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 2005

FINANCIAL HIGHLIGHTS

Turnover	RMB249,103,000
Gross profit	RMB64,763,000
Profit attributable to equity holders	RMB15,704,000
Earnings per share	RMB0.0093

The board has resolved not to declare any interim dividend in respect of the six months ended 30th June 2005.

The board of directors ("the Board") of Beijing Capital Land Ltd. (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2005 (the "Period"), which have been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The 2005 interim financial report of the Company has not been audited but has been reviewed by the Audit Committee and the Board of the Company.

In 2005, the Group adopted the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the new "HKFRSs"). The 2004 comparatives have been restated in accordance with the new HKFRSs.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**Six months ended 30th June 2005** *RMB'000*	2004 *RMB'000* *Restated*
Sales	3	**249,103**	438,416
Cost of sales		**(184,340)**	(362,547)
Gross profit		**64,763**	75,869
Other gains-net	4	**36,412**	126,253
Selling and marketing costs		**(25,885)**	(11,136)
Administrative expenses		**(37,675)**	(52,735)
Operating profit	5	**37,615**	138,251
Finance costs	6	**(65,388)**	(24,048)
Share of profits less losses			
Jointly controlled entities		**9,123**	(1,656)
Associated companies		**45,803**	(1,570)
Profit before income tax		**27,153**	110,977
Income tax expense	7	**(6,201)**	(24,847)
Profit for the period		**20,952**	86,130
Attributable to:			
Equity holders of the Company		**15,704**	91,319
Minority interests		**5,248**	(5,189)
		20,952	86,130
Earnings per share for profit attributable to the equity holders of the Company during the period (basic and diluted)	8	**RMB0.93 cents**	RMB5.7 cents
Dividends	9	**—**	—

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Note	**As at 30th June 2005** *RMB'000*	As at 31st December 2004 *RMB'000* *Restated*
ASSETS			
Non-current assets			
Properties, plant and equipment		**1,557,939**	1,501,415
Land use rights		**899,878**	676,542
Properties under development		**2,033,676**	1,845,085
Jointly controlled entities		**198,152**	189,029
Associated companies		**148,916**	104,526
Available-for-sale financial assets		**118,791**	—
Investment securities		**—**	176,540
Deferred income tax assets		**64,865**	47,426
		5,022,217	4,540,563
Current assets			
Inventories		**214,889**	304,764
Properties under development for sale		**160,126**	76,283
Trade and other receivables	10	**1,941,675**	1,971,693
Cash and bank balances		**1,258,477**	1,879,135
		3,575,167	4,231,875
Total assets		**8,597,384**	8,772,438
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**1,715,960**	1,613,300
Reserves			
— Other reserves		**563,283**	437,732
— Retained earnings		**110,615**	104,717
— Proposed final dividend		**—**	120,117
		2,389,858	2,275,866
Minority interests		**532,031**	527,076
Total equity		**2,921,889**	2,802,942
LIABILITIES			
Non-current liabilities			
Long-term bank loans		**4,206,861**	1,848,251
Advance from ultimate holding company		**139,475**	139,475
		4,346,336	1,987,726
Current liabilities			
Trade and other payables	11	**821,032**	956,946
Current income tax liabilities		**336,127**	441,985
Special dividend payable		**—**	204,839
Short-term bank loans			
— Secured		**—**	1,080,000
— Unsecured		**172,000**	938,000
Current portion of long-term bank loan		**—**	360,000
		1,329,159	3,981,770
Total liabilities		**5,675,495**	5,969,496
Total equity and liabilities		**8,597,384**	8,772,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company				
	Share capital *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Minority interests** *RMB'000*	**Total** *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 HKAS 17	—	—	(14,982)	(3,468)	(18,450)
— Adoption of HK-Int 3	—	—	(289)	(459)	(748)
As restated	1,613,300	377,780	174,757	607,462	2,773,299
Profit and total recognised income for the period	—	—	91,319	(5,189)	86,130
2003 final dividend	—	—	(150,053)	(4,782)	(154,835)
Minority interests — business combinations	—	—	—	(362,843)	(362,843)
Balance at 30th June 2004	1,613,300	377,780	116,023	234,648	2,341,751
Balance at 1st January 2005					
— As previously reported as equity	1,613,300	437,732	263,220	—	2,314,252
— As previously separately reported as minority interests	—	—	—	533,621	533,621
Prior year adjustment under HKFRSs					
— Adoption of HKAS 17	—	—	(29,152)	(5,177)	(34,329)
— Adoption of HK-Int 3	—	—	(9,234)	(1,368)	(10,602)
Opening adjustment under HKFRSs					
— Adoption of HKAS 39	—	—	(9,806)	(293)	(10,099)
As restated	1,613,300	437,732	215,028	526,783	2,792,843
Profit and total recognised income for the period	—	—	15,704	5,248	20,952
2004 final dividend	—	—	(120,117)	—	(120,117)
Placement of H share	102,660	125,551	—	—	228,211
Balance at 30th June 2005	1,715,960	563,283	110,615	532,031	2,921,889

