



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2004

FINANCIAL HIGHLIGHTS

- Turnover was approximately RMB870,225,000, representing a year-on-year growth of 8%.
- Profit attributable to shareholders was approximately RMB136,847,000, representing a year-on-year growth of 70%.
- Basic earnings per share was RMB0.085 (2003: RMB0.071).
- The Board of Directors does not recommend the payment of an interim dividend (2003: nil).

The Board of Directors (the "Board") of Beijing Capital Land Ltd. (the "Company" or "Beijing Capital Land") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2004, which has been reviewed by the Company's Audit Committee, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2004

	Note	Unaudited	
		2004	2003
		RMB'000	RMB'000
Turnover	2	870,225	804,456
Cost of sales		(722,387)	(606,004)
Gross profit		147,838	198,452
Other income	4	126,253	45,493
Selling and administrative expenses		(60,438)	(41,739)
Other operating expenses		—	(2,024)
Operating profit	5	213,653	200,182
Finance costs	6	(18,725)	(20,217)
Share of results of			
— Associated companies		18,860	(106)
— Jointly controlled entities		(2,143)	(1,656)
Profit before taxation		211,645	178,203
Taxation	7	(65,022)	(60,226)
Profit after taxation		146,623	117,977
Minority interests		(9,776)	(37,519)
Profit attributable to shareholders		136,847	80,458
Interim dividend	8	—	—
Basic earnings per share	9	RMB0.085	RMB0.071

Notes

1 Basis of preparation

(a) Basis of preparation and principal accounting policies

These unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice "SSAP" 25 (revised) "Interim Financial Reporting" issued by The Hong Kong Society of Accountants and Appendix 16 of The Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in and should be read in conjunction with the annual accounts for the year ended 31st December 2003.

(b) Disposal of Super Shine Shares

The Company had announced in March 2004 the disposal of 15.5% of the issued shares of Super Shine to an independent third party, Beijing Yan Zhao Real Estate Development Co., Ltd. Super Shine is a company listed on the Shenzhen Stock Exchange. The Company originally held 26.5% of its issued shares, being the largest shareholder of Super Shine. After the disposal, the Company will hold 11% of its issued shares, making it the third largest shareholder. The Company plans to gain long-term and stable investment return from the shares remaining on hand.

At the date of this announcement, the share transfer agreement is subject to the approval of the relevant authority of the PRC government.

The result of Super Shine has been equity accounted for in the Group's consolidated financial report for the six months ended 30th June 2004. The financial result of Super Shine and impact on the Group's result is stated in note 3 below.

2 Business segment information

For the six months ended 30th June 2004

	Properties development and investment	Hotel business	Group
	RMB'000	RMB'000	RMB'000
Turnover	862,332	7,893	870,225
Segment results	114,637	1,234	115,871
Net unallocated income			76,241
Interest income			192,112
Finance costs			21,541
Share of results of			(18,725)
— Associated companies	18,860	—	18,860
— Jointly controlled entities	(2,143)	—	(2,143)
Taxation			(65,022)
Minority interests			(9,776)
Profit attributable to shareholders			136,847

There are no material sales or other transactions between the business segments.

For the six months ended 30th June 2003

	Properties development and investment	Sales agency and property management services	Group
	RMB'000	RMB'000	RMB'000
Turnover	794,740	9,716	804,456
Segment results	194,890	(855)	194,035
Net unallocated income			1,196
Interest income			195,231
Finance costs			4,951
Share of results of			(20,217)
— Associated companies	(198)	92	(106)
— Jointly controlled entities	(1,656)	—	(1,656)
Taxation			(60,226)
Minority interests			(37,519)
Profit attributable to shareholders			80,458

There are no material sales or other transactions between the business segments.

