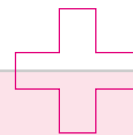


Chairman's⁺ Statement



The year 2003 saw SUNDAY pass important milestones during a difficult year, a performance that testifies to the Group's sound management and strategy. It is a new era for SUNDAY and also for the industry, which is seeing an increasingly positive acceptance of new technologies and which, as a result, resembles more and more a fast-moving consumer goods market than a traditional telecommunications market.

At the beginning of the year we set ourselves the target of recording our first annual profit, and we achieved this, building on the success in the first half to record a profit for the year of HK\$27 million, compared to a net loss of HK\$117 million for 2002. There was a further strong improvement in EBITDA and EBITDA margin.

Owing to a weak economy, severe price-based competition and the impact of SARS, however, the Group's average revenue per user (ARPU) declined. This resulted in revenues for mobile service business decreasing by a modest 6% to HK\$1,150 million.

The effect of the weak market was offset by lower costs as the benefits of the initiatives implemented in 2002 to increase efficiency became apparent. Operating costs excluding depreciation were reduced by 22% to HK\$619 million. SUNDAY's ability to operate with a more lean and efficient structure well ahead of the industry is therefore proving to be an important competitive advantage.

Our success was underpinned by higher service quality. To improve coverage, over the past three years the Group has increased the number of cell sites by 25%. This and other initiatives have given SUNDAY among the best coverage of all operators in the industry, according to a study on voice message performance amongst the mobile operators by the Chinese University of Hong Kong.

To enhance sales and marketing, we reorganised our teams under new management that combines traditional mobile telecommunications expertise with an understanding of the needs of fast-moving consumer markets. Customer care benefited from new management systems that enable us to better track how effectively we are meeting customer service needs and build this data into performance measurements for individual business units. We also increased our use of quality assurance techniques to improve and monitor service delivery.

These fundamentals have allowed us to compete more effectively. But we operate in a mature and fast changing market. Rather than engaging in price-based tactics to secure short-term gains, SUNDAY is taking a creative approach focused on market segmentation and service innovation. This strategy is now coinciding with a noticeable shift in consumer attitudes as users begin increasingly to value innovation and quality with technology widening the range of service choice.

Chairman's Statement



Market segmentation brings value to customers by providing tailor-made services to meet their specific lifestyle needs. During 2003, the Group has reorganised its operations according to distinct customer segments, namely, youth, ethnic, corporate and the mass market. Each is run as a sub-business, responsible for products, pricing, promotion and place of business, with separate targets for subscribers, ARPU, churn and other metrics. This reorganisation of our operations puts SUNDAY ahead of the field in successfully segmenting the market on a commercial basis.

To support these segments, SUNDAY continued as a leader in innovative data services, as we expanded our proprietary Location Based Services (LBS). In the corporate segment, the Group made good progress as the market leader in enterprise LBS applications for logistics and field service dispatch. In the mass market, SUNDAY launched Family Watch and SARS updates, applications which attracted considerable attention. In the youth segment, it launched interactive LBS games. SUNDAY also launched other innovative services such as wireless LAN roaming services for business customers, which allows customers to access Internet via GPRS or wireless LAN.

Although our data and market segmentation initiatives are still in their early stages, they are already beginning to contribute, as they will do much more forcefully in future, to overall customer acquisition and retention. Data services revenues grew by 55% in 2003.

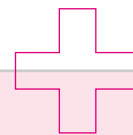
The services introduced to date by SUNDAY are an important precursor to its 3G services, since 3G technology will move the industry and consumers even further away from the commoditised mass market of mobile voice communications towards ever more tailored multi-media mobile services.

SUNDAY has moved quickly to capitalise on the rapid changes in the industry that have seen powerful new entrants emerge in recent years. In December 2003, we signed Heads of Agreement with Shenzhen-based Huawei Technologies Co., Ltd. ("Huawei") to provide a turnkey solution for our 3G business.

Huawei was chosen through a rigorous selection process that focused on technical capabilities, pricing and financing, in which it outperformed some of the world's leading mobile telecommunications vendors. The financing associated with the Huawei supply contract, which will be arranged through banks supported by export credit agencies, means that we are fully financed for our existing operations and 3G roll-out.

Outlook

We expect 2004 to continue to be competitive. Our focus will be on growing revenues. We will launch more services and be more reactive to market demands, based on our creative segmentation approach to the market. We will also continue to benefit from the highly cost-effective and efficient operating structure now in place, through which we aim to achieve further incremental cost savings in areas such as transmission costs. This will help to offset the impact on earnings from a possible roll-out of 3G during the year.



Preparation will continue for the launch of 3G services. We will be ready for launch in the fourth quarter of 2004, but our partnership with Huawei gives us the flexibility to reschedule the launch date if market acceptance is different from that anticipated. This partnership offers tremendous strengths and synergies. Huawei's 3G technology is among the world's best, and it has one of the largest R&D establishments of any network equipment manufacturer in the world, including 3,500 engineers working specifically on 3G. It has strengths in areas that will be critical to success in 3G, including the IP platform and service creation as well as an end-to-end solution. Huawei's base in Shenzhen, just one hour's drive from SUNDAY's offices, means that we will enjoy a very close working relationship on technology development and product introduction, giving SUNDAY a significant edge over its rivals in developing tailor-made services and bringing them to market quickly.

The significance of the Huawei partnership goes beyond 3G in our home market, however. The future of Hong Kong's mobile communications industry, as most industries in Hong Kong, will be closely linked to mainland China, the world's largest market. In 2004, we will use our China operation to continue to drive cost efficiencies and create the foundation to capitalise upon opportunities that will develop as the mainland's telecommunications industry opens. The Closer Economic Partnership Arrangement (CEPA) may provide an early entry for Hong Kong mobile operators.

SUNDAY's competitive strengths are ever more relevant as a new generation of technologies becomes more ingrained in the way people use and think about mobile communications. The scope of what everyone regards as mobile services is set to expand dramatically, which will lead to a consequent growth in opportunity for SUNDAY. We have the right infrastructure, strategy, partners, people and vision to succeed in this new era.

Appreciation

Finally, we wish to extend our thanks to our fellow directors and all employees for their hard work and commitment to the Group. We also thank our bankers, advisers, suppliers and shareholders for their continued support of SUNDAY during this period of change.

Richard John Siemens
Co-Chairman

Edward Wai Sun Cheng
Co-Chairman

1st April 2004