Notes:

1. **ACCOUNTING POLICIES AND BASIS OF PREPARATION**

   The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale financial assets, and in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

   The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new HKFRSs which are effective for accounting periods commencing on or after 1st January 2005.

(a) The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment, properties under development, inventories 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 previous years, the land use rights were accounted for at cost less accumulated amortisation 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 used in previous years.

(c) The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. In previous years, they were stated at cost less accumulated impairment.

2. COMPARATIVES

Certain comparative figures in the interim financial information have been restated or reclassified to conform with the current presentation.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents sales and provision of services made by the Group to third parties in the People's Republic of China (the "PRC").

An analysis of the Group's turnover and contribution to operating profit/(loss) for the Period by principal activities is as follows:

The segment results for the six months ended 30th June 2005 are as follows:

	Six months ended 30th June 2005		
	Properties and land use right sales *RMB'000*	Hotel operations *RMB'000*	Group *RMB'000*
Turnover	208,798	40,305	249,103
Segment results	40,095	(12,530)	27,565
Net unallocated costs			(25,328)
Interest income			35,378
Operating profit			37,615
Finance costs			(65,388)
Share of profits of			
Jointly controlled entities	9,123	—	9,123
Associated companies	45,803	—	45,803
Income tax expense			(6,201)
Profit for the period			20,952
Depreciation	893	12,044	12,937
Amortisation	4,703	1,110	5,813
Reversal of provisions for doubtful receivables	(3,000)	—	(3,000)

The segment results for the six months ended 30th June 2004, as restated, are as follows:

	Six months ended 30th June 2004		
	Properties and land use right sales *RMB'000*	Hotel operations *RMB'000*	Group *RMB'000*
Turnover	430,523	7,893	438,416
Segment results	145,380	(1,678)	143,702
Net unallocated costs			(26,993)
Interest income			21,542
Operating profit			138,251
Finance costs			(24,048)
Share of losses of			
Jointly controlled entity	(1,656)	—	(1,656)
Associated companies	(1,570)	—	(1,570)
Income tax expense			(24,847)
Profit for the period			86,130
Depreciation	464	2,865	3,329
Amortisation	5,078	1,110	6,188
Provision for doubtful receivables	14,322	867	15,189

The segment assets and liabilities at 30th June 2005 and capital expenditure for the six months ended 30th June 2005 are as follows:

	Properties and land use right sales *RMB'000*	Hotel operations *RMB'000*	Group *RMB'000*
Segment assets	6,204,166	1,982,582	8,186,748
Jointly controlled entities	198,152	—	198,152
Associated companies	148,916	—	148,916
Unallocated assets			63,568
Total assets			8,597,384
Segment liabilities	4,352,661	1,108,864	5,461,525
Unallocated liabilities			213,970
Total liabilities			5,675,495
Capital expenditure	690,143	71,284	761,427

The segment assets and liabilities at 31st December 2004, as restated, and capital expenditure for the six months ended 30th June 2004, as restated, are as follows:

	Properties and land use right sales *RMB'000*	Hotel operations *RMB'000*	Group *RMB'000*
Segment assets	6,761,779	1,631,243	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	787,980	89,550	877,530

4. OTHER GAINS-NET

	Six months ended 30th June	
	2005 *RMB'000*	2004 *RMB'000*
Net non-operating income	**1,034**	30
Interest income	**35,378**	21,542
Net income in disposal of subsidiaries and associated companies	**—**	104,681
	36,412	126,253

5. OPERATING PROFIT

Operating profit is stated after charging/crediting the following:

	Six months ended 30th June	
	2005 *RMB'000*	2004 *RMB'000*
after charging:		
Depreciation	**12,937**	3,329
Amortisation	**5,813**	6,188
Provision for doubtful receivables	**—**	15,189
after crediting:		
Reversal of provision for doubtful receivables	**3,000**	—

6. FINANCE COSTS

	Six months ended 30th June	
	2005 *RMB'000*	2004 *RMB'000*
Interest expense:		
Bank loans	**104,578**	63,429
Others	**2,615**	4,994
	107,193	68,423
Less: Amount capitalised in properties under development and construction in progress	**(41,805)**	(44,375)
	65,388	24,048

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30th June 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% (six months ended 30th June 2004: 33%).

