

SUNDAY

SUNDAY COMMUNICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2001

(Hong Kong dollar is translated to United States dollar at a rate of HK\$7.798 to US\$1)

- Awarded a Hong Kong 3G licence in October 2001
- Mobile services revenue increased by 18% to HK\$1,165 million (US\$149 million) and subscriber numbers increased by 34% to 551,000
- Loss for the year reduced by 55% to HK\$212 million (US\$27 million)
- Operating expenses excluding depreciation reduced by 7%; and as a percentage of turnover dropped from 63% to 60%
- Achieved EBITDA of HK\$102 million (US\$13 million), an improvement of HK\$221 million (US\$28 million)

CHAIRMAN'S STATEMENT

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 Hong Kong Association of Accredited Advertising Agencies 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.

RESULTS

The Directors of the Company are pleased to announce that the audited results of the Company and its subsidiaries ("the Group") for the year ended 31st December, 2001, together with the comparative figures for the previous year, are as follows:

Condensed Consolidated Profit and Loss Account

For the year ended 31st December, 2001

Note	2001 US\$'000	2001 HK\$'000	2000 HK\$'000
Mobile services	149,448	1,165,399	988,718
Sales of mobile phones and accessories	31,149	242,901	404,444
International telecommunications and other services	1,808	14,093	57,231
Turnover	182,405	1,422,393	1,450,393
Cost of inventories sold and services provided	(60,175)	(469,243)	(660,050)
Gross profit	122,230	953,150	790,343
Other revenues	333	2,602	8,702
Network costs	(38,685)	(301,668)	(328,007)
Depreciation	(33,996)	(265,102)	(261,291)
Rent and related costs	(7,502)	(58,502)	(46,378)
Salaries and related costs	(29,905)	(233,202)	(255,201)
Advertising, promotion and other selling costs	(23,130)	(180,363)	(195,246)
Other operating costs	(10,275)	(80,125)	(93,605)
Loss from operations	1, 3 (20,930)	(163,210)	(380,683)
Interest income	2,769	21,592	51,053
Finance costs	(8,993)	(70,130)	(136,938)
Loss for the year	(27,154)	(211,748)	(466,568)
Loss per share	5 (0.9 cents)	(7.1 cents)	(16.4 cents)
EBITDA	2 13,066	101,892	(119,392)

Condensed Consolidated Balance Sheet

As at 31st December, 2001

Note	2001 US\$'000	2001 HK\$'000	2000 HK\$'000
Non-current assets			
Intangible asset	6 74,882	583,930	—
Fixed assets	165,873	1,293,479	1,449,988
Investment in a joint venture	634	4,940	—
Restricted cash deposits	306	2,385	2,385
	241,695	1,884,734	1,452,373
Current assets			
Inventories	2,622	20,448	16,075
Trade receivables	7 11,344	88,462	99,353
Deposits, prepayments and other receivables	12,261	95,608	87,691
Restricted cash deposits	17,018	132,706	93,640
Bank balances and cash	6,069	47,328	626,140
	49,314	384,552	922,899
Current liabilities			
Trade payables	8 6,147	47,932	90,277
Other payables and accrued charges	24,790	193,311	265,085
Subscriptions received in advance	18,696	145,795	194,514
Current portion of long-term loans and obligations under finance leases	25,258	196,960	49,400
	74,891	583,998	599,276
Net current (liabilities)/assets	(25,577)	(199,446)	323,623
	216,118	1,685,288	1,775,996
Financed by:			
Share capital	38,343	299,000	299,000
Reserves	9 62,708	488,996	700,744
Shareholders' equity	101,051	787,996	999,744
Long-term liabilities			
3G Licence fees liability	10 42,717	333,109	—
Long-term loans and obligations under finance leases	71,384	556,653	753,683
Subscriptions received in advance	966	7,530	22,569
	115,067	897,292	776,252
	216,118	1,685,288	1,775,996

Notes:

1. Contribution to loss from operations

The Group is principally engaged in three business segments in Hong Kong: mobile services, sales of mobile phones and accessories, and international telecommunications and other services.

Contribution to loss from operations by business segments for the year ended 31st December, 2001 and 2000 are as follows:

	2001 HK\$'000	2000 HK\$'000
Contribution to loss from operations		
Mobile services	38,127	146,150
Sales of mobile phones and accessories	52,958	96,092
International telecommunications and other services	72,125	138,441
	163,210	380,683

2. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA represents earnings/losses of the Group before interest income, finance costs, taxation, depreciation and amortisation.

