首創置業股份有限公司

BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

2005 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Sales was RMB1,134,769,000 (2004: RMB1,629,332,000).
- Gross profit margin reached 26.6% (2004: 25.5%).
- Operating profit was RMB276,627,000 (2004: RMB429,116,000).
- Profit attributable to equity holders was RMB211,505,000 (2004: RMB260,082,000).
- Basic earnings per share was RMB12.39 cents (2004: RMB16.12cents).
- The Board of Directors recommended the payment of a final dividend of RMB5cents per share (2004: RMB7cents per share).

The Board of Directors (the "Board") of Beijing Capital Land Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2005 (the "Year").

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31st December 2005 RMB'000	2004 RMB'000 (Restated)
Sales	2	**1,134,769**	1,629,332
Cost of sales		**(833,241)**	(1,214,380)
Gross profit		**301,528**	414,952
Other gains-net	3	**145,445**	176,558
Selling and marketing costs		**(66,018)**	(64,283)
Administrative expenses		**(104,328)**	(98,111)
Operating profit	4	**276,627**	429,116
Finance costs	5	**(148,571)**	(84,840)
Share of profits less losses of			
— Jointly controlled entities		**15,036**	3,751
— Associated companies		**87,467**	43,749
Profit before income tax		**230,559**	391,776
Income tax expenses	6	**(38,242)**	(97,500)
Profit for the year		**192,317**	294,276
Attributable to:			
Equity holders of the Company		**211,505**	260,082
Minority interests		**(19,188)**	34,194
		192,317	294,276
Earnings per share for profit attributable to the equity holders of the Company (basic and diluted)	7	**RMB12.39 cents**	RMB16.12 cents
Dividends	8	**85,798**	120,117

CONSOLIDATED BALANCE SHEET

	Note	As at 31st December 2005 RMB'000	2004 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,619,465**	1,501,415
Land use rights		**794,105**	727,538
Properties under development		**1,691,846**	1,696,614
Jointly controlled entities		**153,448**	189,029
Associated companies		**291,792**	104,526
Available-for-sale financial assets		**20,736**	—
Investment securities		**—**	176,540
Deferred income tax assets		**59,586**	47,426
Trade and other receivables	10	**211,666**	—
		4,842,644	4,443,088
Current assets			
Inventories		**13,687**	4,127
Properties held for sale		**222,741**	296,639
Properties under development for sale		**1,295,865**	177,756
Trade and other receivables	10	**1,766,838**	1,971,693
Amounts due from a promoter		**27,470**	—
Cash and bank balances		**1,889,534**	1,879,135
		5,216,135	4,329,350
Total assets		**10,058,779**	8,772,438

	Note	As at 31st December 2005 RMB'000	2004 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**1,715,960**	1,613,300
Other reserves		**621,984**	437,732
Retained earnings		**189,387**	104,717
Proposed final dividend		**85,798**	120,117
		2,613,129	2,275,866
Minority interests		**572,338**	527,076
Total equity		**3,185,467**	2,802,942
LIABILITIES			
Non-current liabilities			
Long-term bank loans		**4,218,136**	1,848,251
Amounts due to parent company		**—**	139,475
		4,218,136	1,987,726
Current liabilities			
Trade and other payables	11	**1,175,123**	757,001
Tax payable		**345,890**	441,985
Special dividend payable		**9,422**	204,839
Amounts due to parent company		**174,741**	199,945
Short-term bank loans		**—**	2,018,000
Current portion of long-term bank loans		**950,000**	360,000
		2,655,176	3,981,770
Total liabilities		**6,873,312**	5,969,496
Total equity and liabilities		**10,058,779**	8,772,438
Net current assets		**2,560,959**	347,580
Total assets less current liabilities		**7,403,603**	4,790,668

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			Minority interests	Total
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	RMB'000	RMB'000
Balance at 1st January 2004					
As previously reported as equity	1,613,300	377,780	190,028	—	2,181,108
As previously separately reported as minority interests	—	—	—	611,389	611,389
Adoption of revised HKAS 17	—	—	(18,450)	(3,927)	(22,377)
Adoption of revised HK-Int 3	—	—	3,179	—	3,179
Balance at 1st January 2004, as restated	1,613,300	377,780	174,757	607,462	2,773,299
Profit and total recognised income for the year	—	—	260,082	34,194	294,276
2003 dividend	—	—	(150,053)	(19,782)	(169,835)
Transfer from retained earnings	—	59,952	(59,952)	—	—
Decrease in minority interests as results of acquisition and disposal of subsidiaries	—	—	—	(94,798)	(94,798)
	—	59,952	(210,005)	(114,580)	(264,633)
Balance at 31st December 2004	1,613,300	437,732	224,834	527,076	2,802,942
Representing:					
Retained earnings at 31st December 2004			104,717		
Proposed final dividend			120,117		
			224,834		

	Attributable to equity holders of the Company			Minority interests	Total
	Share capital	Other reserves	Retained earnings		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1st January 2005 as per above	1,613,300	437,732	224,834	527,076	2,802,942
Opening adjustment for the adoption of HKAS 39	—	—	(9,806)	(293)	(10,099)
Balance at 1st January 2005, as restated	1,613,300	437,732	215,028	526,783	2,792,843
Profit and total recognised income/(losses) for the year	—	—	211,505	(19,188)	192,317
Placement of H shares	102,660	125,551	—	—	228,211
2004 final dividend	—	—	(120,117)	—	(120,117)
Transfer from retained earnings	—	31,231	(31,231)	—	—
Contribution from a promoter	—	27,470	—	—	27,470
Increase/(decrease) in minority interests as results of:					
— set up of a new subsidiary	—	—	—	90,914	90,914
— purchase from minority interests	—	—	—	(26,171)	(26,171)
	102,660	184,252	(151,348)	64,743	200,307
Balance at 31st December 2005	1,715,960	621,984	275,185	572,338	3,185,467
Representing:					
Retained earnings at 31st December 2005			189,387		
Proposed final dividend			85,798		
			275,185		

Notes:

1. **Basis of preparation**

The financial information has been prepared under the historical cost convention, except that available-for-sale financial assets are stated at fair values, and in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

In 2005, the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

(a) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment and properties under development to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

(b) The adoption of HK-Int 3 has resulted in a change in the accounting policy of revenue recognition. Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements, as opposed to the stage of completion method adopted in prior years.

