



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)

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF A PRC JOINT VENTURE COMPANY

The Directors of Beijing Capital Land Ltd. (the “Company”) announce that on 1st July 2005, the Company entered into the Joint Venture Contract to establish a sino-foreign equity joint venture company in Shanghai, PRC with Reco Ziyang, a connected person of the Company as defined in the Listing Rules.

The amount of registered capital of the Joint Venture Company is US\$165,000,000. The Company and Reco Ziyang shall contribute 51% and 49% of the registered capital respectively. The Joint Venture Company is set up as a property investment holding company in the PRC.

Reco Ziyang is the substantial shareholder of a subsidiary of the Company, Beijing Capital Ziyang Real Estate Ltd. Accordingly, Reco Ziyang is a connected person of the Company pursuant to the Listing Rules. The transactions contemplated under the Joint Venture Contract constitute a discloseable and connected transaction for the Company under the Listing Rules and will be subject to the disclosure and independent shareholders’ approval requirements as set out in Chapter 14 and 14A of the Listing Rules.

A circular containing details of the Joint Venture Contract, the recommendation of the Independent Board Committee, a letter of advice from an independent financial adviser and a notice of the EGM to be convened at which ordinary resolution(s) will be proposed for the Shareholders to consider, and if thought fit, to approve the Joint Venture Contract and all matters contemplated under the Joint Venture Contract, will be dispatched to the Shareholders as soon as practicable. The votes of the Independent Shareholders in the EGM will be taken by poll. Reco Ziyang and its associates will abstain from voting at the EGM in respect of the ordinary resolution(s) to approve the Joint Venture Contract and the transactions contemplated thereunder.

The Directors announce that on 1st July 2005, the Company has entered into the Joint Venture Contract for the formation of the Joint Venture Company with Reco Ziyang.

THE JOINT VENTURE CONTRACT

Date of the Joint Venture Contract

1st July 2005

Parties

The Joint Venture Contract was entered into between:

- (A) the Company; and
- (B) Reco Ziyang, a substantial shareholder of a subsidiary of the Company, Beijing Capital Ziyang Real Estate Ltd.

Scope of Business

The nature of the Joint Venture Company is an investment holding company and the scope of business of the Joint Venture Company shall be the investment, acquisition and ownership in relation to the development, operation and management of residential, commercial and office properties and property related business in the PRC. The Joint Venture Company may also set up individual subsidiaries for the development and construction of property projects in the PRC. Save and except the three Project Companies to be injected into the Joint Venture Company, there are no other specific identified property projects to be invested by the Joint Venture Company at the present moment.

Registered Capital

The registered capital of the Joint Venture Company shall be US\$165,000,000 (approximately HK\$1,287,000,000), and shall be contributed as to 51% by the Company, and as to 49% by Reco Ziyang. The registered capital shall be contributed partly by way of transfer of equity interests in the Project Companies jointly established by the Company and Reco Ziyang or their respective associates to the Joint Venture Company and partly by way of cash.

In relation to the portion of registered capital to be contributed by way of transfer of equity interests in the Project Companies, the details are as follows:—

Name of Project Companies	Registered capital (Note 1)	Shareholders	Original equity ratio	Equity ratio to be transferred to the Joint Venture Company
1. Beijing Sunshine City Real Estate Development Co., Ltd.	US\$20,000,000	The Company Reco Camellia Pte Ltd. (Note 2)	50% 50%	50% (Note 3) 48% (Note 3)
2. Beijing Anhua Shiji Real Estate Development Co., Ltd.	US\$30,000,000	The Company Reco Hibiscus Pte Ltd. (Note 2)	55% 45%	46.8% (Note 4) 45% (Note 4)
3. Beijing Capital Ziyang Real Estate Ltd.	US\$60,000,000	The Company Reco Ziyang	55% 45%	46.8% (Note 5) 45% (Note 5)

Note:

- The registered capital of the Project Companies had already been paid in full by the relevant shareholders before the date of the Joint Venture Contract.
- Both Reco Camellia Pte Ltd. and Reco Hibiscus Pte Ltd. are fellow subsidiaries of Reco Ziyang.
- The Company and Reco Camellia Pte Ltd. shall transfer 50% and 48% equity interest in Beijing Sunshine City Real Estate Development Co., Ltd. to the Joint Venture Company respectively, representing US\$10,000,000 and US\$9,600,000 of the amount of registered capital respectively.
- The Company and Reco Hibiscus Pte Ltd. shall transfer 46.8% and 45% equity interest in Beijing Anhua Shiji Real Estate Development Co., Ltd. to the Joint Venture Company respectively, representing US\$14,040,000 and US\$13,500,000 of the amount of registered capital respectively.
- The Company and Reco Ziyang shall transfer 46.8% and 45% equity interest in Beijing Capital Ziyang Real Estate Ltd. to the Joint Venture Company respectively, representing US\$28,080,000 and US\$27,000,000 of the amount of registered capital respectively.

