

In a year marked once again by intense competition, SUNDAY achieved significant growth in subscriber numbers and operating revenues and continued to meet its goals. We believe passionately in the wireless communications industry and are focused on delivering higher value services to an expanding customer base. Wireless telecommunications is entering an important new phase of development that plays to SUNDAY's established strengths in branding, marketing and innovation.

In 2001 we made good on a number of promises. We became EBITDA positive in the first half of the year. This was achieved through cost reductions as well as steady growth in revenues from mobile services. EBITDA for the year amounted to HK\$102 million, an improvement of HK\$221 million as compared with 2000. More importantly, the net loss for the year was reduced by 55% in 2001 to HK\$212 million, as compared with 2000.

Within an industry as competitive as ours, profitability depends significantly on having a lean operation. We have continued to implement tight financial controls over operating costs in order to position SUNDAY for expansion on a cost-effective basis. Coupled with the operational efficiencies that an expanded subscriber base brings, this resulted in a reduction in our operating expenses excluding depreciation of HK\$64 million or 7%. Operating expenses excluding depreciation as a percentage of total turnover dropped from 63% in 2000 to 60% in 2001.

Winning a 3G licence in October 2001 was an important milestone for us. Acquiring the 3G licence is an integral part of our long-term strategy to offer an enhanced range of wireless services under the "SUNDAY" brand. In addition to the 3G licence, SUNDAY will be allocated 2 x 1.6 MHz of additional 2G spectrum in the 1800 MHz band. This will increase our 1800 MHz network capacity and allow us to expand our subscriber base and enhance our service quality.

Our exciting brand and targeted marketing were behind the growth in our subscriber base, which as at 31st December, 2001 had grown by 34% over the previous year to 551,000. Revenue from mobile services increased by 18% to HK\$1,165 million. Although this occurred with a lower average revenue per user (ARPU), in line with general industry trends, this was partially offset by the lower acquisition and maintenance costs of such customers.

In 2001, we also continued to win wider market recognition for our brand leadership. SUNDAY was awarded the noted Kam Fan Award for its strategic brand-building campaign in Hong Kong by the Association of Accredited Advertising Agents of Hong Kong in 2001.

As at 31st December, 2001, SUNDAY's cash reserve and available credit facility amounted to HK\$1,095 million. This gives us sufficient funding capacity for further expansion. The amount and timing of 3G related capital expenditure will depend on a number of factors, most notably the development of network and handset equipment by manufacturers. Expenditure for the 3G network rollout is, however, not expected to be significant until 2004.

Moving to 2.5G

While there has been some delay in the delivery of wireless devices with GPRS technology worldwide, we expect these devices to be widely available in 2002. SUNDAY installed its GPRS network infrastructure over a year ago and has dedicated resources to acquiring and developing leading-edge wireless Internet services and applications utilising the wireless GPRS platform. We expect this hard work to yield results with the introduction of 2.5G and the increasing usage of data services in 2002.

Wireless voice services were the dominant source of revenue in 2001 and we expect this to continue into 2002. However, we also expect wireless data services to play an increasingly important role in revenue growth in 2002. Since the launch of inter-operator short messaging services (IOSMS) in December 2001, we have seen very strong growth in both the awareness and the usage of wireless data services in Hong Kong. We expect this trend to continue and look forward to the widespread introduction of a new generation of services including multi-media messaging services (MMS), using SUNDAY's GPRS 2.5G network.

Market Segmentation

While the mobile service market in Hong Kong offers less opportunity for expansion by subscriber numbers, future revenue growth will increasingly depend on developing and delivering tailor-made services that more directly meet customer needs and desires. SUNDAY's competitive strengths lie in precisely this area and we therefore look forward with excitement to the opportunities ahead.

We believe the new technologies being introduced will unleash expanded possibilities to develop highly personalised, targeted services which can be directed to specific market segments. We have established SUNDAY WIN (Wireless Internet), a dedicated team within the Group, tasked with developing personalised data services. We have also begun the process of restructuring our marketing and distribution organisations to better approach a market which increasingly demands more personalisation.

Integral to this strategy, SUNDAY is working with a number of partners to explore opportunities to provide advanced data services through Mobile Virtual Network Operators (MVNOs). MVNOs are rapidly becoming recognised as potentially efficient channels to reach specialised customer groups. Our joint venture with the Shell Group, signed in January 2002, offers a variety of unique services to motorists and will widen our distribution in the Hong Kong market as well as create potential opportunities for regional expansion. This is the first of what we believe will be many opportunities to grow our revenues through adding new groups of subscribers to our customer base.

SUNDAY's Future

Our long-term vision is firmly fixed on providing leading-edge services in wireless communications, and staying ahead of the pack when it comes to innovation, service and smart management. More immediately, we expect the market in 2002 to remain tough and competitive. SUNDAY will strive to compete cost-effectively in this market, and will continue to exercise tight financial control and improve operational efficiency. At the same time we will continue to bring innovative, relevant and value-for-money services to our customers. We have demonstrated that SUNDAY can deliver results even in tough market conditions. We remain committed to building returns and improving yields in every aspect of our business.

In January 2002, the Group appointed Mr. Bruce Hicks as Group Managing Director. Bruce was one of SUNDAY's founding executive directors and has been actively involved in the evolution of the Group. Under his leadership, SUNDAY is well positioned to exploit the opportunities that a new generation of wireless services will bring. On behalf of the Board, we would like to thank Mr. Craig Ehrlich for his contribution to the Group in his capacity as Group Managing Director.

Once again, let us say in no uncertain terms that we are passionate about this business. The opportunities that lie ahead are limitless, and so is our commitment.

On behalf of the Board, we thank our shareholders, customers and business partners for their support, and we pay tribute to all our employees for their hard work and commitment to making SUNDAY a winning team.

Richard John Siemens

Co-Chairman

19th March, 2002

Edward Wai Sun Cheng

Co-Chairman



Uncle Hon
(Butcher)

SUNDAY is a
daily necessity.