(c) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policies relating to the classification of available-for-sale financial assets at fair value and trade and other receivables at amortised cost. In prior years they were stated at cost less accumulated impairment.

(d) The effects of the change in accounting standards are summarised as follow:

(i) **Consolidated Income Statement**

Year ended 31st December 2005	HKAS 17 *RMB'000*	HK-Int 3 *RMB'000*	HKAS 39 *RMB'000*	Total *RMB'000*
Decrease in cost of sales	1,675	—	—	1,675
Increase in other gains — net	—	—	2,249	2,249
Increase in administrative expenses	(11,140)	—	—	(11,140)
Increase in finance costs	(2,165)	—	—	(2,165)
(Decrease)/increase in share of profits less losses of				
— Jointly controlled entities	(623)	3,641	—	3,018
— Associated companies	(389)	416	—	27
Decrease/(increase) in income tax expenses	3,838	—	(742)	3,096
Decrease in profit attributable to minority interests	1,237	—	—	1,237
(Decrease)/increase in profit attributable to the equity holders of the Company	**(7,567)**	**4,057**	**1,507**	**(2,003)**
(Decrease)/increase in earnings per share (basic and diluted) (RMB cents)	(0.44)	0.24	0.09	(0.11)

Year ended 31st December 2004	HKAS 17 *RMB'000*	HK-Int 3 *RMB'000*	HKAS 39 *RMB'000*	Total *RMB'000*
Increase in administrative expenses	(10,140)	—	—	(10,140)
Increase in finance costs	(10,645)	—	—	(10,645)
Decrease in share of profits less losses of				
— Jointly controlled entities	(1,495)	(6,279)	—	(7,774)
— Associated companies	(3,076)	(957)	—	(4,033)
Decrease in income tax expenses	6,859	—	—	6,859
Decrease in profit attributable to minority interests	2,618	—	—	2,618
Decrease in profit attributable to the equity holders of the Company	**(15,879)**	**(7,236)**	**—**	**(23,115)**
Decrease in earnings per share (basic and diluted) (RMB cents)	(0.98)	(0.45)	—	(1.43)

(ii) **Consolidated Balance Sheet**

As at 31st December 2005	HKAS 17 *RMB'000*	HK-Int 3 *RMB'000*	HKAS 39 *RMB'000*	Total *RMB'000*
Decrease in property, plant and equipment	(116,568)	—	—	(116,568)
Increase in land use rights	794,041	—	—	794,041
Decrease in properties under development	(737,813)	—	—	(737,813)
Decrease in properties held for sale	(706)	—	—	(706)
Decrease in trade and other receivables	—	—	(12,824)	(12,824)
Decrease in jointly controlled entities	(1,991)	—	—	(1,991)
Decrease in associated companies	(6,786)	—	—	(6,786)
Increase in deferred income tax assets	20,145	—	4,232	24,377
Decrease in net assets	**(49,678)**	**—**	**(8,592)**	**(58,270)**
Decrease in opening balance of retained earnings	(34,329)	(4,057)	(9,806)	(48,192)
Decrease in opening balance of minority interests	(6,545)	—	(293)	(6,838)
(Decrease)/Increase in profit attributable to the equity holders of the Company	(7,567)	4,057	1,507	(2,003)
Decrease in profit attributable to minority interests	(1,237)	—	—	(1,237)
	(49,678)	**—**	**(8,592)**	**(58,270)**

As at 31st December 2004	HKAS 17 *RMB'000*	HK-Int 3 *RMB'000*	HKAS 39 *RMB'000*	Total *RMB'000*
Decrease in property, plant and equipment	(110,006)	—	—	(110,006)
Increase in land use rights	727,538	—	—	727,538
(Decrease)/increase in properties under development	(663,835)	22,053	—	(641,782)
Decrease in properties held for sale	(1,487)	—	—	(1,487)
Decrease in jointly controlled entities	(4,132)	(3,815)	—	(7,947)
Decrease in associated companies	(5,259)	(416)	—	(5,675)
Increase in deferred income tax assets	16,307	174	—	16,481
Increase in trade and other payables	—	(22,053)	—	(22,053)
Decrease in net assets	**(40,874)**	**(4,057)**	**—**	**(44,931)**
(Decrease)/increase in opening balance of retained earnings	(18,450)	3,179	—	(15,271)
Decrease in opening balance of minority interests	(3,927)	—	—	(3,927)
Decrease in profit attributable to the equity holders of the Company	(15,879)	(7,236)	—	(23,115)
Decrease in profit attributable to minority interests	(2,618)	—	—	(2,618)
	(40,874)	**(4,057)**	**—**	**(44,931)**

2. **Sales and segment information**

Sales represent properties and land use rights sales, project development consulting operation and hotel operation made by the Group to third parties in the People's Republic of China (the "PRC").

The segment results for the year ended 31st December 2005 are as follows:

	Sales of properties and land use rights *RMB'000*	Project development consulting operation *RMB'000*	Hotel operation *RMB'000*	Group *RMB'000*
Sales	1,026,060	10,000	98,709	1,134,769
Segment results	319,233	4,085	(59,103)	264,215
Unallocated costs				(60,364)
Interest income				72,776
Operating profit				276,627
Finance costs				(148,571)
Share of profits less losses of				
— Jointly controlled entities	15,036	—	—	15,036
— Associated companies	87,467	—	—	87,467
Profit before income tax				230,559
Income tax expenses				(38,242)
Profit for the year				192,317
Depreciation	6,466	—	39,035	45,501
Amortisation	13,881	—	4,473	18,354
Provisions for impairment of receivables	14,658	—	—	14,658

The segment results for the year ended 31st December 2004, as restated, are as follows:

	Sales of properties and land use rights *RMB'000*	Project development consulting operation *RMB'000*	Hotel operation *RMB'000*	Group *RMB'000*
Sales	1,518,567	70,000	40,765	1,629,332
Segment results	368,667	61,493	(15,783)	414,377
Unallocated costs				(49,495)
Interest income				64,234
Operating profit				429,116
Finance costs				(84,840)
Share of profits less losses of				
— Jointly controlled entities	3,751	—	—	3,751
— Associated companies	43,749	—	—	43,749
Profit before income tax				391,776
Income tax expenses				(97,500)
Profit for the year				294,276
Depreciation	1,408	—	13,584	14,992
Amortisation	14,702	—	2,219	16,921
Provisions for impairment of receivables	17,937	—	—	17,937