The total value of the equity interests in the above 3 Project Companies to be contributed by the Company and Reco Ziyang as capital contribution to the Joint Venture Company is US\$52,120,000 and US\$50,100,000 respectively. Upon the establishment of the Joint Venture Company, the shareholding structure of the above 3 Project Companies shall be as follows:—

Name of Project Companies	Registered Capital	Shareholders	Equity Ratio
1. Beijing Sunshine City Real Estate Development Co., Ltd.	US\$20,000,000	Joint Venture Company Reco Camellia Pte Ltd.	98% 2%
2. Beijing Anhua Shiji Real Estate Development Co., Ltd.	US\$30,000,000	Joint Venture Company The Company	91.8% 8.2%
3. Beijing Capital Ziyang Real Estate Ltd.	US\$60,000,000	Joint Venture Company The Company	91.8% 8.2%

All Project Companies were established in Beijing, PRC. The principal activities of Beijing Sunshine City Real Estate Development Co., Ltd., Beijing Anhua Shiji Real Estate Development Co., Ltd. and Beijing Capital Ziyang Real Estate Ltd. are the development and construction of property projects situated in He Ping Li, Yu Yuan Tan and Shi Li Bao in Beijing, PRC respectively. All of these property projects are residential properties and are still under development. The transfer of equity interests of the Project Companies shall be subject to the approval of the original approval authorities of the respective Project Companies.

Apart from the contribution of equity interests in the Project Companies, the Company and Reco Ziyang shall also contribute US\$32,030,000 and US\$30,750,000 in cash, 15% of which shall be contributed by the respective parties within three months from the date of issuance of the business licence of the Joint Venture Company, and the balance shall be contributed by the parties within two years from the date of issuance of the business licence of the Joint Venture Company. The amount of cash to be contributed by the Company will be generated from internal resources.

The amount of registered capital of US\$165,000,000 as stated in the current Joint Venture Contract will be contributed by the parties in full. The amount of registered capital could also be increased in the future should the shareholders resolved to do so, and the Joint Venture Contract will then be amended accordingly.

Further Financing

Any further financing required by the Joint Venture Company shall be funded by bank loans, shareholders’ loan or increase of registered capital of the Joint Venture Company. If shareholders’ loan shall be required, the parties shall provide shareholders’ loan to the Joint Venture Company in proportion to their respective equity interests in the Joint Venture Company in accordance with the board resolution passed by the Joint Venture Company at the relevant point of time. Apart from the registered capital, further financing or increase of registered capital is not anticipated at the present moment, and there are no other commitments made by the Company for the formation of the Joint Venture Company.

Profit Sharing

Any profit or loss of the Joint Venture Company shall be shared or borne by the Company and Reco Ziyang in proportion to their respective equity interests in the Joint Venture Company.

Board Composition

The board of directors of the Joint Venture Company shall consist of five directors. The Company shall be entitled to appoint three directors and Reco Ziyang shall be entitled to appoint two directors. The chairman of the board shall be appointed by the Company and the vice chairman shall be appointed by Reco Ziyang.

Other Conditions

The Joint Venture Contract shall be subject to the approval by the Ministry of Commerce of the PRC and Independent Shareholders’ approval of the Company.

Reasons for the formation of the Joint Venture Company

The Company is a large property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties, and medium to high-end residential properties. All of the projects of the Group are in Beijing. The Group is currently developing a number of properties, including certain hotels, which the Group intends to hold as long-term investments. The Group also intends to have property investment as one of its core businesses.

Reco Ziyang is principally engaged in property investment in the PRC. It is the substantial shareholder interested in 45% of the registered capital of the Company’s subsidiary, Beijing Capital Ziyang Real Estate Ltd. Accordingly, Reco Ziyang is a connected person of the Company pursuant to the Listing Rules and the formation of the Joint Venture Company constitute connected transactions for the Company under the Listing Rules.

According to the Strategic Investment Agreement signed between the Company and Reco Pearl Private Limited, a fellow subsidiary of Reco Ziyang, dated 11th March 2003 as amended by a supplement agreement dated 15th May 2003, details of which are set out in the Company’s prospectus dated 10th June 2003, when the Company identifies or becomes aware of an opportunity to acquire, own, develop, operate or otherwise invest in any residential or commercial property project or other property related projects within the PRC, the Company shall offer Reco Pearl Private Limited or its associate an opportunity to co-invest with the Company as its preferred partner.