	Six months ended 30th June	
	2005 *RMB'000*	2004 *RMB'000*
PRC income tax	**18,667**	37,296
Deferred income tax	**(12,466)**	(12,449)
	6,201	24,847

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 2005, which would otherwise have accumulated to approximately RMB157,216,000 attributable to the Group after netting off potential income tax saving (up to 31st December 2004: RMB156,184,000).

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

8. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB15,704,000 (2004: RMB91,319,000, as restated) for the six months ended 30th June 2005 and the weighted average number of 1,681,740,000 shares (six months ended 30th June 2004: 1,613,300,000 shares) in issue during the period.

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares as at 30th June 2005 and 2004.

9. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30th June 2005 (six months ended 30th June 2004: nil).

10. TRADE AND OTHER RECEIVABLES

	As at 30th June 2005 *RMB'000*	As at 31st December 2004 *RMB'000*
Trade receivables	**407,677**	646,194
Less: provision for doubtful receivables	**(3,787)**	(5,272)
Trade receivables — net	**403,890**	640,922
Deposits and advance to suppliers	**100,426**	80,924
Other receivables — net	**324,030**	311,404
Tax prepayments	**19,099**	34,922
Amounts due from jointly controlled entities	**529,320**	494,185
Amounts due from associated companies	**255,426**	207,054
Amounts due from other related parties	**60,000**	—
Amounts due from minority shareholders	**144,847**	140,701
Amounts due from fellow subsidiaries	**104,637**	61,581
	1,941,675	1,971,693

At 30th June 2005 and 31st December 2004, the ageing analysis of the trade receivables were as follows:

	As at 30th June 2005 *RMB'000*	As at 31st December 2004 *RMB'000*
Within three months	**23,977**	261,054
Over three months and within half year	**4,171**	51,295
Over half year and within one year	**182,783**	104,569
Over one year	**196,746**	229,276
	407,677	646,194

11. TRADE AND OTHER PAYABLES

	As at 30th June 2005 *RMB'000*	As at 31st December 2004 *RMB'000*
Trade payables	**30,974**	18,891
Advance from customers	**66,360**	128,819
Dividends payable	**72,688**	—
Dividends payable to minority shareholders	**15,000**	19,782
Accrued construction costs	**398,513**	526,081
Amounts due to a fellow subsidiary	**3,104**	3,104
Amounts due to a minority shareholder	**93,656**	—
Amounts due to ultimate holding company	**35,266**	199,945
Other payables	**105,471**	60,324
	821,032	956,946

At 30th June 2005 and 31st December 2004, the ageing analysis of the trade payables were as follows:

	As at 30th June 2005 *RMB'000*	As at 31st December 2004 *RMB'000*
Within half year	**30,688**	16,955
Over half year and within one year	**98**	1,936
Over one year	**188**	—
	30,974	18,891

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Beijing Capital Land Ltd. ("BCL" or the "Group"), I am pleased to present the Company's interim report for the six months ended 30th June 2005.

In the first half of 2005, the PRC economy sustained strong growth with GDP growth rate reaching 9.5%. Citizens' income increased accordingly and income per capita surged from USD1,000 to USD3,000. In addition, as the PRC is currently undergoing the largest scale of urbanization in the world, attracting increasing number of overseas buyers and investment institutions, the PRC's property market has entered into an era of robust development. To restrain overheating of property development in certain regions and to ensure economic and financial stability, the government not only imposed stringent control on property loan and land supply, but also strengthened its control on market demand for property during the first half of the year. The government implemented a number of measures, including the removal of preferential interest rate in mortgage loan and the imposition of a business tax on transfer of property, so as to curb speculative demand, encourage property demand from owner-tenants and stabilize property price for the healthy and stable development of the property market in the long run. However, the cooling and stabilization effect brought forth by the implementation of austerity measures will not alter the development trend of the overall property market, in particular the Beijing property market. During the first half of 2005, the demand and supply for property remained strong and it is expected that the property market will maintain stable growth in the future.