The segment assets and liabilities at 31st December 2005 and capital expenditure for the year ended 31st December 2005 are as follows:

	Sales of properties and land use rights *RMB'000*	Hotel operation *RMB'000*	Group *RMB'000*
Segment assets	7,778,438	1,662,668	9,441,106
Jointly controlled entities	153,448	—	153,448
Associated companies	291,792	—	291,792
Unallocated assets			172,433
Total assets			10,058,779
Segment liabilities	5,011,108	1,273,170	6,284,278
Unallocated liabilities			589,034
Total liabilities			6,873,312
Capital expenditure	1,525,807	108,832	1,634,639

The segment assets and liabilities at 31st December 2004 and capital expenditure for the year ended 31st December 2004, as restated, are as follows:

	Sales of properties and land use rights *RMB'000*	Hotel operation *RMB'000*	Group *RMB'000*
Segment assets	6,714,020	1,679,002	8,393,022
Jointly controlled entities	189,029	—	189,029
Associated companies	104,526	—	104,526
Unallocated assets			85,861
Total assets			8,772,438
Segment liabilities	4,265,859	1,094,815	5,360,674
Unallocated liabilities			608,822
Total liabilities			5,969,496
Capital expenditure	1,107,181	270,383	1,377,564

The sales and capital expenditure for the year ended 31st December 2005 and the total segment assets at 31st December 2005 by geographical segments are as follows:

	Beijing RMB'000	Tianjin RMB'000	Shanxi RMB'000	Shaanxi RMB'000	Hong Kong RMB'000	Group RMB'000
Sales	1,134,769	—	—	—	—	1,134,769
Capital expenditure	1,066,186	242,886	325,567	—	—	1,634,639
Segment assets	9,377,287	280,209	330,150	24,216	46,917	10,058,779

The sales and capital expenditure for the year ended 31st December 2004 and the total segment assets at 31st December 2004, as restated, by geographical segments are as follows:

	Beijing RMB'000	Tianjin RMB'000	Shanxi RMB'000	Shaanxi RMB'000	Hong Kong RMB'000	Group RMB'000
Sales	1,629,332	—	—	—	—	1,629,332
Capital expenditure	1,377,564	—	—	—	—	1,377,564
Segment assets	8,700,283	—	—	—	72,155	8,772,438

3. **Other gains-net**

	Year ended 31st December 2005 RMB'000	2004 RMB'000
Temporary rental income	**4,112**	—
Grants from government authorities	**503**	6,396
Interest income	**72,776**	64,234
Net income on disposal of subsidiaries, jointly controlled entities and associated companies	**65,066**	105,066
Others	**2,988**	862
	145,445	176,558

4. **Operating profit**

Operating profit is stated after charging the following:

	Year ended 31st December 2005 RMB'000	2004 RMB'000
Depreciation	**45,501**	14,992
Amortisation	**18,354**	16,921
Provisions for impairment of receivables	**14,658**	17,937
Cost of land use rights sold	**80,193**	60,405
Cost of properties under development sold	**267,740**	318,828
Cost of inventories sold	**11,690**	9,452
Cost of properties held for sale sold	**289,510**	717,041

5. **Finance costs**

	Year ended 31st December 2005 RMB'000	2004 RMB'000
Interest expenses:		
Bank loans, wholly repayable within five years	**142,840**	150,708
Bank loans, not wholly repayable within five years	**89,856**	11,275
Other loans, wholly repayable within five years	**2,959**	25,721
	235,655	187,704
Less: Amount capitalised in properties under development, properties under development for sale and construction in progress with capitalisation rate between 4.03% and 5.76% (2004: 3.11% and 6.03%) per annum	**(87,084)**	(102,864)
	148,571	84,840

6. **Income tax expenses**

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31st December 2005 (2004: nil). PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 33% (2004: 33%).

	Year ended 31st December 2005 RMB'000	2004 RMB'000
PRC income tax	**45,429**	126,556
Deferred income tax	**(7,187)**	(29,056)
	38,242	97,500

In 2003, upon the reorganisation and the listing of the Company, a deed of tax indemnity has been entered into between the Promoters and the Group whereby the Promoters undertake to indemnify the Group in respect of, inter alia, certain land appreciation tax ("LAT") payable in consequence of the disposal of the Group's existing properties as at 30th April 2003.

In previous years, no provision for LAT had been made as the directors considered that the Group was unlikely to receive demands from the tax authorities for payment of LAT up to the years ended 31st December 2004 which would otherwise had accumulated to approximately RMB156,184,000 attributable to the Group as previously reported.

In 2005, the Group has received certain demands from the tax authorities regarding the payment of LAT. Accordingly, the directors reconsidered and provided the LAT exposure based on their latest understanding of LAT regulations from tax authorities, which accumulated to approximately RMB27,470,000 attributable to the Group after netting off potential income tax saving at 31st December 2005. The whole amount would be compensated by a promoter.

7. **Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of RMB211,505,000 for the year ended 31st December 2005 (2004: RMB 260,082,000, as restated) and the weighted average number of 1,707,405,000 shares (2004: 1,613,300,000 shares) in issue during the year.

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential ordinary shares as at 31st December 2005 and 2004.

8. **Dividends**

The dividend paid during the year ended 31st December 2005 was RMB 120,117,000 (representing 2004 final dividend of RMB0.07 per share).

A final dividend for the year ended 31st December 2005 of RMB0.05 per share, amounting to a total dividend of RMB85,798,000, was proposed at the Board meeting held on 31st March 2006. These financial statements do not reflect this dividend payable.

