externally by persistent geopolitical problems in other parts of the world, as well as confirmed cases of Severe Acute Respiratory Syndrome (SARS) in the South China Region and an outbreak of Avian Flu in South East Asia. The latter half of the financial year did, however, see signs of recovery. A series of high profile listings received positive responses, while a notable increase in activity was recorded in both the property and stock markets (highlighted by the Hang Seng Index breaking the 12,000-point barrier by the end of the calendar year). The retail markets were also inspired by increased sales driven by the increased number of Solo Tours from the Mainland to Hong Kong.

In light of the above, the Group recognised impairments ensuing from the poor performance of the markets during the earlier part of the financial year as well as from continued diminutions in the value of investment securities, resulting in a consolidated loss attributable to shareholders of HK\$118,424,000 for the year ended 31 December 2003. We do, however, foresee a turnaround in the market conditions with a slow, but sure recovery in the near future. Having now consolidated our position and persevered over the past financial year to weather the downturn, we believe the Group is in a strong position to reap the benefits of the economic recovery in the subsequent financial year.

RESULTS AND DIVIDENDS

The Group's overall turnover for the year ended 31 December 2003 amounted to HK\$171,597,000 (18-months ended 31 December 2002: HK\$334,296,000). The consolidated loss attributable to shareholders for the year was HK\$118,424,000 (18-months ended 31 December 2002: HK\$497,464,000), and loss per share of HK\$0.04 (18-months ended 31 December 2002: HK\$0.21). The Board has resolved not to pay any final dividend to shareholders (18-months ended 31 December 2002: nil).



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BUSINESS REVIEW

It has again been a year of consolidation and rationalisation. Although there were signs of recovery towards the end of the 2003 financial year, the economic environment remained difficult for the most part of the year. We have maintained a prudent and conservative approach to our accounting policy and daily operations, adopting stringent and rational measures to continue reducing cost, streamlining processes and enhancing efficiency in order to weather the downturn, and preparing ourselves for the ensuing gradual market recovery.

The Mainland's economy continues to grow from strength to strength. The growth rate in the final three months of 2003 was up by 9.9%, and Chinese officials are predicting a cautious 7% overall growth for 2004. China's strong performance has largely been due to a growth in trade, sustained foreign investment and consumer spending. In light of this, we have focused and will continue to focus our business towards the greater China region in order to capitalise on this sustained growth and predicted further growth as China continues to realise the benefits of entry into the World Trade Organisation (WTO) and the signing of the Closer Economic Partnership Arrangement (CEPA) with Hong Kong.

On 3 October 2003, Softbank Finance Corporation, Softbank Investment Corporation and Softbank Investment (International) Holdings Limited (collectively the "Softbank Group") entered into a deed of undertaking, under which each member of the Softbank Group undertook to dispose of all their shareholdings in the Company through the facilities of the Stock Exchange of Hong Kong Limited. Upon the completion of the disposal on 4 November 2003, the Softbank Group no longer holds any equity interest in the Company and SOFTBANK CORP. also ceased to be the ultimate holding company of the Company.

The Group has also maintained its policy of strengthening corporate governance and strategic reorganisation. Apart from meeting regularly to monitor the performance of the various Group companies, the members of the Board, as well as the management, have also taken a proactive approach in supporting investee companies to maximise their performance, increase returns and shareholders' value. The Board and management have also continued to focus on the greater China and Asia-Pacific regions to seek further rewarding prospects for the Group in the near future.



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PROSPECTS

The Group holds a cautiously optimistic view for the coming year. Indeed, the situation in the Middle East remains tense and the ramifications of the confirmed cases of Severe Acute Respiratory Syndrome (SARS) in the Guangdong Region and outbreak of Avian Flu in South East Asia also remain uncertain. Domestically, the territory continues to suffer from a significant budget deficit and high unemployment rate.

However, there is also indication that Asian-Pacific economies in general are beginning to recover from the economic recession. Locally, a series of high profile listings involving Mainland corporations received positive responses, while increased activity was recorded in both the property and stock markets. The retail markets have also been inspired by increased sales driven by the increased number of Solo Tours from the Mainland to Hong Kong. As China's economy continues to grow at a steady pace, the Group believes that with both the efforts of the private and public sector, there will be increased opportunities in the China market that will drive the recovery of the local economy. We will continue to increase our exposure in China through direct investment, venture capital funds and joint venture programmes with strategic partners in a prudent and diligent manner.

The Group will continue to leverage off our expertise and resources in investment, financial services as well as consulting, marketing and technology services to reap the benefits of the economic recovery in the subsequent financial year.

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.

YU KAM KEE, LAWRENCE

Chairman

HONG KONG, 19 March 2004