

# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

WE HAVE CREATED AN INNOVATIVE LIFESTYLE CONCEPT AT BEL-AIR ON THE PEAK, AS WELL AS A NEW STANDARD IN LUXURY ACCOMMODATION THAT IS ATTRACTING INTEREST FROM ALL OVER THE WORLD.



I am pleased to report that the financial performance from Pacific Century Premium Developments Limited (“PCPD”) in year 2004 has proved the Group’s strength in the fields of property development and investment and facilities management.

For the year ended December 31, 2004, the Group produced a consolidated turnover of approximately HK\$5,831 million, driven primarily by strong sales of Bel-Air luxury apartments and houses, compared with HK\$4,528 million for 2003. Net profit for 2004 reached HK\$487 million, compared with the previous year’s figure of HK\$3 million. Earnings per share for the year were 27.96 Hong Kong cents.

The Board of Directors has recommended a final dividend of 7 Hong Kong cents per share for the year ended December 31, 2004.

## HIGHLIGHTS OF THE YEAR

Bel-Air sales launches during the year were highly successful and achieved impressive results. To the end of December 2004, more than 1,760 units had been sold, generating approximately HK\$18,760 million in sales proceeds. Plans are now under way to market other phases of the development in 2005.

Widely recognised as a trendsetter in innovative lifestyle concepts and exceptional new standards in prestige residential accommodation, Bel-Air and our sales performance to date offer testimony to the solid skills and commitment that form the foundation on which our Group is built. The Group will continue to draw on Bel-Air's strength in the market to differentiate what has become a powerful brand.

Bel-Air commanded more industry recognition at the end of the year after being honored in the Hong Kong Institute of Surveyors' Property Marketing Awards 2004, collecting Best-of-the-Best Awards in the property marketing and sales brochure categories.

Crafted as an embodiment of the new luxury lifestyle concept we have created, Club Bel-Air was opened at the end of 2004 and adopted a completely fresh approach to quality living in Hong Kong by providing the ultimate in state-of-the-art amenities,

tip-top service and superior artistic enjoyment. The club was quickly recognised as an industry landmark project, bringing a number of elite services to Hong Kong for the first time to form a totally holistic lifestyle experience.

Our facilities management division, which has been handling a portfolio of grade-A commercial, retail, industrial and mission-critical telephone exchange properties, began providing management services to Bel-Air's deluxe apartments, houses and clubhouse in September 2004 and is committed to promoting the unique Bel-Air lifestyle philosophy and maintaining unrivaled levels of service. This move had the effect of expanding our sphere of experience in the property and facilities management business to include luxury residential, as well as commercial and industrial properties in Hong Kong and beyond.

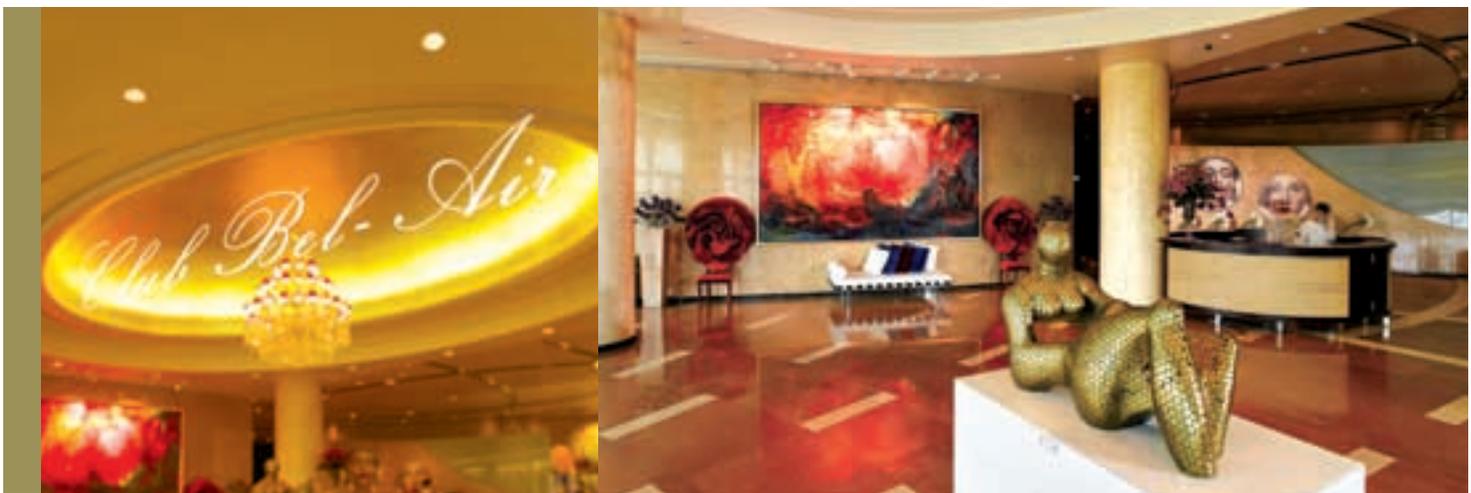
The Group will ensure that our facilities management capability makes a significant contribution to developing the Group's core business, while capitalising on our growing expertise in the field to nurture our property management enterprise.

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Moving to the Group's investment properties, our portfolio continued to maintain steady growth during the year with our premium-grade buildings – PCCW Tower in Hong Kong and Pacific Century Place in Beijing – recording an average occupancy rate of more than 90 percent, as at December 31, 2004. This generated recurring income of some HK\$358 million, representing a 3.5 percent increase compared with the previous year.

PCCW Tower was sold in February 2005 for a consideration of HK\$2,808 million. Unlocking the value in this asset provided general working capital to enable the Group to explore other business and investment opportunities, while allowing greater financial flexibility.

Comprising approximately 2 million square feet of office, apartment and retail podium space, and occupied by tenants including multinational corporations, embassies and a department store, Pacific Century Place in Beijing performed well during the year under review, with more than 95 percent of office space let. Mainland China's steadily growing economy, coupled with the dynamics of the Beijing Olympic Games in 2008, provides a promising outlook for this premium-grade building and we expect recurrent income to be strong.



## PROSPECTS

Hong Kong property market conditions have been very encouraging, with a limited supply of premium residential properties – particularly on Hong Kong Island – combining with renewed investor confidence to set the scene for a period of solid growth. As a niche developer focused on high-quality housing, the Group is well positioned to benefit from current trends, as well as from growing market momentum and the opportunity created by strong demand.

As the Hong Kong economy continues to grow steadily in 2005, in line with expectation, we are now looking at a variety of opportunities in the real estate sector, while maintaining a focus on Bel-Air. New projects in the pipeline include our first telephone exchange redevelopment. Located in Hong Kong's Western district, the site will be redeveloped into some 150 apartments to the highest quality offered in the vicinity. Completion is targeted for end of 2008. We are also considering proposals to redevelop a number of other PCCW-owned telephone exchange buildings.

Together with PCCW, we will explore the vast and promising mainland China property market with a view to investing in projects that will unlock the value of assets and enhance shareholder value. We look forward to working closely with PCCW's new shareholder, China Network Communications Group Corporation, in the area of property redevelopment.

Looking ahead, with a successful 2004 behind us, the Group will harness the power of the Bel-Air brand to capitalise on more market opportunities, while continuing to pursue premium property development and management opportunities in Hong Kong and mainland China, as well as other parts of the Asia Pacific region and beyond.



**Robert Lee**

*Chief Executive Officer*

March 30, 2005