	Year ended 31st December 2005 RMB'000	2004 RMB'000
2005 Proposed final dividend of RMB0.05 per share (2004: RMB 0.07 per share)	**85,798**	120,117

9. **Appropriations to reserves**

According to their respective Articles of Association, the Company and some of its subsidiaries are required to transfer a proportion of their profit after taxation, as shown in their financial statements prepared under the PRC accounting regulations, to various statutory reserve funds. The total amount transferred to each of these reserves for the year ended 31st December 2005 is set out as follows:

	Percentage of profit after taxation of respective companies	RMB'000
Statutory reserve fund	10%	31,077
Statutory public benefit fund	0-5%	154
		31,231

10. **Trade and other receivables**

	As at 31st December 2005 RMB'000	2004 RMB'000
Trade receivables	**443,238**	646,194
Less: provision for impairment of receivables	**(386)**	(5,272)
Trade receivables — net	**442,852**	640,922
Deposits and advance to suppliers	**132,011**	80,924
Other receivables — net	**361,348**	311,404
Income tax prepayments	**15,399**	14,085
Other tax prepayments	**37,178**	18,631
Other prepayments	**7,710**	2,206
Amounts due from jointly controlled entities	**610,001**	494,185
Amounts due from associated companies	**186,919**	207,054
Amount due from minority shareholder of a subsidiary	**129,847**	140,701
Amounts due from fellow subsidiaries	**55,239**	61,581
	1,978,504	1,971,693
Less non-current portion: trade and other receivables	**(211,666)**	—
Current portion	**1,766,838**	1,971,693

The fair values of trade and other receivables are not materially different from their book values.

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.76% (2004: Nil) per annum.

At 31st December 2005 and 2004, the ageing analysis of the trade receivables were as follows:

	As at 31st December 2005 RMB'000	2004 RMB'000
Within three months	**262,656**	261,054
Over three months and within half year	**7,491**	51,295
Over half year and within one year	**2,987**	104,569
Over one year	**170,104**	229,276
	443,238	646,194

Amounts receivables outstanding for more than one year are mainly related to sales of office building units in bulk and large pieces of developed land.

The credit terms in connection with sales of properties and land use rights granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The amounts due from fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The amounts due from jointly controlled entities and associated companies are unsecured, carrying interest at prevailing market rate and have no fixed terms of repayment.

The amount due from minority shareholder of a subsidiary is unsecured, carrying interest at prevailing market rate and repayable within two years.

11. **Trade and other payables**

	As at 31st December 2005 RMB'000	2004 RMB'000
Trade payables	**32,914**	18,891
Advance from customers	**428,186**	128,819
Dividends payable	**28,980**	—
Dividends payable to minority shareholders of subsidiaries	**—**	19,782
Accrued construction costs	**345,547**	526,081
Amounts due to fellow subsidiaries	**—**	3,104
Amount due to minority shareholder of a subsidiary	**93,970**	—
Other payables	**245,526**	60,324
	1,175,123	757,001

The amount due to minority shareholder of a subsidiary is unsecured, carrying interest at prevailing market rate and has no fixed terms of repayment.

At 31st December 2005 and 2004, the ageing analysis of the trade payables (including amounts due to related parties) were as follows:

	As at 31st December 2005 RMB'000	2004 RMB'000
Within half year	**32,115**	16,955
Over half year and within one year	**766**	1,936
Over one year	**33**	—
	32,914	18,891

RESULTS AND DIVIDEND

In 2005, the Company has realised a sales of RMB1,134,769,000 representing a decrease of approximately 30%. The operating profit of the Company for the year ended 31st December 2005 was RMB276,627,000 (2004: RMB429,116,000) and the profit attributable to the equity holders of the Company decreased by 19% to RMB211,505,000 (2004: RMB260,082,000).

The Board recommended the payment of a final dividend of RMB5 cents per share for the year ended 31st December 2005 (2004: RMB7 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of H shares of the Company will be closed from 13th May 2006 to 13th June 2006 (both dates inclusive). In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates of the H shareholders, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4 p.m. on 12th May 2006. It is expected that the final dividend will be paid before end of June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the delay in construction of some of the development projects resulting from the implementation of austerity measures in 2004, coupled with the change in accounting policy, significantly affected the Group's operating performance in the first half of 2005. However, the Group successfully overcame the unfavorable condition by adjusting its operating strategies in a timely manner in the second half of the year, fully exploring and identifying potentials of its existing projects, accelerating the construction pace of new projects in Beijing while expanding into the land development business which effectively increased its revenue source and mitigated the influence of the reduction in sales revenue during the first half of 2005. Meanwhile, the Group also proactively tapped into markets outside Beijing. As such, the Group is capable of propelling robust and healthy business development.

As at 28th February 2006 the Group achieved the following breakthroughs in different aspects of its operations and management.

- With the introduction of public land transaction policy, the Group's land development business achieved remarkable breakthrough. Its Shiliuzhuang project successfully completed the public trading process (土地掛牌程式和摘牌交易).

- Successfully realised its rapid expansion to markets outside Beijing. The Group has acquired three large scale residential projects in Tianjin, Taiyuan and Wuxi respectively. The new land bank amounted to approximately 1.50 million sq. m. This marked the realisation of the strategy of "tapping into markets outside Beijing and extending business across the nation".

- Further expanded international cooperation to jointly develop Wuxi Tianyi residential project with an American fund and established strategic partnership with the Property Centre of Massachusetts Institute of Technology.

- Further strengthened the Group's development strategies by identifying the development of middle to high-end residential properties as its core business while commercial property development and operations as auxiliary businesses. By reinforcing the synergetic benefits of these two types of businesses, the Group highlighted its combined edges in three niche areas, namely "land and brand", "property and finance", "project development and investment". Meanwhile, the Group also develop differentiated products that cater to the complicated customers' demand, so as to realise the four added values of land, product, brand and assets, as well as becoming the most premium integrated property operator in the PRC.

- Constructed a reliable bank financing platform, which comprises state-owned banks, commercial banks, domestic and foreign banks, large-scale banks and small to medium banks, effectively reduced the financial cost and increased long-term debt ratio to 82% (2004: 44%).

- Enhanced management model by establishing a unified and professional management platform for seven business segments, including project investment, financial management, human resources operation, product design, tender and procurement, operational management and marketing.

PROPERTY DEVELOPMENT

During the year under review, the Group completed 4 development projects with a total gross floor area ("GFA") of 322,000 sq. m.

