



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)

ANNOUNCEMENT

Further to the announcements made by the Company on 27th June 2006, 25th August 2006 and 28th August 2006, the Board of the Company would like to provide the public with the findings of the Committee after the Investigations. Mr. Liu Xiaoguang was back to the office on 24th August 2006.

The Committee concluded that (i) so far as it is aware, other than Mr. Liu Xiaoguang, none of the Group Companies and their respective staff were requested to assist in the investigation of the former deputy mayor of Beijing City, Liu Zhihua (劉志華) by the relevant PRC authorities; (ii) the Company's operations and financial condition remained normal notwithstanding the incident; (iii) the Company's management team remained in their work post carrying out their day to day normal operations and functions; (iv) the Company's operating activities are normal, project construction and development processes were carried out smoothly and sales was good; (v) according to the PRC Lawyer, the Company has proper legal title to the various pieces of land acquired by it; (vi) the Company's financial condition is normal and none of its banks have requested for early repayment of loans; and (vii) the Company's internal control, including financial, operational and compliance controls and risk management functions comply with the requirements of Appendix 14 of the Listing Rules in all respects.

A. INTRODUCTION

Reference is made to the announcements made by the Company on 27th June 2006, 25th August 2006 and 28th August 2006. Terms used in the announcement made by the Company on 28th August 2006 shall have the same meaning when used in this announcement.

This announcement is made pursuant to rule 13.09 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Mr. Liu Xiaoguang was back to the office on 24th August 2006. On 28th August 2006, the Company issued an announcement (the "Earlier Announcement") to provide the public with information on the Company and its subsidiaries (the "Group") following the cooperation by Mr. Liu Xiaoguang, the Chairman of the Company in the investigation of the former deputy mayor of Beijing City, Liu Zhihua (劉志華) by the relevant PRC authorities (the "incident") and the measures taken or to be taken by the Company as a result of the incident, including the formation of the Committee consisting of all the independent non-executive Directors to carry out investigations on the areas described in the Earlier Announcement (the "Investigation"). In the Earlier Announcement, it was further stated that the Committee will set out its findings from the Investigation in a report. Such report dated 22nd November 2006 (the "Report") has now been issued by the Committee and a summary of such findings in the Report are set out below.

B. INVESTIGATIONS

The Committee carried out Investigations in the following areas:—

(i) Any staff involvement with investigations carried out by the PRC authorities concerning the incident

The Committee has interviewed senior management of the Company and concluded in the Report that:—

- (1) up to the date of the Report, the Company has not received any written document from any PRC authorities relating to the incident;
- (2) other than Mr. Liu Xiaoguang, none of the Group's staff were requested to assist with the investigation of the former deputy mayor of Beijing City, Liu Zhihua (劉志華) by the relevant PRC authorities;
- (3) the PRC authorities have not sent any representative to the Company to carry out on site investigations;
- (4) the incident did not involve any matters concerning the Company's operations and management.

(ii) Company's operation

The Committee also interviewed members of senior management and the persons in charge of each of the Company's major departments. In the Report, the Committee commented that the Group's sales figures were those set out in the interim report of the Company for the six months ended 30th June 2006 and that sales outlook for 2006 remains positive.

(iii) Site visits

Members of the Committee made site visits to the Company's seven projects that are presently under construction, including but not limited to The Urban Town (和平里的小鎮), North Ring Center (北環中心), The Reflections (綠溪堂), Beijing International Centre (北京國際中心), Upper East Side (陽光上東), A-Z Town (愛這城), Vancouver Forest (溫哥華森林), with total construction area of approximately 956,069 square meters. Progress for all of these construction projects were normal, and there were no unusual work stoppages.

(iv) Contact with financial institutions

The members of the Committee separately contacted three principal bankers of the Company. Those representatives from the three banks have all indicated that the incident does not directly affect the Company's normal operations and on their assessment that the Company's own financial condition are presently quite sound, there are no circumstances they are aware of which would call for early repayment of the loans to the Company. Each of the banks has also requested for further financing cooperation with the Company.

(v) Discussions with auditors

The members of the Committee have carried out discussions with the Company's auditors, PricewaterhouseCoopers and have engaged the auditors to conduct a review of the 2006 interim results of the Company using SAS700. The results of the review were tendered to the Board of Directors at the interim meeting of the Board of Directors on 11th August 2006.