3. Loss from operations

Loss from operations is stated after charging/(crediting) the following:

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	244,981	424,549
Depreciation:		
– owned fixed assets	258,641	253,480
– leased fixed assets	6,461	7,811
Loss/(gain) on disposals of fixed assets	1,126	(60)
Operating leases charges:		
– land and buildings, including transmission sites	209,370	190,983
– leased lines	94,777	102,265
Provision for doubtful debts	19,579	28,501
Auditors' remuneration	840	840

4. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2000: Nil).

5. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss for the year of HK\$211,748,000 (2000: loss of HK\$466,568,000) and the weighted average number of 2,990,000,000 shares (2000: 2,850,491,803 shares) in issue during the year.

The weighted average number of shares in issue during the year ended 31st December, 2000 has been calculated as if the 2,300,000,000 ordinary shares were in issue on 1st January, 2000 and on the basis that the 690,000,000 ordinary shares were issued on 15th March, 2000 pursuant to the global offering of the Company's shares.

(b) Diluted loss per share

There is no dilutive effect upon exercise of the share options on the loss per share for the years ended 31st December, 2001 and 2000.

6. Intangible asset

	3G Licence HK\$'000
Addition	583,930
Amortisation	—
At 31st December, 2001	583,930

On 22nd October, 2001, the Group was granted a mobile carrier licence to establish and maintain a third-generation ("3G") mobile telecommunications network and to provide 3G services in Hong Kong ("3G Licence"), in accordance with the provisions in Chapter 106 of the Telecommunications Ordinance. The 3G Licence will be valid for 15 years from the date of grant.

Pursuant to the terms of the 3G Licence, the licence fees payable in arrears for each of the first five years following the grant of the 3G Licence shall be the minimum annual fees indicated below ("Minimum Annual Fees") of HK\$50 million per year, and in each of the remaining 10 years, shall be the higher of 5% of the turnover attributable to the provision of the 3G services and the Minimum Annual Fees for each year of the 3G Licence:

	Minimum Annual Fees (HK\$'000)
1st	50,000
2nd	50,000
3rd	50,000
4th	50,000
5th	50,000
6th	60,124
7th	70,249
8th	80,373
9th	90,497
10th	100,622
11th	110,746
12th	120,870
13th	130,995
14th	141,119
15th	151,243
Total	1,306,838

The cost of the 3G Licence is stated at the discounted value of the Minimum Annual Fees to be paid over the licence period, together with certain direct expenditures and the finance costs capitalised prior to the launch of the 3G services. The discount rate, which represents the Group's weighted average cost of capital, is 11.2% as at 31st December, 2001.

The 3G Licence will be amortised over the licence period from the date of launch of the 3G services. The 3G services have not been launched as at 31st December, 2001.

The carrying amount of the 3G Licence as at 31st December, 2001 would have been HK\$1,307,659,000 had it been stated at the total undiscounted future cash payments.

7. Trade receivables

The Group allows an average credit period of 30 days to its trade debtors. The ageing analysis of the trade receivables is as follows:

	2001 HK\$'000	2000 HK\$'000
0-30 days	63,463	63,953
31-60 days	13,902	17,479
61-90 days	6,755	10,550
Over 90 days	4,342	7,371
	<u>88,462</u>	<u>99,353</u>

8. Trade payables

The ageing analysis of the trade payables is as follows:

	2001 HK\$'000	2000 HK\$'000
0-30 days	36,170	72,939
31-60 days	2,383	4,965
61-90 days	2,697	1,763
Over 90 days	6,682	10,610
	<u>47,932</u>	<u>90,277</u>

9. Reserves

	Reserve arising from the Reorganisation HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1st January, 2001	1,254,000	2,124,424	(2,677,680)	700,744
Loss for the year	—	—	(211,748)	(211,748)
As at 31st December, 2001	<u>1,254,000</u>	<u>2,124,424</u>	<u>(2,889,428)</u>	<u>488,996</u>

10. 3G Licence fees liability

Pursuant to the terms of the 3G Licence, the Minimum Annual Fees (as set out in note 6) are payable to the Office of Telecommunications Authority ("OFTA") in arrears. The aggregate of such fees are HK\$1,306,838,000. However, pursuant to the grant of the 3G Licence, the Group paid an amount of HK\$250,000,000 to OFTA during the year, equivalent to the aggregate of the first five years' Minimum Annual Fees.