3 Transfer of Super Shine Shares

The condensed consolidated profit and loss account of Super Shine for the six months ended 30 June 2004 and 2003:

	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Turnover	411,515	388,997
Cost of sales	(333,497)	(329,140)
Gross profit	78,018	59,857
Other income	2,727	7,239
Selling and administrative expenses	(23,536)	(17,022)
Operating profit	57,209	50,074
Finance costs	—	—
Profit before taxation	57,209	50,074
Taxation	(20,370)	(16,483)
Profit after taxation	36,839	33,591
Minority interests	(5,581)	(1,958)
Profit attributable to shareholders	31,258	31,633

4 Other income

	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Profit on disposal of associated companies and other investments	49,315	33,771
Unrealised gain from other investments	—	3,248
Profit on disposal of subsidiaries	55,366	1,908
Interest income	21,541	4,951
Others	31	1,615
	126,253	45,493

5 Operating profit

Operating profit is stated after charging the following:

	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Depreciation	1,685	1,436
Provision for doubtful debts	15,189	—

6 Finance costs

	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Interest on		
— Bank loans	63,429	39,028
— Other loans wholly repayable within five years	4,994	13,524
	68,423	52,552
Amount capitalised in properties held for/under development and construction in progress	(49,698)	(32,335)
	18,725	20,217

7 Taxation

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the period. PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 33%.

	For the six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
PRC income tax		
Company and subsidiaries		
— Current	37,296	39,968
— Deferred	21,481	19,751
Share of taxation attributable to joint controlled entities	(718)	507
Share of taxation attributable to associated companies	6,963	—
	65,022	60,226

No provision for land appreciation tax ("LAT") had been made as the Group had not been required by the relevant authorities to pay LAT and the directors consider that the Group is unlikely to receive demands from the tax authorities for payment of LAT up to the period ended 30th June 2004, which would otherwise have accumulated to approximately RMB154,350,000 attributable to the Group after netting off potential income tax saving (up to the years ended 2003: RMB149,300,000).

In 2003, upon the reorganization 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, all LAT payable in consequence of the disposal of the Group's existing properties as at 30th April 2003.

8 Interim dividend

The board has resolved not to declare any interim dividend in respect of the six months ended 30th June 2004 (2003: nil).

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB136,847,000 (2003: RMB80,458,000) for the six months ended 30th June 2004 and the weighted average number of 1,613,300,000 shares (2003: 1,134,030,939 shares) in issue during the period.

Diluted earnings per share is not presented as the Company has no dilutive potential shares.

10 Transfer to the statutory reserve fund, statutory public benefit fund will be proposed by the Board at the next shareholders' general meeting and accordingly no provisions in respect of these transfers have been made for the six months ended 30th June 2004 (2003: nil).

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Beijing Capital Land ("BCL"), I am pleased to present the Company's interim results for the six months ended 30th June 2004.

In the first half of 2004, the PRC economy continued to experience robust growth while the demand of the property market remained strong. Amidst such environment conditions, the government of the PRC implemented a series of macroeconomic measures in hopes to stabilize the operations of the economy and to guide the land supply toward open trade. Facing a rapidly changing industry, BCL, on the one hand, proactively adjusted its operation strategies, such as expanding financing channels, preparing for participation in open trading of land, accelerating the project development, developing innovative sales and marketing strategies, rapidly pursuing overall brand promotion strategies and enhancing the training of staff quality, their aggressiveness and team spirit. On the other hand, the Company also actively looked for expansion opportunities arising from the macroeconomic measures, in order to increase market share and to establish a solid foundation for becoming an Asian-wide property developer.

Due to its leading operation strategy and the dedication of the staff, BCL achieved considerable growth in the first half of 2004. The GFA for properties sold was 155,400 sq.m., representing an increase of 114% from the corresponding period last year, residential properties and office contributed to 87% and 13% of the total GFA for properties sold respectively. The contract sales derived from properties sold amounted to 1.36 billion, representing an increase of 94% from the same period of last year. Within this total amount, 81% was residential housing and 19% was offices, reaching the Company's target for maintaining a balanced properties portfolio. The Group recorded a historical high of RMB870,225,000 in turnover during the period under review, representing an increase of 8%; profit attributable to shareholders was RMB136,847,000, an increase of 70% as compared to that of the corresponding period last year.