The macro-economic adjustment and control measures contributed to the rational development of the industry, which is favorable for scalable enterprises that complied with the State's regulations and emphasized on quality management and brand building, to capture higher market shares. It also led to a more sophisticated and changing business environment. BCL will capitalize on the opportunities brought forth by macro-economic control to proactively establish development edges while embracing the challenges of the ever-changing market and increasing constraint on business operations. In the first half of 2005, the delay of certain development projects due to austerity measures coupled with the change in accounting policy affected the Group's business performance. During the period under review, the GFA for properties sold was approximately 92,000 sq.m., representing a decrease of 41% as compared with the corresponding period of the previous year. Contracted sales amounted to approximately RMB835 million, representing a year-on-year decrease of 39%. For the six months ended 30th June 2005, the Company's turnover amounted to RMB249,103,000, a decrease of 39% as compared with that in the corresponding period of the previous year. Profit attributable to equity holder dropped 83% to RMB15,704,000 when compared with the same period of last year.

In view of the rapidly changing operation environment, the Group has formulated corresponding strategies, such as accelerating the construction progress of those delayed projects, in which North Ring Center already commenced sale in May 2005 while Yu Yuan Tan and Heping Lane projects will also be launched later this year. Besides, the Company also increased the supply of mid-end residential property targeting small to mid size families to satisfy market demand from owner-tenants. It will also introduce more commercial properties in appropriate timing, so as to continue to achieve the benefits from a balanced property portfolio. By prudently executing the strategy of expanding to markets outside Beijing, the Company will endeavor to extensively allocate its resources and to diversify operational risk.

By leveraging on its solid business foundation and leading market position, BCL successfully issued approximately 113 million new H shares in January 2005, raising proceeds of approximately HK$210 million. This not only demonstrated the confidence of international investors in the Group's business and future development but also expanded the Group's shareholder base, strengthening our responsibility and motivations.

Abundant land bank has always been one of the Group's competitive edges. As Renminbi appreciates, the Group's quality assets also recorded increases in value. Looking ahead, BCL will continue to maintain its competitiveness in land bank and to optimize its investment portfolio. In July 2005, the Group successfully acquired Ruijing District Development Project in Tianjin at a consideration of RMB740 million. Upon completion of the acquisition, the Group's land bank was increased by approximately 470,000 sq.m.. The acquisition marked BCL's first foray into property markets outside Beijing and extend its business reach in the PRC market to achieve its target for nationwide development.

Amidst the flourishing property market and the regulated market environment under the austerity measures, BCL has initiated a series of new strategy. By leveraging on its strategic land bank, professional brand management and expanding financing channels, the Group will endeavor to develop mid to high-end residential property as well as high-end office property. The Group will also selectively invest and operate quality office property and shops, so as to fully realize the four core values of land, product, brand and assets, and become a leading integrated property operator in the PRC in the coming 10 years. To achieve this objective, the Group carried out business restructuring, capabilities enhancement, management optimization and resources accumulation in order to effectively highlight the advantages of its core businesses, establish core competitiveness and enhance resources integration in medium term. In long term, the measures will enable the Group to engage in property development and operations simultaneously, develop core strengths and enhance resources deployment. In addition, the Group will place more emphasis on coordinating medium to long term objectives during the execution process of its development strategy, create synergies between different businesses, establish internal and external early warning system and strengthen strategic management capabilities. Amidst the challenging market environment, BCL is committed to capturing business opportunities, enhancing its prominent strengths and consolidating its leading market position. With the concerted efforts of its dedicated staff member and the support from its business partners, customers and shareholders, BCL is confident of achieving its goals.

MANAGEMENT DISCUSSION & ANALYSIS

Sales Results

Project	Approximate GFA for contracted sales *(sq.m.)*	Approximate average selling price of contracted sales *(RMB per sq.m.)*	Approximate revenue of contracted sales *(RMB'000)*
Upper East Side	48,800	9,800	480,000
First Forest	14,500	7,800	113,000
North Ring Center	6,900	9,300	64,000
Sydney Coast	8,800	9,500	83,000
Winners Circle	13,000	7,300	95,000
Total	**92,000**		**835,000**

During the first half of 2005, the Company's total contracted area amounted to approximately 92,000 sq.m., representing a decrease of 41% from 155,400 sq.m. in the corresponding period of the previous year. The total contracted sales was approximately RMB835 million, a decrease of 39% from RMB1.36 billion in the corresponding period of the previous year. The delay of new project approval due to macro-economic adjustment and control measures led to delay in construction of project. The decrease in the number of new projects for sale affected normal sales performance. However, performance of properties that already commenced sales were not affected and recorded growth in average selling price when compared with that at the end of 2004.