As at 31st December, 2001, the Group's 3G Licence fees liability represents the discounted value of the remaining Minimum Annual Fees payable from the 6th to the 15th year and is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Minimum Annual Fees repayable after the fifth year	1,056,838	—
Future finance charges	(723,729)	—
Discounted value of Minimum Annual Fees	<u>333,109</u>	—

On 22nd October, 2002, 2003, 2004 and 2005, the Group will be required to provide performance bonds in amounts equivalent to the 6th, 7th, 8th and 9th years' Minimum Annual Fees due respectively, on a cumulative basis. From 22nd October, 2006 onwards, the Group will be required to provide such performance bonds in amounts equivalent to the next five years' Minimum Annual Fees due (or the remaining Minimum Annual Fees due where less than five years).

DIVIDENDS

No interim dividend was paid for the year (2000: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

SUNDAY continued to deliver on its promises in 2001. In October the Group won a 3G Licence in Hong Kong. This is an important milestone and an integral part of SUNDAY's strategy to deliver innovative new services to its customers.

SUNDAY achieved sustained growth in its subscriber base as well and in service revenues despite intense market competition. This, combined with tight financial controls and efficiency improvement initiatives, meant that operating results continued to show significant improvement. The Group recorded 18% growth in mobile services revenue in 2001 as compared with 2000, and an EBITDA of HK\$102 million in 2001 as compared with a negative EBITDA of HK\$119 million in 2000. Operating expenses (excluding depreciation) reduced by HK\$64 million or 7%; and as a percentage of turnover dropped from 63% in 2000 to 60% in 2001.

Mobile Services

The Group recorded an 18% increase in revenue from HK\$989 million in 2000 to HK\$1,165 million in 2001. The increase in revenue was mainly attributable to steady growth in the subscriber base. SUNDAY's mobile subscriber base grew 34% to 551,000 in 2001 as compared with 2000.

However, the average revenue per user ("ARPU") decreased and the churn rate increased in line with the industry as a whole due to fierce price competition in the market. ARPU for the year decreased by 19% to HK\$219. The average monthly churn rate in 2001 was 8.3%.

Since its launch in April 2000, the number of subscribers using the rechargeable stored value prepaid SIM cards grew to more than 131,000 by 31st December, 2001. The ARPU from these subscribers was HK\$97 in 2001.

The gross profit percentage of mobile services was 81% in 2001, which was comparable to that of 2000. The percentage of bad debt provision to total service revenue improved in 2001 because of the increased use of auto-pay arrangements and tighter credit controls.

Sales of Mobile Phones and Accessories

Revenue earned from the sales of mobile phones and accessories decreased by 40% to HK\$243 million in 2001. This decrease in revenue was mainly attributable to a reduction in sales volume as only a few new models of mobile phones were launched during the year. The gross loss from the sales of mobile phones and accessories was significantly reduced to HK\$2 million in 2001 from HK\$20 million in 2000. This resulted from a combination of the drop in the average handset subsidy per handset sold and the forfeiture of subsidies from subscribers who left the network.

Data Services

The inter-operator short messaging services ("IOSMS") through the six operators in Hong Kong commenced in December 2001, and the market has since shown strong growth in both the usage and awareness of such services. In 2002, SUNDAY expects that more data services and applications will be available in the market and more GPRS (general packet radio services) terminals, such as mobile phones and PDAs (personal data assistants) will be launched. While the revenue generated by Internet and data related services was insignificant

in 2001 because of a delay in the launch of the IOSMS and GPRS-enabled terminals, SUNDAY believes that it will benefit from the trend towards higher usage of data services in 2002.

The acquisition of a 3G Licence is a key part of SUNDAY's long-term strategy and will enable it to offer existing and new customers the next generation of top-notch, multi-faceted wireless services.

Retail International Calling Services ("Retail IDD Services")

The Group outsourced the sales, service and billing functions of the "SUNDAY 1622" Retail IDD services to a subsidiary of e-Kong Group Limited in August 2000, while it continues to operate the IDD infrastructure and the SUNDAY brand. The revenue and the gross profit from retail IDD services in 2001 remained relatively small.

Marketing, Sales and Distribution

SUNDAY has continued to receive awards in recognition of its strong and successful brand. In September 2001, SUNDAY was awarded the well-recognised Kam Fan Award for its strategic brand-building campaign by the Hong Kong Association of Accredited Advertising Agencies.

The Group expanded its distribution network and broadened the use of other distribution channels, such as convenience and chain stores. In addition, the Group has a direct sales force that sells handsets and services to corporate and individual customers.

Financial Review

Turnover and gross profit

Total turnover for the year was flat as compared with 2000, mainly due to a 40% decrease in revenue from the sales of mobile phones and accessories explained above. Revenues from mobile services and the sales of mobile phones and accessories accounted for 82% and 17% respectively of total turnover in 2001.

