



Richard John Siemens
Co-Chairman



Edward Wai Sun Cheng
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The SUNDAY vision is long-term and we remain committed to our well-publicised entrepreneurial, brand-oriented and yield-focused agenda.

In spite of a competitive market in 2000, SUNDAY delivered strong growth in its subscriber base, a relatively stable ARPU (Average Revenue Per User) and significantly improved operating results. Our major targets and objectives set at the Initial Public Offering and in last year's annual report were met as a result of a laser-like focus on surpassing expectations and improving operating performance. SUNDAY's mission is to surpass and exceed stakeholders' expectations and we believe we successfully achieved this in 2000.

SUNDAY reached a critical mass in 2000 in terms of subscribers, revenues and our success in reducing EBITDA losses by 77% to HK\$119 million. Equally important, in September 2000, we announced our commitment to bring forward our EBITDA breakeven deadline by nine months and we remain confident that SUNDAY will achieve EBITDA breakeven within the first half of 2001. SUNDAY's current cash reserve and available credit facility of HK\$1.7 billion will finance continued growth over the coming year.

An important milestone was the successful listing of SUNDAY on the NASDAQ and the Stock Exchange of Hong Kong in March 2000. The global offering raised HK\$2.6 billion (US\$334 million) new share capital. During the first half of 2000, SUNDAY issued stock options to all employees, giving every member of staff a stake in the Group's future.



Growth, primarily in our postpaid subscriber base, was the driving force behind a significant improvement in revenues. In the twelve months to 31st December, 2000, revenues grew by 41% to HK\$1,450 million. We have steadily acquired new subscribers by expanding our distribution and targeting new niche markets. Our subscriber base grew by 43% to 410,000 in 2000. At the same time, SUNDAY has maintained a relatively stable ARPU. This was a significant achievement in a year of intense competition and pricing. ARPU for the year under review was HK\$272 compared to HK\$292 the previous year.

In 2000, the Group directed its successful marketing and brand strategy into a more concentrated focus on expanding distribution and sales as well as the introduction of new tailor-made postpaid tariffs to meet different people's needs. We increased the sales force and opened new shops in Hong Kong. We seized the opportunity to introduce a new prepaid tariff, designed to attract so-called "casual users", in order to develop a new niche market for incremental revenue. The net result of these efforts has been a significant growth in revenues and subscribers, coupled with a relatively stable ARPU.

In 2000, we also continued to win international recognition for our brand leadership, garnering more awards for SUNDAY advertising campaigns and ranking second behind McDonald's for brand recall in Hong Kong according to *MEDIA* magazine's annual survey. SUNDAY was awarded the Gold Prize and the Citation for Outstanding TV Campaign in the Hong Kong Management Association / TVB Awards for Marketing Excellence 2000, and *MEDIA* magazine's Asian Advertising Campaign of the Year in 2000.

Wireless voice services have been the dominant source of revenue in 2000 and we expect this to continue in 2001. In the near future, we expect wireless data services to play a more important role. SUNDAY's vision remains unshakably tied to the future of wireless communications and we are committed to delivering innovative lifestyle-enhancing services as well as business to business solutions. The next step forward will be the widespread introduction of a new generation of services - General Packet Radio Services (GPRS 2.5G) - in 2001. At SUNDAY, we have installed GPRS infrastructure and it is working satisfactorily. There has been some delay in terms of the delivery of wireless devices with packet technology worldwide. However, we expect that these devices will be widely available in the second half of 2001.

We believe that 2.5G wireless technology will revolutionise the user's experience. Beyond 2.5G services, the introduction of full third generation (3G) technology in two to three years' time will be an evolutionary step from what will be delivered under 2.5G. In 2000, SUNDAY has been actively preparing for the advent of 2.5G. We have been working closely with other companies on new types of devices that will deliver 2.5G services. In addition, in August 2000, SUNDAY established a special department - "SUNDAY WIN" (Wireless Internet) - a team of executives dedicated to developing leading edge wireless Internet services and applications. We expect this hard work to yield results with the introduction of 2.5G in 2001.



In Europe, the high prices paid for 3G licenses led to a devaluation of the industry worldwide, which was further impacted by the general downturn in the technology sector. We believe that Hong Kong and SUNDAY will benefit from the lessons learned in Europe, and expect that 3G auctions in Asia will be considerably less competitive, and licenses less costly, than in Europe.

The anticipated auction of 3G licenses in Hong Kong in June/July 2001 will be a major milestone for the industry and for SUNDAY. However, the financial impact of 3G will not be felt until 2003 at the earliest. We believe that SUNDAY has the flexibility and the strength to succeed as either a Mobile Network Operator (MNO) or a Mobile Virtual Network Operator (MVNO). We are confident that our hard work and innovation for 2.5G services will set SUNDAY in good stead for the shift to 3G when it comes. SUNDAY had anticipated and prepared for the 3G license auction in Hong Kong in 2000 and is well-prepared for the deferred auction now scheduled for June/July 2001.

In summary, with our present stronger financial position, EBITDA breakeven within the first half of 2001 and strong growth in subscribers and revenues, we expect 2001 to be another successful year.

As the expectations of investors worldwide revert to a focus on performance and demand for value, we believe that companies that can demonstrate genuine improvements in business results will be favoured. At SUNDAY we will continue to focus on building returns and improving yields in every aspect of our business.

Richard John Siemens

Co-Chairman

15th March, 2001

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