

President's Statement

After 18 months of intense preparation, i100 Limited launched its 2.5G mobile virtual network operator ("MVNO") business in October 2002, under the trade name Noodle. The launch campaign was, by and large, a success as a significant brand awareness of Noodle was created among the young people market. Our marketing campaign at the Hong Kong MTR was one of the highlighted showcases of JC Decaux, a leading agency that operates the entire MTR advertising. While Noodle comprises both voice and data service offering, the latter has been its business focus, both from the service offering and marketing point of view. Noodle's technical platform is based on GPRS (general packet radio service), the most popular 2.5G data technology used in Hong Kong.

Noodle believes it has the most comprehensive menu-based mobile data service in Hong Kong to date. It offers its customers a wide array of mobile content such as games, up-to-date news, horoscopes, sports and other entertainment topics. Noodle mainly targets the niche, young people market for its services. Noodle strives to develop mobile data services that:

- Satisfy end-user needs and create a real demand as content is only compelling if it is perceived as such by end users
- Leverage partnerships and alliances with other players in the value chain to develop solutions that capitalise on the core competencies of all those involved in the service provisioning process
- Deploy business models that share the risk and cost of investment as well as the profits between all the value chain players and which cement relationships within value communities through revenue sharing models

- Build virtual communities of users as a platform to stimulate viral marketing
- Exploit the opportunities for increasingly interactive services as part of a pervasive entertainment experience across multiple platforms
- Develop a value proposition based on personalization and customization of content according to lifestyle categories or special interest areas

The popularity for mobile data service in Hong Kong lags significantly behind those of neighbouring countries such as Japan and Korea. Noodle was a pioneer in the Hong Kong market and as such was confronted with the typical difficulties associated with being the first mover. The key issue we have faced is the education of the target customers of what GPRS can offer, in real-life application terms. Fortunately, this burden has significantly been allayed, or shared, by other mobile players that entered the data market after our launch.

One key area that Noodle focuses on is mobile games. Mobile gaming, in particular online multi-player games, represents the mobile entertainment application category with arguably the most potential both from a revenue and strategic perspectives. The GPRS networks will fuel the explosion of online games and multi-player mobile gaming communities as the availability of always-on connectivity will facilitate real time gaming interactivity. It must however be noted that the continuance of the availability of smarter handsets with improved form factors such as colour screens and sufficient processing capabilities to support richer content will be key to mass market uptake of higher value gaming applications.

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The Group went through a major organisational restructuring in January and February of 2003 and saw its staff headcount greatly reduced. Instead of maintaining a large in-house employee structure in Hong Kong, management believed it was more prudent to outsource a host of operational functions such as marketing to external service vendors, due to the flexibility to scale up or down the investment within a short period of time. Significant outsourcing will remain the Group's preferred operating model in the foreseeable future. In addition, the Group has also migrated a few operational functions to Shenzhen as one of the cost-cutting measures.

On 28 January 2003, Easyknit purchased 55.27% equity interest of the Group and subsequently made a mandatory general offer for the shares that it did not own immediately after the transaction. The general offer resulted in Easyknit holding 55.3% equity interest of the Group as at 14 April 2003. Easyknit's intention is to assist in the development of Noodle and at the same time look for opportunities to expand the business scope of the Group.

The mobile communications market in Hong Kong has not avoided the lacklustre propensity to spend among customers, owing to the unfavourable overall economic conditions. However, we believe that this will be short-lived as customers will begin to appreciate the value of affordable mobile entertainment. There are a few industry trends that appear to work in favour of mass adoption of mobile data:

- More and more handsets with multi-media (such as camera-phones and colour monitor) capabilities have become available. Many of these handsets are very affordable to the mass population.

- Increasing number of mobile content providers
- People are becoming more used to doing things on-the-go

With the above we believe the future of the mobile data remains promising and we will continue to strive to become a leader in this market.

KAN, Siu Kei Laurie

President

Hong Kong, 24 April 2003