The gross profit of the Group has improved by HK\$163 million, or 21%, to HK\$953 million in 2001 due to the steady growth in subscribers and reduction in handset subsidies.

EBITDA

Operating expenses (excluding depreciation) decreased by 7% from HK\$918 million in 2000 to HK\$854 million in 2001, while as a percentage of turnover, operating expenses dropped from 63% in 2000 to 60% in 2001. This was a direct result of stringent cost controls and improvements in operating efficiencies that come with an expanded subscriber base and lowering marginal costs.

This was combined with a sustained growth in revenue and gross profit, and the Group recorded an EBITDA of HK\$102 million, an improvement of HK\$221 million as compared with 2000.

Loss for the year

Loss for the year reduced by 55% from HK\$466 million in 2000 to HK\$212 million. The reduction was mainly attributable to a significant decrease in interest expenses. Interest expenses decreased by 49% from HK\$136 million in 2000 to HK\$69 million in 2001 due to a reduction in loan balance and a drop in interest rates.

Capital Expenditures

The Group's mobile network has been substantially completed. Capital expenditures incurred in 2001 amounted to HK\$110 million and were mainly for the ongoing enhancement of the mobile network and IT facilities and the installation of the GPRS technologies for the development of wireless data applications and services.

Use of Proceeds

Part of the net proceeds raised from the global offering of the Company's shares in March 2000 have been used during the year as follows:

- HK\$147 million for capital expenditures;
- HK\$251 million for the payment of 3G Licence fees in advance and certain related expenses;
- HK\$44 million for the repayment of bank and vendor loans; and
- HK\$98 million for working capital and general corporate purposes.

The remaining balance of the proceeds is currently kept in the form of short-term bank deposits and will be applied towards the intended uses as stated in the prospectus of the initial public offering of the Company's shares.

Liquidity and Financial Resources

Cash flows from operations

The net cash outflow from operations decreased in 2001 by HK\$180 million or 82% to HK\$39 million. The reduction in net cash outflow from operations primarily resulted from the improvement in operating revenues.

Financing

The Group funded its capital expenditures, working capital requirements and operating activities mainly with bank loans, vendor financing and proceeds from the global offering in 2000. As at 31st December, 2001, the cash and bank balances of the Group amounted to HK\$182 million. In addition, the undrawn credit facility amounted to US\$117 million (HK\$913 million) as at 31st December, 2001.

The bank loans and vendor loans are repayable within three years and are secured by a charge over all the assets, revenues and shares of Mandarin Communications Limited, the main operating subsidiary of the Company. The bank loans and vendor loans bear interest at prevailing market rates.

It is expected that capital expenditures required in 2002 for the expansion and upgrade of the network and IT facilities and for investment in new wireless applications and services would be approximately HK\$160 million. The financial impact of 3G is not expected to be felt until 2004.

The Group is confident that it has the resources to fund its capital expenditures and ongoing operations and to fulfill its loan obligations due in 2002. As at 31st December, 2001, the total debt to equity ratio was 138%, and total debt comprises bank loans, vendor loans, obligations under finance leases and 3G Licence fees liability.

Foreign Exchange Exposure

Substantially all the revenues, expenses, assets and liabilities are denominated in Hong Kong dollars except for the US\$155 million vendor loan facility provided by Nortel. As at 31st December, 2001, the outstanding vendor loan amounted to US\$22.5 million but the Group also had a bank deposit of US\$16 million. The international roaming payables and receivables are netted and settled on a monthly basis in Special Drawing Rights ("SDR"). As at 31st December, 2001, the net SDR-denominated payables were insignificant. The Group has not experienced foreign exchange movement and does not anticipate foreign exchange losses as long as the Hong Kong government's policy to peg the Hong Kong dollar to the U.S. dollar remains in effect. The Group will monitor its foreign exchange exposure and market conditions to determine if any hedging is required.

Employees and Share Option Scheme

The Group had a total of approximately 800 employees as at 31st December, 2001, a slight increase over 2000. However, total salaries and related costs incurred in 2001 dropped by almost 9% to HK\$233 million. The Group offers comprehensive remuneration and benefits packages to all employees. Remuneration of employees is maintained at competitive levels, and promotion and salary increments are assessed based on individual and Group performance. Other staff benefits include a mandatory provident fund scheme, subsidised medical care and subsidies for external educational and training programmes.

The Group adopted a share option scheme on 1st March, 2000. During the year, a total of 4.2 million options were granted to employees. Details of the share option scheme will be disclosed in the 2001 Annual Report.

CORPORATE GOVERNANCE

Code of Best Practice

The Group is committed to high standards of corporate governance. It has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that Non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Articles of Association.