During the period under review, sales mainly derived from five residential property projects. As Upper East Side commenced sales, its quality and ambiance of a high-end community received wide recognition from the customers. The project achieved growth in both selling price and sales volume. Upper East Side has become one of the Top 10 property projects in Beijing in terms of sales revenue. Its average selling price increased by approximately 7% when compared with that at the end of 2004. In May 2005, Upper East Side project conducted cross-national exchange and promotion programs to organize delegates' trip to Manhattan in New York, so as to demonstrate the glamour of the Upper East Side district in Beijing as well as the entrepreneur image of PRC's property enterprises. The event received overwhelming response from the property industries and media in the PRC and the United States. North Ring Center is a newly launched SOHO project, which commenced sales in May 2005. Located at the intersection of Zhongguancun, Finance Street, the Olympic Village and the commercial zone of Yansha Lidu, it leverages off its prime location and precise market positioning and 54 units were sold out within a month.

The Commission of Seven Departments jointly announced the "Suggestion of stabilizing property price" on 9th May 2005, which aim at restraining the overheating speculative demand in certain areas and to stabilize the rapidly surging property price by imposing property transaction tax. As the demand from owner-tenants for residential property in Beijing accounted for approximately 83% of total buyers *(Source: Ministry of Construction)*, the Suggestion did not bring significant impact on the Beijing property market. However, it did affect the expectation towards the trend of property price and therefore some clients had a wait-and-see attitude. In view of the market changes, the Group planned to adopt more proactive yet prudent sales strategy by increasing the supply of mid-end residential properties and enhancing the price competitiveness and quality of launched projects. Residential property is the main target of the macro-economic adjustment and control measures while the impact on office and other commercial properties was insignificant. In addition, the prospects of the Beijing commercial property market remain in the growth track, the Group will launch more commercial properties at appropriate timing. By capitalizing on the Group's competitive advantage of its balanced property portfolio, BCL is confident of maintaining steady growth in sales and operational performance.

Property Development

During the period under review, the Company substantially completed a number of development projects, including Sydney Coast District E-South, First Forest District D, Sunshine Building and Upper East Side Phase I District B and District C2, with a total GFA of 319,700 sq.m.

Projects completed in the first half of FY 2005

Project name	Type	Approximate completed GFA *(sq.m.)*	Interests Attributable to BCL
Sydney Coast District E-South	Villa/Commercial	21,800	100%
First Forest District D	Villa	62,200	50%
Sunshine Building	Commercial/Office	51,700	42%
Upper East Side Phase I District B & District C2	Residential	184,000	33%
Total		**319,700**	

For the second half of 2005, the Group expects to complete the construction of First Forest District E, with a total GFA of approximately 42,500 sq.m.

Property Investment

During the period under review, Central Holiday Inn continued to develop its positioning as a "conference and business hotel" and proactively explored new client base for conference meetings and individual business travelers while controlling room sales for tourist tours. By developing the "Prestige Club" membership system, appointing "loyal customer service manager" and implementing "Guests recognition campaign", the Group endeavored to increase the number of stable and long-term clients. In addition, the Group also introduced value-added services, such as wedding banquet and business centre services to enhance overall operational competitiveness and achieved prominent results. In the first half of 2005, Central Holiday Inn attained an occupancy rate of around 70%. By leveraging on its sound results performance, quality facilities, professional services as well as dedicated staff members and customer satisfaction, Central Holiday Inn was accredited "the Best Centre" of Holiday Inn in the Asia-Pacific region by the Inter-Continental Hotels Management Group, becoming the paragon for the 53 Holiday Inn hotels in the region.

As the first five-star hotel which commenced operations in the Finance Street, the Finance Street Inter-Continental Hotel was opened in May 2005. The hotel is an international high-end finance and business hotel jointly managed by the Group and Inter-Continental Hotel Management Group. This hotel places emphasis in prestige and privacy as well as the combination of low profile and luxury, so as to match with the premium ambiance of the Finance Street. In pursuit of a classy and trendy image, the hotel is a fusion of the essence from Eastern and Western cultures. The hotel is equipped with comprehensive facilities with international standards, encompassing Chinese and Western restaurants, bar and cafe, SPA and gym. In the initial stage of operation, the hotel already received numerous internationally renowned banks and institutions.

