

2005 was a year for change and a turning point for SUNDAY. The Company focused its energies during the year on preparing for the launch of its 3G services, while continuing to improve the quality, capacity and efficiency of its 2G operations.

Following PCCW's acquisition of a majority interest in SUNDAY on 22nd June 2005, the Company began to leverage on PCCW's strong operational and financial support. Cross-selling co-operation between the two groups was one of the first steps taken to capture business opportunities by offering greater choice and convenience to customers.

The SUNDAY Group has already begun to benefit from access to PCCW's larger customer base, more extensive distribution channels, stronger marketing capabilities under the PCCW brand, more cost effective financing abilities and increased procurement bargaining power.

2G Operations

The Hong Kong mobile market remained highly competitive in 2005 with some competitors launching aggressive price promotions and offering heavy handset subsidies. SUNDAY continued to focus on improving its network coverage and service quality while maintaining its competitiveness in the current price-driven market.

In the second half of 2005, the Company's 2G subscriber base increased by 5% to 738,000 compared to the first half of the year, although the average revenue per user ("ARPU") per month for post-paid services declined slightly by 1% on the same half year basis. As a result, mobile services revenue increased by 2% to HK\$502 million in the second half of 2005 compared to the first half of the year, the first time to increase since mid-2002. The average churn rate for 2005 was maintained at approximately 4%.

The Company upgraded its existing 2G/2.5G network in 2005 by adding approximately 10% more cell sites to enhance coverage and quality. In doing so, a major emphasis was placed on improving in-building coverage, particularly in the main business and financial districts, as a prelude to stepping up marketing to the business sector.

The 2G operations continued to be efficient with operating costs (excluding depreciation and amortisation) reduced by 11% in 2005 on a year-on-year basis. Operating costs as a percentage of mobile services revenue improved to 43% in 2005 from 46% in 2004.

3G

In 2005, the 3G market in Hong Kong gained the desired momentum and consumers became increasingly interested in its technology. More 3G handsets were now becoming available in the market from a number of manufacturers. Three of the four licensed operators launched 3G services during the year and the total subscriber base and market penetration continued to rise. The association with Huawei Tech. Investment Co., Limited ("Huawei") provided competitive advantages for SUNDAY's 3G network. (Huawei Group is a leading telecommunications equipment manufacturer based principally in Shenzhen, The People's Republic of China.) During the year, SUNDAY continued its network roll-out by doubling the number of 3G cell sites; and in June 2005, the 3G data card was soft launched.

Chairman's Statement

In January 2006, the PCCW Group introduced 3G voice and data services by reselling SUNDAY's airtime for a 6-month trial period. The campaign to-date has received an exceptional response with over 330,000 registered participants, from which approximately 110,000 customers have been selected and most are now connected to the PCCW mobile 3G services network. This introductory trial allows management to stress-test the 3G network and better understand the market dynamics and customer behaviour, hence, minimising the industry risk upon commercial launch.

Outlook

The mobile market will remain competitive in 2006. However, recent merger and acquisition activities may change the competitive landscape to SUNDAY's benefit. Market demand is increasingly shifting toward integrated service offerings and, with the new relationship with PCCW, SUNDAY's ability to capture new opportunities has greatly increased. The improvements in capacity and coverage quality put in place during the year with the support of PCCW will enable the Company to further grow its customer base in 2006, and to target higher quality customers and the business segment. Other synergistic opportunities include having access to PCCW's premium content. The Company is fully geared up for 3G and looks forward during 2006 to seizing the market opportunities presented.

SUNDAY will continue to leverage on PCCW's resources and explore opportunities to make full use of its assets, including the 3G network, and create value for its shareholders.

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Appreciation

Finally, we wish to extend our thanks to all our Directors and employees for their hard work and efforts during 2005.



Alexander Anthony Arena

Chairman

29th March 2006