At present, PRC's property market is facing significant changes. On the one hand, there continues to be robust demand within the market, as the economy grows steadily and the income of citizens increases gradually, while the coming of the Olympics Games will further fuel the growth. On the other hand, to control certain sectors of the economy, the government is implementing macroeconomic measures in parts of the regions with an overheating economy. As a result, the government increased the entry barrier of the property market and many small to medium sized developers are faced with immense challenges. Also, as all the land transaction are now carried out in the format of bidding, auction and tender, the property industry is opened further and become more market oriented. At such time, only the enterprises with scale, capabilities, reputation and the right strategy will grow rapidly — the strong will grow stronger while the weak become weaker.

Facing the favorable market conditions for BCL, the Company will continue to maintain its competitive advantage of land bank, a balanced properties mix and strong sales network. The Company will further strengthen its competitive edge by leveraging on its competitive advantages of financial capital and comprehensive operations model, as well as look for opportunities and reasonable model of urban planning and primary land development with the government. This will speed up the internationalisation of the Company. The Company will widely adopt leading experiences of properties development and properties management, increasing value for money of our products for our customers and providing them with properties that will appreciate over time. Also, the Company will continue to enhance its capability of resource integration in the field of real estate, maximising its market share through mergers and acquisitions.

In this time of major changes within the market, BCL is faced with more opportunities than challenge. We believe that with the efforts of our staff and the support of our business partners, customers, and shareholders, we will inevitably achieve our goals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2004, the Group recorded a turnover of RMB870,225,000, representing a 8% increase over the RMB804,456,000 turnover achieved in the first half of 2003. During the period under review residential properties accounted for 70% of total turnover, with properties including Sydney Coast and Entrepreneur Garden. Commercial property accounted for 30% of total turnover, which mainly came from the sale of the Capital Development Tower.

The Group's gross profit margin for the first half of 2004 decreased to 17% when compared to the same period of last year. This was attributable to the lower selling prices of the properties in Zhongguancun, in which the office sold by the Group were located.

The Group's operating profit during the period under review amounted to RMB213,653,000 (2003: RMB200,182,000), profit attributable to shareholders was approximately RMB136,847,000 (2003: RMB80,458,000), earnings per share was RMB0.085 (2003: RMB0.071), representing an increase of 7%, 70%, and 20% respectively as compared to the corresponding period last year.

Sales Results

In the first half of 2004, the Company's total contracted area amounted to 155,400 sq.m., representing a growth of 114% from the 72,600 sq.m. sold in the corresponding period in 2003. Of the total area sold, 87% came from the sale of residential properties and 13% was contributed by the sale of office. The total contracted amount was RMB1.36 billion, a growth of 94% as compared to the RMB700 million of the corresponding period last year, with residential properties accounting for 81% and office accounting for 19% of the total. The ratio contributed by residential properties was progressively increasing in line with the planning of the Company.

During the period under review, sales mainly came from 7 projects ranging from low-density residential properties in the rural area, mid-to-high-end residential area within cities, to offices properties located in Zhongguancun, reflecting the Group's edge on diversification. Within the 7 major projects, Sunny Scenic View Phase II and Top Land Phase I were almost sold out within less than one year since their launch. This demonstrated that the properties launched by BCL received overwhelming responses and support from the customers. Also, Top Land Phase I, office/residential project launched by the Group, successfully developed a small modern business district within Sanyuanqiao, and appointed CB Richard Ellis for its property management. The project has received great market response. The Capital Development Tower, located in the heart of Zhongguancun projected the contemporary design of office building which comprised "Humanism, Green and Technology". As a result, the project stood out against the rest of the other offices within Zhongguancun and recorded encouraging sales performance.