Development projects completed in FY 2005

Property	Type	Approximate GFA completed *(sq. m.)*	Interests attributable to the Group
Sunshine Building	Commercial/office	51,700	42%
Sydney Coast District E	Villa/commercial	21,800	100%
Vancouver Forest District D	Villa/commercial	64,500	50%
Upper East Side District B & C2	Residential/commercial	184,000	33%
Total		322,000	

SALES PERFORMANCE

During 2005, contracted sales area of the Group together with its jointly controlled entities and associated companies was approximately 269,200 sq. m., down by 18% from the previous year, in which residential, office and commercial properties accounted for approximately 70%, 27% and 3% respectively. In addition, sales area for land development business amounted to approximately 220,000 sq. m.. Contracted sales amount was approximately RMB2.35 billion, down by approximately 20% from last year, in which residential, office and commercial properties accounted for approximately 78%, 20% and 2% respectively. In addition, sales for land development business amounted to RMB212 million. In 2005, the Group together with its jointly controlled entities and associated companies recognised a total sales of approximately RMB2.56 billion. The decline in the Group's contracted sales area and contracted sales amount was due to the implementation of macroeconomic measures in 2004 which resulted in delay in commencement of construction works for some development projects and hence reduced the Gross Floor Area ("GFA") available for sale by the Group. Nonetheless, the properties on sale or the newly launched properties were well-received by the market and recorded higher-than-expected selling prices and sales volume.

The construction schedule of A-Z Town and The Reflections were affected by the 2004 macroeconomic measures. Under the Group's enhanced efforts, these two projects went on sale in the fourth quarter of 2005 and received over-whelming responses from home buyers. Situated at the centre of the eastern expansion of the Central Business District ("CBD") of Beijing, A-Z Town has easy transport connections to every regions in the city and comprehensive community, commercial and business facilities. There is also a central park with a site area of over 100,000 sq. m., serving as a partition between the commercial and residential areas. This project represents the Group's first integrated residential community project. Over 1,000 participants enrolled in the reservation draw lot for the launch of 150 units of the first phase, which were sold out within half day of its first launch. Adjacent to the largest aquatic park, Yu Yuan Tan, in Beijing, The Reflections is a large-scale, scenic and luxary residential project. It offers residents spacious public area with high architectural quality. The trial launch of 30 units in October 2005 with majority was sold before the New Year, laying solid foundation for the official launch in order to achieve satisfactory sales performance. Heping Lane residential project will be launched in the first quarter of 2006 and about 1,500 potential buyers showed buying intention before its public launch, demonstrating the wide recognition of the Group's corporate branding and its product quality.

During the year under review, the Group continued to leverage on its competitive strengths as an integrated operator of real estate while keeping its quality and style. It pioneered to offer convenience to its residents through provision of ancillary facilities like commercial complex and club houses as well as customer-oriented management services to greatly enhance the value of its projects. The central commercial street of Upper East Side and tower street of Vancouver Forest were launched in the third and fourth quarter of 2005 respectively. Both projects successfully attracted its target buyers and target tenants with high brand awareness and hence were well-received by its customers. The ancillary facilities including commercial complex and club houses were completed earlier than scheduled. This not only showed that the project received over-whelming sales performance but also created added-value to the project for attracting new customers while catering to the needs of existing customers. The satisfactory sales performance of Sydney Coast North demonstrated the confidence of the tenants towards the Group's ability in the development of the community and also created a win-win situation from its integrated operation model. Based on the encouraging sales response of phase I, the selling price for Upper East Side phase II was nearly 60% higher than that of phase I during its public launch in the fourth quarter of 2005.

Meanwhile, capitalising on its "Beijing Capital Land Customers Club", the Group fostered the interactive communications with its customers. By collecting the customers' opinion and suggestion towards the Group's products, the Group has greatly enhanced its customers relations and maintained customer loyalty in the long run, making the Company the preferred property developer of its customers. North Ring Centre rapidly achieved satisfactory sales performance by targeting the buyers of Top Land. Nearly 70% of the units were sold within 8 months of its launch, making the project one of the best-selling office apartments in Beijing. Capitalising on its experience in the development of over 10 different types of projects, the Group has accumulated abundant customer resources and enabled it to continuously enhance its customer relations through its Customers Club. This in turn greatly strengthened the Group's sales and marketing efforts and efficiency as well as enhanced its reputation in the market.

Approximately RMB403 million of the contracted sales revenue was generated from the sale of office project of Top Land Phase II. The sale was in line with the Group's strategy of focusing its business on the development of residential properties and divesting non-core business when the opportunities arise.

The following table shows the sales of the Group's major development projects during the year under review:

Project	Approximate contracted sales area *(sq. m.)*	Approximate average contracted selling price *(RMB/sq. m.)*	Approximate contracted total sales income *(RMB'000)*
Residential			
Vancouver Forest	40,700	8,000 (1)	326,200
Sydney Coast	12,800	9,300 (2)	119,330
Upper East Side	83,500	10,400	867,710
North Ring Centre	24,800	9,700	240,780
A-Z Town	20,200	7,500	152,000
The Reflections	7,200	17,500	126,260
Subtotal	189,200		1,832,280
Office			
Top Land Phase I	4,800	16,000	76,610
Top Land Phase II	67,700	6,000 (3)	403,000
Subtotal	72,500		479,610
Commercial Property			
Commercial complex of Sydney Coast	7,500	4,700	35,000
Total	269,200		2,346,890

Remarks:

(1) Excluding basement area, the average contracted selling price was RMB 11,000/sq. m.

(2) Excluding basement area, the average contracted selling price was RMB 10,000/sq. m.

(3) The buyer is responsible for the construction of the project.

The following table shows the sales of the Group's land development business during the year under review:

Land development business	Approximate planned construction area *(sq. m.)*	Approximate sales income *(RMB'000)*
Shiliuzhuang Residential Project	219,500	211,948

PROPERTY INVESTMENT

During the year under review, Central Holiday Inn continued to focus on its positioning as a conference and business hotel. It proactively explored the business opportunities of business conferences and business travelers to balance the sales from travelling tours. It has implemented a series of measures with an aim of securing long-term customers, including "Prestige Club" membership scheme, the introduction of "Your Customer Services Manager" and implementation of "Guest Recognition Programme". Other value-added services such as wedding banquet services and business centre also enhanced its integrated operations and were well-received by its customers. Central Holiday Inn achieved an average occupancy rate of approximately 71% in 2005, representing an increase of nearly 10 percentage points when compared with 2004. Leveraging off its outstanding financial performance, quality facilities, premiere services, high degree of employee and customer satisfaction, Central Holiday Inn was accredited by Inter-Continental Hotels Group as the only "premium centre" for Holiday Inn in the Asian Pacific region, an exemplary hotel among the 53 Holiday Inn hotels in the region.