In view of the Strategic Investment Agreement, the Company and Reco Ziyang has agreed to cooperate in the investment, acquisition and ownership in relation to the development, operation and management of residential, commercial and office properties and property related business in the PRC through the formation of the Joint Venture Company. As the Company and Reco Ziyang intend to cooperate in property investment on a long-term and recurring basis, new property projects shall be developed by project companies set up by the Joint Venture Company directly instead of new joint venture companies to be established by the Company and Reco Ziyang or its associates. Both the Company and Reco Ziyang are of the view that the current structure would facilitate the management of various project companies owned by them jointly.

The Directors believe that the terms of the Joint Venture Contract are made on an arm’s length basis and on normal commercial terms, and are made in the ordinary and usual course of business of the Group and are fair and reasonable and in the interest of the Shareholders as a whole.

The Directors consider that it will be in the interest of the Company to adopt the terms of the Joint Venture Contract.

GENERAL

As the Company shall own 51% of the Joint Venture Company and have majority seats in the board of directors of the Joint Venture Company, it shall therefore be treated as a subsidiary of the Company in the future. Based on the portion of registered capital of the Joint Venture Company of US\$84,150,000 (approximately HK\$656,370,000) to be contributed by the Company, the Joint Venture Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The formation of the Joint Venture Company and transfer of equity interests in the Project Companies by the Company and Reco Ziyang to the Joint Venture Company contemplated under the Joint Venture Contract will also constitute connected transactions of the Company under Chapter 14A of the Listing Rules, Independent Shareholders’ approval shall therefore be required.

According to Rule 14A.18 of the Listing Rules, Reco Ziyang is the substantial shareholder interested in 45% of the registered capital of the subsidiary of the Company, Beijing Capital Ziyang Real Estate Ltd. as at the date of this announcement, and Reco Ziyang’s associate, Reco Pearl Private Limited is interested in approximately 9.16% in the total issued share capital of the Company and as such Reco Ziyang and its associates are required to abstain from voting in the EGM convened for the purpose of approving the Joint Venture Contract.

A circular containing, among other things, further information on the Joint Venture Contract, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Joint Venture Contract and the notice to convene the EGM will be sent to the Shareholders as soon as practicable. The votes of Independent Shareholders in the EGM will be taken by poll.

DEFINITIONS

“associate”

has the meaning ascribed to it under the Listing Rules

“Board”

the board of Directors

“Company”

Beijing Capital Land Ltd., a joint stock company incorporated in the PRC with limited liability and whose shares are listed on the main board of the Stock Exchange

“Directors”

the directors of the Company

“EGM”

the extraordinary general meeting held to approve the Joint Venture Contract and the transactions contemplated thereunder

“Group”

the Company and its subsidiaries

“Hong Kong”

The Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”

an independent committee of the Board comprising the independent non-executive Directors of the Company to consider and advise the Independent Shareholders with regard to the Joint Venture Contract

“Independent Shareholders”

Shareholders of the Company other than Reco Ziyang and its associates

“Joint Venture Company”

New Century Real Estate Investment Limited (新創地產投資有限公司), a sino-foreign equity joint venture investment holding company to be established pursuant to the Joint Venture Contract and to be held by the Company and Reco Ziyang as to 51% and 49% respectively

“Joint Venture Contract”

the sino-foreign equity joint venture contract dated 1st July 2005 entered into between the Company and Reco Ziyang in respect of the formation of the Joint Venture Company

“Listing Rules”

the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”

the People’s Republic of China

“Project Companies”

Beijing Sunshine City Real Estate Development Co., Ltd., Beijing Anhua Shiji Real Estate Development Co., Ltd. and Beijing Capital Ziyang Real Estate Ltd.

“Reco Ziyang”

Reco Ziyang Pte Ltd., the substantial shareholder of a subsidiary of the Company, Beijing Capital Ziyang Real Estate Ltd.

“Shareholders”

shareholders of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“HK\$”

Hong Kong Dollar, the legal currency of the Hong Kong Special Administrative Region of the PRC

“US\$”

United States Dollar, the legal currency of the United States of America

“%”

per cent.

Unless otherwise specified in this announcement, amounts denominated in US\$ has been translated for the purpose of illustration only, into HK\$ at an exchange rate of US\$1.00 - HK\$7.80.

By Order of the Board
Beijing Capital Land Ltd.
Chan Yee Wah, Eva
Company Secretary

Hong Kong, 4th July 2005

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.