The Group's philosophy has always been to adopt international and advanced development concepts, to provide original and quality properties for customers, and to guarantee the appreciation of property values. The remarkable responses the Group received from the market reflected that our beliefs on development and marketing match the requirements of the market. The Vancouver Garden, based on the foundation of 71 hectares of natural forests developed by over a hundred of different housing combinations of different architectural style. With its nature-friendly, and superb quality, Vancouver Garden was well received by the market since its first launch. The project has launched 58 units since its premiere sales at the end of May and ultimately, 31 units were sold within one month only.

Contracted Sale in the First Half of 2004

Property	Location	Type	Approximate GFA (sq.m.)	Interests Attributable to BCL
Vancouver Garden (First Forest)	Dongshagezhuang, Beiqijia Town, Changping District	Villa	13,000	50%
Sydney Coast	Xi'sanqi, Haidian District	Villia	26,000	100%
Sunshine Lotus (Top Land)	Sanyuanqiao, Chaoyang District	Office/Residential	20,300	81.7%
Entrepreneur Garden (Winners Circle)	Xi'erqi Haidian District	Residential	27,400	40%
Sunny Scenic View	No.23 Huangsi Avenue, Xicheng District	Residential	24,100	32.6%
Jia Run Garden (Upper East Side)	No.10 Jiangtai West Road, Chaoyang District	Residential	24,600	46%
Capital Development Tower	No.10 Part 1 Western Zone of Zhongguancun Science Park	Office/Commercial	20,000	100%
Sub-total			<u>155,400</u>	

Property Development

During the period under review, the Company substantially completed two development projects, namely First Forest District A and Capital Development Tower, with a total gross floor area of 68,300 sq.m.

Projects substantially completed in the first half of FY 2004

Property	Location	Type	GFA (sq.m.)	Interests Attributable to BCL
Vancouver Garden (First Forest) District A	Dongshagezhuang, Beiqijia Town, Changping District	Villa	32,200	50%
Capital Development Tower	No.10 Part 1 Western Zone of Zhongguancun Science Park	Office/Commercial	36,100	100%
Sub-total			<u>68,300</u>	

In the second half of 2004 year, the Company expects to complete 5 projects with a total gross floor area of 382,600 sq.m. To date, the pre-sale of each project is well received and we will transfer the properties to customers as planned.

Projects to be completed in the second half of FY 2004

Property	Location	Type	GFA (sq.m.)	Interest Attributable to BCL
Vancouver Garden (First Forest) District D	Dongshagezhuang, Beiqijia Town, Changping District	Villa/Commercial	71,200	50%
Sydney Coast District E	Xi'sanqi, Haidian District	Villia/Commercial	44,100	100%
Sunshine Lotus (Top Land) Phase I	Sanyuanqiao, Chaoyang District	Office/Commercial	82,600	81.7%
Sunny Scenic View	No.23 Huangsi Avenue, Xicheng District	Residential	93,700	32.6%
Jia Run Garden (Upper East Side)	No.10 Jiagtai West Road, Chaoyang District	Residential	91,000	46%
Sub-total			<u>382,600</u>	

Property Investment

The Central Holiday Inn, owned by the Group, is a four-star grading international hotel managed by InterContinental Hotels Group. The hotel commenced its operation at the end of March this year. The hotel, located in the business district of the Guanganmen government, at the heart of Beijing, is directly connected to the office of Municipal Government building and is adjacent to many state ministries and commissions. With such advantages, the hotel positioned itself as a business meetings hotel with international brands. The hotel consists of 322 guest rooms and suites, a 700 sq.m. ballroom, and 8 multifunctional halls with GFA ranging from 40 sq.m. to 190 sq.m. All venues within the hotel are equipped with advanced audio-visual equipments, allowing the hotel to provide professional and attentive business conferencing service throughout the day. After operating for three months, the hotel occupancy rate has expedited to 60%. In addition, the Group also invests in the five star Inter-continental Hotel located at the Finance Street which is undergoing its final interior decoration and is expected to start operation within this year. International Finance Centre, the property at which the hotel is located, is managed by DTZ Debenham Tie Leung to guarantee the management quality. As Beijing accelerates its progress of internationalisation, and with the approaching of the 2008 Olympics Games, better opportunities for the development of the hotels are yet to come. At that time, the hotels will generate substantial and stable cash flow for the Group.