The Finance Street Inter-Continental Hotel commenced operations on 28th September 2005 and has become the first top-grade hotel on the Finance Street. It is jointly managed by the Group and Inter-Continental Hotels Group and positioned as an internationalised high-end finance and business hotel. All details of the hotel from the interior design to its facilities reflect the unique style of its positioning. Its comprehensive facilities include Chinese and Western style restaurants, bar, cafe, spa and gymnasium. Since its commencement of operations, the Finance Street Inter-Continental Hotel has served representatives of internationally renowned banks and institutions and was accredited as one of the "2005 World's Ten Best New Business Hotels" by Forbes.com of the US.

Sunshine Building is tailored made for Japan Ito-Yokada as its flagship Huatang Mall in Beijing. Located at the western traffic hub in XiZhimen district, Beijing, the mall completed its construction in February 2005 and was started business in April 2005. Total construction area of the project is approximately 51,700 sq. m., of which the entire mall is leased by Huatang Yokada Commercial Company Limited with a total leased area of approximately 36,000 sq. m with a lease terms of 20 years. Some of the office areas are for the own use of the Group while the remaining rentable area amounts to approximately 7,000 sq. m. is mostly leased.

LAND BANK

As at 28th February 2006, the Group's land bank, when fully developed, will amount to a total GFA of approximately 3.92 million sq. m. In terms of geographical distribution, 62%, 13%, 16% and 9% of land were located in Beijing, Tianjin, Taiyuan and Wuxi respectively. In terms of land use, residential, commercial, office properties and hotel accounted for approximately 84%, 7%, 4% and 5% respectively. The existing land bank is sufficient for the Group's development for the next three years. Under the strategy of developing middle to high-end residential properties as core business, all the newly added land bank during the year was residential land. In addition, the Group transferred office properties projects, such as Top Land Phase II, and other projects without controlling interests during the year, contributing to an increase of seven percentage points in the proportion of residential land when compared with that at the end of 2004. The Group will continue to expand the proportion of residential land and further adjust its existing non-residential projects which do not have any synergetic benefits with residential properties business.

As at 28th February 2006, the Group acquired three residential projects in Tianjin, Taiyuan and Wuxi respectively, which were in line with the Group's strategy of "tapping into markets outside Beijing and extending business across the nation" and an important breakthrough in the Group's business development.

In July 2005, the Group successfully acquired Ruijing Residential Project in Tianjin at a consideration of approximately RMB740 million. The Group's land bank was increased by approximately 510,000 sq. m. The project enjoys close proximity to the terminal of Tianjin Railway Route No.1. Surrounded by public afforested areas and a comprehensive gymnasium nearby, the community is suitable for the development of middle-end residential property which is the property type encouraged by the central government. The site area and gross floor area of the project was approximately 330,000 sq. m. and 510,000 sq. m. respectively. The Ruijing Residential Project will be developed into about 4,000 residential flats and is expected to be launched in the third quarter of 2006.

In September 2005, the Group acquired Taiyuan Zhangfeng Residential Project at a consideration of approximately RMB310 million. The Group's land bank was increased by approximately 640,000 sq. m.. Taiyuan Zhangfeng Residential Project, an urban cultural and commercial district which comprises business, cultural, administrative and residential facilities, is located at the location of the future Taiyuan Municipal Government. The Group's Taiyuan Zhangfeng Residential Project enjoys close proximity to the urban cultural centre which will be constructed in the future and will become the largest residential community in the district. The project has a site area of approximately 200,000 sq. m. and will be developed into about 4,000 residential flats, which is expected to commence sales in the fourth quarter of 2006.

In January 2006, the Group acquired Wuxi Tianyi Residential Project at a consideration of about RMB440 million. The Group's land bank was increased by about 350,000 sq. m. Wuxi Tianyi Residential Project is the Group's first development project in southern China. The Project is located in a middle to high-end residential district and is conveniently adjacent to the city. Neighboring the key secondary school in Wuxi, "Tianyi Secondary school", it also possesses superior living environment. Wuxi Tianyi Residential Project has a site area and construction area of approximately 160,000 sq. m. and 350,000 sq. m. respectively, which will be developed into approximately 2,500 residential flats and is expected to be launched in the fourth quarter of 2006.

Developing markets in cities outside Beijing is the Group's strategy of becoming the premium integrated property operator in China. In addition, this will enable the Group to rapidly expand operation scale and promote its brand name. The Group will capitalise on the different stages in development cycles to effectively allocate resources and diverse operational risk, so as to balance the property portfolio and development progress as well as creating stable and growing returns to shareholders and investors. The PRC property market has just entered into a stage of rapid development, together with the cooling down of property investment in the PRC due to the implementation of macro-economic adjustment and control measures, the Group is well-poised to expand to cities outside Beijing by leveraging on its sound financial strength and prominent management capabilities. The Group plans to proactively expand to peripheral regions around the Bohai Sea Region, with Beijing and Tianjin as its base, to explore developing cities with high potential for business expansion.

The Group has formulated its strategy of "tapping into markets outside Beijing and extending business across the nation" since listing. Following the principles of prudent expansion and progressive development, the Group did copious amount of preparation in various areas, including market research, sound management model, human resources, workflow standardisation, corporate culture and information systems prior to execution. According to its strategic plan, Beijing will remain the key area for development based on which well-developed products and management will be introduced to other cities. The Group will expand to other cities step by step, extend strategic geographic distribution, enhance operation standards and increase the revenue contribution from other cities to the Group.

During the year, the Group achieved a remarkable breakthrough in land development business. The Group's Shiliuzhuang Project, upon two years of exertions, successfully completed the public trading process (土地掛牌程式和摘牌交易) in December 2005, generating a total revenue of approximately RMB212 million. More importantly, the Group gained experiences in regard to the major workflow and procedures for land development after the implementation of public land transaction, which established a solid foundation for developing professional and standardised land development business as well as creating synergetic benefits between land development and property development.