Board of Directors

The Board of Directors comprises six Executive Directors, two independent Non-executive Directors and five Non-Executive Directors. The Board is scheduled to meet at least three times a year to determine overall strategic direction and objectives and approve interim and annual results, budgets and other significant matters. Six board meetings were held in 2001, with an average attendance rate of over 65%.

Executive Management Committee

In February 2000, an executive management committee consisting of all the Executive Directors of the Board was formed to formulate strategies and oversee operational matters of the Group under the direct authority of the Board. The committee meets regularly each month and on an ad hoc basis as required with the senior management of the Company, and engages in frequent informal discussions.

Remuneration Committee

In January 2000, the Company set up a remuneration committee of the Board of Directors, which consists of Messrs. Richard John Siemens, Edward Wai Sun Cheng and an independent Non-executive Director, Henry Michael Pearson Miles. The remuneration committee meets at least once each year and is responsible for reviewing the remuneration of the Directors and officers of the Group.

Share Option Scheme Committee

In 2000, a committee consisting of the two Co-Chairmen, Messrs. Richard John Siemens and Edward Wai Sun Cheng was formed to deal with the granting of share options under the Share Option Scheme of the Company. The two independent Non-executive Directors, Messrs. Robert John Richard Owen and Henry Michael Pearson Miles, had been delegated with full powers of the Board to deal with the granting of share options to the two Co-Chairmen of the Company before the introduction of the amended Listing Rules in September 2001. In accordance with the amended Listing Rules, the granting of share options to the Directors and the Chief Executive Officer should be approved by the independent Non-executive Directors of the Company.

Audit Committee

In January 2000, an audit committee of the Board of Directors was established with written terms of reference that set out the authorities and duties of the audit committee adopted by the Board. The committee comprises Mr. Robert John Richard Owen and Mr. Henry Michael Pearson Miles, both independent Non-executive Directors, and Mr. Simon Murray, a Non-executive Director. The committee is chaired by Mr. Robert Owen and has met twice during the year. Its principal duties include the review and supervision of the Group's financial reporting processes and internal controls.

In May 2001, an internal audit function was established, and an Internal Audit Charter was approved and adopted by the audit committee. The internal audit function is an independent unit established within the Group which shall provide to the Board of Directors an independent appraisal of the Group's systems of internal controls by means of conducting reviews to evaluate the adequacy and effectiveness of the controls in safeguarding shareholders' investment and the Group's assets. The head of the internal audit has a direct reporting line to the audit committee.

Directors' Remuneration

In 2001, total directors' remuneration amounted to HK\$13.8 million.

Communication with Shareholders

Communication with shareholders is given high priority. Extensive information about the Group's activities is provided in the Annual Report and the Interim Report, which are sent to the shareholders. The Investor Relations website provides regularly updated information of interest to shareholders, and a channel for enquiries and feedback. There is regular dialogue with investors and enquiries on matters relating to their shareholdings and the business of the Group are welcomed and are dealt with in an informative and timely manner. SUNDAY encourages all shareholders to attend the Annual General Meeting.

Employment Policies

The employment policies that the Group espouses reflect the legal, cultural and employment requirements in Hong Kong. The Group operates an equal opportunities policy for all aspects of employment regardless of race, nationality, sex, marital status, disability or religious or political belief. In practice, this means that the Group will select its employees based on merit and ability, and strive to make the most effective use of the talents and experience of its people.

Corporate and Social Responsibility

SUNDAY is committed to ensuring the health, safety and welfare of employees at work so far as is reasonably practicable. SUNDAY adheres to high standards throughout the organisation in the management and control of operations in order to ensure that it properly safeguards those who work for it and those who may be affected by its business.

The Group is committed to reducing the impact of any waste that it produces and actively pursues methods for reducing waste from its operations and the products it provides to its customers.

The Group recognises that there is a public concern about the development and siting of telecommunications transmitters, as well as widespread usage of mobile phones. SUNDAY is committed to work with all stakeholders, local communities and with government. It is aware of and abides by all Hong Kong guidelines related to its business.

The Group believes in assisting local communities and endeavours to use its technological expertise to develop services which enhance public safety and community well-being.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

By Order of the Board
Janet Ching Man Fung
Company Secretary

Hong Kong, 19th March, 2002

<http://www.sunday.com>
<http://www.irasia.com/listco/hk/sunday>
<http://www.qiannet.com>

The Company will submit all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules to the Stock Exchange on or before 9th April, 2002 for publication on the Stock Exchange's website (<http://www.hkex.com.hk>).