Property Agency Service

Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet"), of which Beijing Capital is the largest shareholder, has been the top property agency in Beijing in terms of agency revenue for four consecutive years. In the first half of this year, GoldenNet once again recorded impressive results. The total area sold in aggregate for the six months by GoldenNet amounted to 270,000 sq.m., representing a year-on-year growth of 159%, and the agency revenue for properties exceeded RMB2 billion, representing a year-on-year growth of 143%. The current amount of the agency sales has already accounted for 5% of the total property sales in Beijing in the first half of the year.

Beijing SCJF Property Agency Co., Ltd. ("Beijing SCJF"), in which the Group owns 33% equity interest, is now one of the largest professional property agencies in Beijing and is principally engaged in the transfer of secondary properties. In the first half of this year, the Group sold 9,130 sq.m. of secondary properties, and the transactions of secondary properties reached RMB43.3 million, accounting for 1% of the total transactions of secondary properties in Beijing. Beijing SCJF is ranked top 5 in the market in terms of the value of its total transactions in Beijing. It also becomes the first designated organization for pension loan (公積金貸款指定代辦機構) in the Beijing property market.

Land Bank

On 31st January 2004, the Beijing government promulgated the Supplementary Regulations In Respect of Prohibiting Operative Project State Owned Land Use Rights Transfer Agreement (關於停止經營性項目國有土地使用權協議出讓的補充規定), which prohibited all the transaction of commercial land in the form of agreement transfer. In the future, all land use right shall be transferred through tenders, bidding and public auction. On 31 March 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the Notice in Respect of Enforcing and Supervising The Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which required the local government to settle all past problems before 31st August 2004. After 31st August 2004, any land use rights transfer in the form of agreement by the excuse of historical difficulties will be punished with serious measurement.

At present, the Company's land bank amounts to approximately 2.844 million sq.m. which is sufficient for development in the next 3 to 4 years. After the implementation of the policies which regulate land transfers through tenders, auction and bidding, the Group will leverage on its edges on capital, operations, brand, and reputation to acquire quality land resources. Now, the Group has established a specialized committee to carefully look into the latest tenders, auctions and bidding opportunities, proactively increasing the size and quality of the Group's land bank via the open market. The Company believes that after all the land supply is transferred through open transaction, this will help rationalise the market activities and facilitate the market toward stable and sustainable growth. Furthermore, the measures also help the developers with comprehensive capabilities to acquire quality land.

Rewards and Recognition

- In May 2004, the Group was selected as one of the "Top 10 Brands in the PRC Property Market" by Soufun net (www.soufun.com), the world's largest portal for Chinese property market and Baidu.com, Inc. (www.baidu.com), the world's largest Chinese search engine. In addition, Mr. Liu Xiaoguang, Chairman of the Company, was selected as one of the "Top 10 Notables in the PRC Property Market".
- In July 2004, the Group was selected as one of the "Top 50 Leading Urban Operators in the PRC" by the Expo of Urban Real Estate Operations of the PRC.
- In August 2004, the Group was selected as the "Bluechip Property Developers in the PRC" by the Beijing Youth Post and the Economic Observer.

Employees

As at 30th June 2004, the Group had a total of 270 full-time employees. During the period under review, the Company intended to dispose shares of Super Shine and therefore the employees of Super Shine were not included. The Company periodically invites internal or external professionals to hold training seminars on management work flow, quality, business development, policies and regulations, and working skills with an aim to advance the Company into an educational and open organization.

The salary of individual employees is determined upon market condition, individual performance, education level and experience. The benefits we provide for our staff includes Pension Contribution Scheme, Medical Insurance Plan, Unemployment Insurance Scheme and Housing Allowance. Moreover, the Company adopted the Share Appreciation Rights Incentive Scheme (the "Incentive Scheme"). The principal terms and conditions of the Incentive Scheme are summarized in the section headed "Summary of terms of the Share Appreciation Rights Incentive Scheme" in Appendix VIII to the Prospectus. As at 30th June 2004, no share appreciation rights have been granted under the Incentive Scheme.