PROSPECTS

As the GDP and income per capita in China grow at a rate of 10% per annum, GDP per capita exceeded USD1,000 and is expected to reach USD3,000. With the accelerated urbanisation, which is expected to increase from current 43% to 70%, increased property demand from 70's baby boomers as well as the generation of the "one-child policy" in the 80's begin to enter the society, the property industry in China will proceed to the golden stage of long-term development with residential properties as the core sector. Moreover, the upcoming 2008 Olympic Games will further accelerate, the city construction progress in Beijing resulting in improving public facilities and extending transportation network, which will expedite the development of Beijing's economy and the property market. We expect demand will continue to outpace supply of the property market. The implementation of austerity measures has effectively restrained certain overheating regions. The PRC property market has achieved soft-landing and the future market condition will be more stable and standardised.

In view of favourable development opportunities, the Group is dedicated and will continue to proactively implement the following strategies, with the view of becoming the most premium integrated property operator in China.

- Proactively develop new emerging businesses, such as land development and property finance, with an aim of providing immense support and added value for the core residential property business.
- Implement rapid and effective expansion in markets outside Beijing. To focus on residential property development business and utilise branded products as the expansion model with the target of achieving efficient turnover.
- Capitalise on consolidation of the industry and seek for mergers and acquisition opportunities to expand operation scale.
- Identify residential property development as the core business, strengthen the development of residential properties with distinctive features and increase the launch of middle-end residential properties for small to medium sized families, so as to cater for changes in market needs.
- Continue to adjust non-residential projects. To enhance the synergetic benefits of commercial properties and core residential property business and to explore new business model for commercial properties
- Strengthen the strategic planning and enhance the strategic management capability.
- Optimise management model and business workflow according to its strategic objectives while strengthening investment planning, standardised operation as well as sales and marketing capabilities of brands.
- Attract high caliber people, strengthen staff training and optimise human resources allocation to cope with the rapid expansion of the Group.
- Strengthen the collaboration with banks and investors to consolidate the financing platform for expansion of financing channels.
- Capture business opportunities brought forth by Beijing Olympics to adjust project planning and sales and marketing arrangement in a timely manner, so as to fully realise project value and further consolidate the Group's leading edges in Beijing.

FINANCIAL ANALYSIS

1. **Revenue and Operating Results**

During the year 2005, the sales of the Group was approximately RMB1,134,769,000 (2004: RMB 1,629,332,000), representing a drop by 30%. The delay in construction of some of the development projects resulting from the implementation of austerity measures, coupled with the change in accounting policy, significantly affected the Group's operating performance in 2005.

Under tight cost control, the gross profit margin of the Group in the year 2005 was approximately the same as that of the last year.

In 2005, the Group's operating profit was RMB276,627,000 (2004: RMB429,116,000).

The sales of the hotel business in the year was RMB98,709,000 (2004: RMB40,765,000).

2. **Financial Resources, Liquidity and Liability Position**

As at 31st December 2005, the Group's total assets were RMB10,058,779,000 (2004:RMB8,772,438,000) (of which current assets were RMB5,216,135,000 (2004: RMB4,329,350)) and the total liabilities were RMB6,873,312,000 (2004: RMB5,969,496,000) (of which current liabilities were RMB2,655,176,000 (2004: RMB3,981,770,000) and non-current liabilities were RMB4,218,136,000 (2004: RMB1,987,726,000)), and the equity reached RMB3,185,467,000 (2004: RMB2,802,942,000).

The Group is of sound liquidity and solvency. Current ratio as at 31st December 2005 was 1.96 (2004: 1.09).

As at 31st December 2005, the Group's cash and short-term bank deposits amounted to RMB1,889,534,000 (2004: RMB1,879,135,000), which represented sufficient cash flow for operations.

Bank loans of the Group as at 31st December 2005 was RMB5,168,136,000 (2004:RMB4,226,251,000), of which the long-term loan was RMB4,218,136,000 (2004: RMB1,848,251,000), which was mainly used to fulfill the capital requirements of the Group's property development projects.

The Group makes investment in the PRC only. Except for loan facility of US$92 million (2004: US$32 million) obtained by its two subsidiaries from DBS Singapore, the accumulated draw-down of which as at 31st December 2005 was US$58,000,000 (2004: US$5,800,000), all of the Group's bank loans come from banks in the PRC and are borrowed and repaid in RMB, and there exists no significant currency risk. All of the Group's long-term bank loans were granted on a floating rate basis.

As at 31st December 2005, our gearing ratio was 51.82% (2004: 48.94%). Our gearing ratio is calculated by dividing the aggregate of (i) the Group's short-term and long-term bank loans, (ii) net amounts due to parent company (iii) net of cash and bank balances (the balance of (i), (ii) and (iii) being referred to as "(A)"), by the aggregate of (A) and net assets of the Group.

3. **Substantial Acquisition of Subsidiaries**

In 2005, the Company set up two domestic companies, namely Beijing Shang Bo Ya Investment Consultant Limited (北京尚博雅投資顧問有限公司) and Beijing Shang Bo Di Investment Consultant Limited (北京尚博地投資顧問有限公司), whereas Beijing Shang Bo Ya Investment Consultant Limited and the Reco Ziyang Pte Ltd jointly established Tianjin New Century Real Estate Development Ltd, and Beijing Shang Bo Ya Investment Consultant Limited and Beijing Shang Bo Di Investment Consultant Limited jointly invest in the establishment of Shangxi Capital Xinji Real Estate Development Limited (山西首創新資房地產開發有限公司).

4. **Treatment for Net Income of Associated Companies and Joint Ventures**

In October 2005, the Company disposed of Beijing Home Valley Company Limited, an joint venture, to Beijing Science Park Development (Group) Co., Ltd., the proceeds of which was RMB110,000,000. The Company had received full amount of the transfer consideration and recognized a transfer gain of RMB 59,388,000.

In 2004, the Company disposed of 15.5% equity of Super Shine Company Limited "Super Shine", an associated company, to Beijing Yan Zhao Real Estate Development Co., Ltd. (北京燕趙房地產開發有限公司) "Yan Zhao Real Estate" at a total consideration of RMB94,736,000. Up to January 2006, the Company had received consideration of RMB88,000,000 from Beijing Yan Zhao Real Estate Development Co., Ltd. and recognized gain on disposal of RMB5,678,000.

5. **Income Tax Expenses**

During the year ended 31st December 2005, the income tax applicable to the Company according to relevant laws and regulations of China was RMB100,101,800. After tax auditing for the year, one of the Company's subsidiaries finalized its payable income tax and reversed an overprovided income tax charge of RMB54,672,800.