(vi) Discussions with the PRC Lawyer

The members of the Committee had contacted the PRC legal advisers of the Company, Jingtian and Gongcheng Law Firm (the "PRC Lawyer") to assess the obligations and duties of the Chairman and general manager of the Company and its legal impact to the Company when the Chairman is unavailable to carry out such duties. The PRC Lawyer has advised the Committee that under the Articles of the Company, the management and operations of the Company are carried out by the Board of Directors and the general manager of the Company in accordance with the terms of the Articles, and not the Chairman of the Company. In any event, Mr. Liu Xiaoguang has returned to work at the Company and carried out his normal duties since 24th August 2006.

In addition, the PRC Lawyer has reviewed the relevant PRC Laws and Regulations and the title documents of the Company relating to 12 projects, including land located in the cities of Beijing, Chengdu, Taiyuan, Wuxi and Tianjin acquired by the Company. Such documents included but not limited to the Project Approvals from the Beijing Municipal Commission for Development and Planning and the Beijing Municipal Construction Committee, the Beijing Municipal Stated Owned Land Use Rights Transfer Agreement executed by the Beijing Municipal Committee of the State Owned Land Resources and Housing Administration (the "Transfer Agreement") and the State Owned Land Use Rights Certificate.

After the review, the PRC Lawyer opined that the procedures followed by the Company for land bidding comply with the relevant regulations promulgated by the Ministry of Land Resources PRC, and such land bidding is legal and effective. On the condition that the Company fully complies with the terms of the relevant Transfer Agreement, there is little risk of resumption of the land use rights for the relevant project by the PRC government or its Land Resources Administration department.

(vii) Internal controls

The Committee has carried out the following review of the Company's internal control, with an emphasis on financial reporting internal control, including but not limited to understanding the various mechanisms of internal control for financial reporting; assessing the senior managements assessments and decisions; sampling, testing and assessing the design, operation and effectiveness of the Company's financial reporting internal controls, as a basis for setting out its findings in the Report on the effectiveness of the Company's internal control and whether they are in line with good corporate governance practices.

The Committee believes that a company's financial reporting internal control helps the Company in setting a proper procedure for preparing financial reports for external use in compliance with generally accepted accounting principles; and gives a reasonable level of assurance to the credibility of a company's financial report. The Committee further believes that financial reporting internal control include the following principles and procedures:—

- (1) Maintenance of relevant and appropriate records to accurately and fairly reflect the Company's transactions and dealings in its assets;
- (2) The recording of transactions required for the purpose of preparing financial reports that comply with generally accepted accounting principles and recording of revenue and expense items as authorised by the senior management and the Board of Directors; and
- (3) Provision of reasonable assurance on the prevention and timely discovery of unauthorized acquisitions, use or disposal of the Company's assets which has a material impact on the financial report of the Company.

The Committee also noted that financial reporting internal controls do not fully prevent or uncover mis-statements. At the same time, any assessments of the future are subject to changes in circumstances and policies, leading to such internal controls being inadequate to uncover these changes and risks.

Having reviewed the Company's internal controls and the requirements under the Code on Corporate Governance Practices (the "Code") in Appendix 14 of The Listing Rules, the Committee concluded in the Report that, in all material respects, the Committee's assessment of the level of the Company's financial reporting internal control maintained by the senior management of the Company is fair and by applying the requirements under the Code, the Company has maintained an effective internal control for financial reporting in all material respects.

C. CONCLUSIONS IN THE REPORT

After carrying out the Investigations, the Committee set out its findings in the Report, a summary of which is as follows:—

- (i) so far as it is ware, other than Mr. Liu Xiaoguang, none of the Group Companies and their respective staff were requested to assist in the investigation of the former deputy mayor of Beijing City, Liu Zhihua (劉志華) by the relevant PRC authorities;
- (ii) the Company's operations and financial condition remained normal notwithstanding the incident;
- (iii) the Company's management team remained in their work post carrying out their day to day normal operations and functions;
- (iv) the Company's operating activities are normal, project construction and development processes were carried out smoothly and sales was good;
- (v) according to Jingtian and Gongcheng Law Firm (the "PRC Lawyer"), the Company has proper legal title to the abovementioned 12 pieces of land acquired by it;
- (vi) the Company's financial condition is normal and none of its banks have requested for early repayment of loans; and
- (vii) the Company's internal control, including financial, operational and compliance controls and risk management functions comply with the requirements of Appendix 14 of the Listing Rules in all material respects.

The Directors believe that the above measures and the findings in the Report can demonstrate to the public that the Company is operating its business in its usual normal manner and the financial status of the Company is normal, notwithstanding the incident.

By order of the Board
Beijing Capital Land Ltd.
Eva Chan
Company Secretary

Hong Kong, 30th November, 2006

The Board members of the Company 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. Feng Chun Qin, Mr. Wang Zhengbin, 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.