A Shares Issue

On 2nd February 2004, the Board of Directors resolved in the Board Meeting to apply for the issue of not more than 1.2 billion A shares to Chinese investors when appropriate, and to list these shares on the Shanghai Stock Exchange. The Company will use the proceeds (estimation of not more than RMB3 billion) from the shares issue to develop the Capital Commercial Center and Hujialou Business & Residential District. Also, the Company will, according to its strategic plan, acquire several development projects in Beijing to solidify the Company's leading position in the Beijing property market and to further establish its influential brand and reputation.

On 22nd March 2004, the resolution of A share issue was approved by the shareholders' meeting of domestic shares, shareholders' meeting of H shares, and special general meeting.

On 23rd July 2004, the Company was verbally notified by China Securities Regulatory Commission that the proposal of A shares issue is not accepted. The Group's operation will not be affected by the rejection of the A shares proposal. At present, the Group is financially sound with sufficient funds for future developments. The Company will apply to issue A shares when the timing is appropriate.

For detailed information on the A shares issue, please refer to the related announcements and circular made by the Company.

Transfer of Super Shine Shares

For strategic reason and to solve the internal competition problem brought along by the A share issue, the Company disposed of 15.5% of the issued shares of Super Shine at a premium of 10% over the audited net asset value of Super Shine as at 31st December 2003 to an independent third party, Beijing Yan Zhao Real Estate Development Co., Ltd. Super Shine is a company listed on the Shengzhen Stock Exchange. The Company originally held 26.5% of its shares, being the largest shareholder of Super Shine. After the disposal, the Company will hold 11% of its issued shares, making it the third largest shareholder. The Company has no present intention to further dispose of the shares of Super Shine. The Company plans to gain long-term and stable investment return from the shares remaining on hand.

At the date of this announcement, the share transfer agreement has been signed and is now subject to the approval of the relevant authority of the PRC government. The result of Super Shine has been equity accounted for in the Group's consolidated accounts for the six months ended 30th June 2004.

For further information related to this transaction, please refer to the circular made to shareholders on 17th May 2004.

PROSPECTS

In the first half of 2004, the PRC continued to maintain a strong growth momentum, compared with the same period in 2003, GDP grew by 9.7% to reach RMB5,877.3 billion. The government implemented a series of macroeconomic measures, such as increasing the real estate project capital ratio from 30% to 35% and increasing the bank reserve ratio twice. The economy is now starting to see the effects of such measures, for example, fixed capital investment rate decreased from 53% in the beginning of the year to 22.7%. The price of raw materials such as steel and cement, is gradually decreasing and stabilising. It is expected that the government will not further increase the severity of the macroeconomic measures within a short period of time. In the first half of this year, consumer price index (CPI) continued to increase. As at June, CPI reached 105. The first signs of inflation are seen, and the demand in the property market will be further stimulated.

In the first half of this year, the investment growth rate of development in the Beijing property market decreased from 64.8% in the beginning of the year to 22.1%, creating a decrease in future supply of properties. Also, there are signs of increase in property demand as the GFA of commodity properties sold in the first half of the year amounted to RMB7.25 billion, a year-on-year growth of 40%. The revenue derived from commodity properties sold amounted to RMB35.9 billion, a year-on-year growth a 51%. The average price for commodity properties was RMB4,949 per sq.m., a year-on-year growth of 7.3%, reflecting the market is in a positive direction with simultaneous increase in quantity and price.

The Group possesses sufficient funds, a sound financial structure, ample and quality land bank, outstanding project operation capability, and advanced operation strategies. The macroeconomic measures will only have minimal effect on the Company. Instead, the Company grasped the favourable opportunity in the market, proactively developed and launched projects for sale and thus, achieved the best interim results in the history of the Company.