6. **Accounting Treatment for Super Shine**

As at 31st December 2003, the Company held 26.5% shares of Super Shine and was its largest shareholder. According to the equity transfer agreement signed with Yan Zhao Real Estate in March 2004, 15.5% of Super Shine was transferred to Yan Zhao Real Estate and the transfer procedure was completed on 22nd December 2004. At the end of 2004 when the equity was newly transferred to Yan Zhao Real Estate, the Company, as the third largest shareholder, was not clear if Yan Zhao Real Estate, as the then largest shareholder, would request major reorganization on the board of directors of Super Shine. Therefore, for sake of prudence, Super Shine was accounted for on the basis of cost accounting method. At the end of 2005, Yan Zhao Real Estate had not conduct major reorganization on the board of directors of Super Shine, and the general manager of the Company remained the chairman of Super Shine. Meantime, the Company was the minority shareholder of the three subsidiaries of Super Shine, namely Fengdu, Xing Tai and Yang Guang Yuan, taking part in their business decision-making and providing technological and capital support. Consequently, the Board considered that it was of significant influence over Super Shine and it was accounted for on the basis of equity accounting method. On 22nd December 2005, the Share Reform Proposal of Super Shine was approved at its general meeting. After paying consideration shares to the free-float shareholders, the Company as non-free-float shareholder had reduced its shareholding in Super Shine to 7.8%. The payment of consideration shares was recognized by the Company as goodwill of investment in associated companies.

7. **Entrusted Deposits and Overdue Time Deposits**

As at 31st December 2005, the Group had not held any deposits under trusts or any time deposits in financial institutions in the PRC. All of the Group's cash were held in commercial banks in the PRC in accordance with applicable laws and regulations. The Company had no bank deposits which is not recoverable upon maturity.

8. **Pledge of Assets**

The land use rights of certain properties were pledged by the Group as security for long-term bank loan of US$58,000,000 (2004: US$5,800,000).

The land right to yield of certain properties (yields from transfer of such land or by other means of utilization of the same) was pledged by the Group as security for long-term bank loan of RMB4,000,000,000 (2004: long-term loan of RMB 1,300,000,000 and short-term loan of RMB1,000,000,000).

In 2004, the hotel properties were pledged by the Group as security for short-term bank loan of RMB80,000,000.

9. **Contingent Liabilities**

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding guarantees amounted to RMB677,632,000 as at 31st December 2005 (2004: RMB637,468,000).

As at 31st December 2005, other than guarantees provided for a long-term bank loan of RMB450,000,000 (2004: RMB498,000) granted to a subsidiary of the Company and a short-term bank loan of RMB50,000,000 (2004: RMB120,000,000) granted to a jointly controlled entity, the Group had no material external guarantee.

HUMAN RESOURCES

As at 28th February 2006, the Group has a team of 328 young and internationalised professionals, with an average age of 34 years old. Among them, 18% and 60% have received master degree or above and undergraduate education respectively. The Group also has two foreign experts. In addition, 13 staff members had studied or worked overseas. Mid-level staff, senior staff and staff members with different experiences and qualifications accounted for 37%, 12% and 23% respectively.

The Company was accredited the Top 100 Best Employer Enterprises among 10 Major Industries Award (Property Category) in the China Human Resources Annual Election 2005 organized by Asia Pacific Human Resource Research Association (APHRRA) and SmartFortune Magazine (China) Co., Ltd.

In 2005, the Group further enhanced its result management and implemented stringent result appraisal, so as to establish a result management mechanism between the headquarters and project companies.

According to the career development planning and capability of the employees, the Group organised 20 training programmes during the year. Total training attendance approached 500 head court and the number of training hours totaled 11,203 hours with an average of 34.8 training hours per staff member. Managers of middle-management or above received a number of training programs, including "Organisation Management and Strategy", "Decision Analysis and Risk Management", "Financial Management" and "Leadership Training", in The Stanford University, The George Mason University and in the PRC. In 2005, the Group's middle to senior management participated in the exchange of business experiences with Weyerhaeuser, KB Home and Gensler of the US, as well as the project company of GIC, Singapore in Shanghai.

CORPORATE GOVERNANCE

The Group has been committed to maintain high standards of corporate governance. The Board considers such commitment essential for the internal management, financial management, balance of business risks and protection of shareholders' interests for the corporate. The Company had complied with provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December 2005.

Apart from the Audit Committee and Remuneration Committee, the Company has also set up a Strategic Committee and a Nomination Committee. The directors of the Company believes that the internal control system is comprehensive to ensure the Company and the directors of the Company are in compliance with the responsibilities set out in the Listing Rules of the Stock Exchange and the requirement of the relevant rules and regulation in Hong Kong. In addition, the Company also set up the Internal Audit Department which is responsible for reviewing and evaluating the internal control system. The Internal Audit Department is accountable to the Board and reports its works to the Audit Committee.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the 2005 Annual Report.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors including Mr. Kwong Kai Sing, Benny (chairman of Audit Committee), Mr. Yu Xing Bao and Mr. Peter Yuk Lun Eng. Since Mr. Peter Yuk Lun Eng retired as the Independent Non-executive Director of the Company when his appointment expired on 4th December 2005, Mr. Li Zhaojie was appointed as the Independent Non-executive Director of the Company and member of the Audit Committee on 5th December 2005. During the year under review, the Audit Committee held a total of three meetings.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31st December 2005.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code (please refer to the Code on Corporate Governance of the Listing Rules for definition) which is on terms no less exacting than the required standard set out in the Code for Securities Transactions by Directors in Appendix 10 of the Listing Rules (the "Model Code").

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year.

PURCHASE, SALE, OR REDEMPTION OF SHARES

During the year, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of its equity securities.

The Board as of the date of this announcement comprises Mr. Liu Xiaoguang (Chairman), Mr. Tang Jun and Mr. He Guang who are the executive Directors, Mr. Wang Zhengbin, Mr. Feng Chun Qin, Ms. Zhu Min and Mr. Muk Kin Yau who are the non-executive Directors, Mr. Benny Kwong Kai Sing, Mr. Ke Jianmin, Mr. Yu Xing Bao and Mr. Li Zhaojie being the independent non-executive Directors.

By order of the Board
Beijing Capital Land Ltd.
Liu Xiaoguang
Chairman

Beijing, 31st March 2006