

# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

WE WERE ABLE TO CELEBRATE PCPD'S BIRTH AT AN AUSPICIOUS TIME – A TIME OF ECONOMIC UPSWING AND RENEWED CONFIDENCE IN HONG KONG'S PROPERTY MARKET.





Results for PCPD for the year ended March 31, 2004 reflect the financial performance of Dong Fang Gas Holdings Limited prior to the acquisition of PCCW's property interests which was completed on May 10, 2004.

Dong Fang Gas Holdings Limited was subsequently renamed Pacific Century Premium Developments Limited, which is majority-owned by PCCW Limited.

Consolidated turnover for the year relating to the Group's businesses in building materials, securities trading and gas operations was approximately HK\$149.2 million compared with HK\$136.2 million for the previous year.

Net loss for the year was approximately HK\$142.4 million compared with the previous year's net loss of HK\$113.2 million, while loss per share was HK\$0.12 compared with HK\$0.18 the year before. The current management team is critically reviewing the strategic roles played by these businesses as the Company changes its focus following the acquisition of PCCW's property interests.

PCPD is now principally engaged in the development and management of property and infrastructure and owns an investment portfolio that includes premium-grade buildings in Hong Kong and Beijing.

In our home market, we hold the development rights for the Cyberport project, which is owned by the Government of the Hong Kong Special Administrative Region and includes the Bel-Air complex of luxury apartments and houses.

Our Bel-Air development will be the main source of revenue for PCPD stretching into 2008, as successive phases of this deluxe, residential complex are launched. The sales performance at Bel-Air, prior to the transfer of PCCW's property interests, is illustrative of the proven capability that now forms a foundation on which to build this new company. For example, the Bel-Air team had sold all apartments in the first two

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phases amounting to more than 1.9 million square feet of real estate by early 2004, despite very difficult market conditions. Proceeds from the sale of 1,204 units in the first two phases, launched in 2003, have enabled the entire project to become self-funding, with no additional cash injections needed. To date, we have sold more than 1,460 Bel-Air apartments, generating some HK\$14 billion (approximately US\$1.8 billion) in revenue.

With this successful track record, PCPD was formed at an auspicious time - a time of general economic upswing and heightened investor interest in a market buoyed by high liquidity and a marked rise in prices in the prestige accommodation sector.

A limited supply of premium residential real estate coupled with renewed investor confidence sets the scene for a period of solid growth in the property market.

With PCCW's property interests channelled into a separately-listed company, PCPD is able to focus sharply on the property industry, leaving PCCW to concentrate on Information Technology (IT) and telecommunications.

Our move provides the investment community, analysts and rating agencies with enhanced clarity and transparency of performance, while attracting greater interest from investors concerned more with property than telecoms.


THE PEOPLE OF PCPD HOLD THE RIGHT MIX OF SKILLS, TALENT AND EXPERIENCE TO ENSURE OUR NEW COMPANY TAKES FULL ADVANTAGE OF A REVITALIZED PROPERTY MARKET IN THE REGION, ESPECIALLY IN HONG KONG.

Turning to our plans for the future, PCPD is actively considering proposals to redevelop a number of PCCW Group-owned telephone exchange buildings which, subject to government approvals being obtained, will provide a potential source of prime residential and commercial projects over the coming years.

Meanwhile, our investment portfolio of premium-grade properties enjoys occupancy rates of well over 90 percent and is expected to provide significant and regular income into the future.

In addition, the division responsible for PCPD's provision of property management, facilities management, corporate services and asset management serves PCCW Group and other commercial clients, and will be managing luxury apartments and houses at Bel-Air. The division also provides property management and corporate services to PCPD's Pacific Century Place complex in Beijing city center.

PCPD is led by a dedicated and experienced management team, which will continue to pursue premium property development and management opportunities in Hong Kong and beyond.

In conclusion, I believe the people of Pacific Century Premium Developments hold the right mix of skills, talent and experience to ensure our new company takes full advantage of a revitalized property market in the region, especially in Hong Kong. 



**Robert Lee**  
*Chief Executive Officer*  
July 22, 2004