As the demand of the property market continues to increase and the effects of the macroeconomic measures continue to subside, the Group will face more and better opportunities. The Group will dedicate to focusing on the implementation of the following development strategies to create better results:

- Through participating in various formats of open trading of land, including tender, bidding, and auction, the Group will increase the quantity and quality of its land bank and strengthen its residential land bank.
- Adjust product mix and optimize investment portfolio to further enhance cashflow.
- Fully capitalize on the opportunities arising from the consolidation of the industry to actively explore the possibilities for mergers and acquisition and to rapidly expand its operations scale.
- Speed up the feasibility study for the development of the property markets in other major cities of the PRC to actively identify new investment opportunities.
- Cooperate with internationally reputable corporations to further establish its brand name and rapidly extend the reach of BCL.
- Accelerate the adoption of internationally modernized concepts of property development, and endeavor to work with international partners to strengthen the internationalisation of the Company.
- Employ more quality staff and at the same time, put more resources into staff training. Also, the Group will proactively cultivate a corporate culture of being educational and open to form the most capable management team in the PRC's property market.

FINANCIAL ANALYSIS

Liquidity and Capital Resources

During the period under review, the Group maintained a healthy cash flow and the capital resource was reasonably allocated. As at 30th June 2004, the Group's bank deposits and cash amounted to RMB1,584,342,000 (2003: RMB1,488,134,000).

As at 30th June 2004, the Group had banking facilities of approximately RMB6,398,000,000 (2003: RMB2,328,000,000), of which approximately RMB3,198,000,000 (2003: RMB1,828,000,000) had been utilized which have been included under current liabilities and non-current liabilities at RMB2,398,000,000 (2003: RMB1,178,000,000) and RMB800,000,000 (2003: RMB650,000,000) respectively. As at 30th June 2004, the Group's gearing ratio (net debt over the sum of shareholder's equity and net debt) was 52% (2003: 42%). They are mainly used for payments of land premium and financing of properties under development.

Since the Group's investments are in Beijing, all of the bank loans come from banks in China and are denominated in RMB to minimize currency risks. All of the Group's bank borrowings was arranged on a fixed rate basis.

Pledged Assets

As at 30th June 2004, development properties and investment properties with book value of approximately RMB536,326,000 and USD2,500,000 were pledged to banks for securing guarantee of bank loans for the Group. For the same period of last year, development properties and investment properties with book value of approximately RMB62,818,000 and RMB462,090,000 were pledged to banks for securing guarantee of bank loans for the Group.

Contingent Liabilities

The Group had arranged bank financing for certain purchasers of our properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding guarantees amounted to RMB602,377,000 as at 30th June 2004 (2003: RMB749,184,000).

AUDIT COMMITTEE

The Audit Committee which was established in accordance with the requirement of the Listing Rules held meetings in March and August 2004. The ex-director, Mr. Wang Qi, became the Company's Supervisor from 13th May 2004 and resigned as a member of the Audit Committee on the same day. Mr. Yu Xing Bao, an independent non-executive director of the Company, was appointed as a member of the Audit Committee on the same day. For the time being, there are three members in the Committee and they are all independent non-executive directors of the Company. They include Mr. Benny Kwong Kai Sing, Mr. Peter Yuk Lun Eng and Mr. Yu Xing Bao.

Mr. Yu Xing Bao is a certified public accountants in the PRC, possesses the professional qualification required by 3.10(2) of the Listing Rules. The Board of the Company has approved to adopt the terms of reference under "A Guide for Effective Audit Committee" issued by the Hong Kong Society of Accountants in February 2002. The Board has stated clearly the duties and responsibilities of the Audit Committee. The primary duties of the Audit Committee are to appoint external auditors, review and supervise our financial reporting process and internal control system and provide advice and comments to the Board. The interim results of the Group for the six months ended 30th June 2004 was reviewed by the Audit Committee.

CODE OF BEST PRACTICE

For the six months ended 30th June 2004, the Group complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors of the Company, during the period under review, none of the directors of the Company has not complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six month ended 30th June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

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

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