Sunshine Building (Huatang Building) is the flagship building tailor-made for Ito Yokado in Beijing. Located in the Xizhimen region, the transportation hub of Western Beijing, the building was completed in February 2005 and has commenced operation since April 2005. The total GFA of the project amounted to around 51,700 sq.m., of which Hua Tang Yokado Ltd. has leased the entire shopping mall and related facilities. Leased area amounted to approximately 36,000 sq.m. for a period of 20 years. Part of the office section of the building is reserved for the Group's own use, while the remaining leasable area amounted to approximately 8,000 sq.m. is currently on lease.

Land Bank

The Group did not replenish new land bank in Beijing during the period under review. However, the Group acquired a plot of land in Tianjin for large scale residential property development, successfully implementing its expansion strategy to extend business reach across the nation.

In July 2005, the Group successfully acquired Ruijing District Development Project in Tianjin at a consideration of approximately RMB740 million. The Group's land bank was increased by approximately 470,000 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 mid-end residential property as encouraged by the central government. The site area and gross floor area of the Ruijing District Development Project was approximately 330,000 sq.m. and 470,000 sq.m. respectively, of which commercial ancillary facilities accounted for approximately 16,000 sq.m. and the total investment is expected to be approximately RMB1.9 billion. The Ruijing District Development Project will be developed into 4,000 residential flats and is expected to be launched in the first quarter of 2006.

Developing markets in cities outside Beijing is the Group's strategy of becoming the leading property operator in Asia. In addition, this will enable the Group to rapidly expand operation scale and promote its brand name. The Group will capitalize on the difference 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 with Beijing as its base and explore developing cities with high potential for business expansion.

The Group has formulated its strategy of "tapping into markets outside Beijing and extending business reach 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, a sound management model, human resources, work flow standardization, corporate culture and information systems prior to the execution process. According to its strategic plan, Beijing will remain as the Group's future business focus while introducing well-developed products and management to other cities. The Group will expand to other cities at an appropriate timing, extending strategic distribution, enhancing operation standards and increasing the revenue contribution from other markets to the Group.

As at 31st July 2005, the Group's land bank amounted to approximately 3.89 million sq.m.. Residential, commercial, officer properties and hotel accounted for approximately 79%, 8.1%, 6.4% and 6.5% of the land bank respectively. In terms of development progress, completed investment properties, completed development properties, developing properties and properties for development accounted for approximately 3.7%, 3.3%, 42.2% and 50.8% of the Group's land bank respectively. Approximately 94.4% of the Group's land bank has obtained land use right, while the remaining approximately 5.6% await for approval.

Employees

As at 30th June 2005, the Group had a total of 306 full-time employees, representing an increase of approximately 6% when compared with 288 employees at the end of 2004. During the period under review, the Group continued to strengthen the communication and training for internal business management while strategically increase the interaction with counterparts of the property industry as well as external experts. Regarding the impact of macro-economic adjustment and control policy, the Group invited renowned experts and scholars in the field and organized the "Seminar of Property Market Development and Strategy". In addition, the Group also arranged senior management to receive training in the U.S. and to have extensive communications and exchange with the property sector, financial sector and research institutions in the U.S.

REVIEW AND PROSPECTS

In the first half of 2005, China's GDP continued to maintain a high growth rate of approximately 9.5% to reach approximately RMB 6,742.2 billion. Disposable income per capita of urban residents was approximately 11.6% higher than that of the corresponding period last year. This indicated that the growth of the affordability of the citizens was in line with the growth in economy. In the first half of the year, Beijing's GDP recorded a corresponding increases of approximately 10.4% to approximately RMB 227.45 billion, and disposable income per capita of urban residents in Beijing recorded an approximately 12.9% increase as compared to the same period in 2004. This showed that the economic development of Beijing and the affordability of its residents greatly exceed the average level of the nation.

During the first half of 2005, under the impact of the introduction of a series of macro-economic adjustment and control measures, China's property market is developing in a rational way. Fuelled by the genuine demand from the scalable urbanization, the demand and supply of China's property market is still prosperous. In the first half of the year, the investment of completed property development was approximately RMB 619.3 billion, representing a year-on-year increase of approximately 23.5% and the average selling price for commodity housing in China increased by approximately 10.1% as compared to the corresponding period in 2004.

(Source: National Bureau of Statistics, Beijing Municipal Bureau of Statistics)

In the first half 2005, the Beijing property market was driven by the genuine housing demand while there was balance between demand and supply. The need for commodity residential housing surpassed the supply. As a result, the vacant area lands further reduced while the growth in pricing was near to 15%. The entire market still maintained a stable, healthy, and fast growing trend.

- In the first half of 2005, the GFA of commodity properties sold in Beijing increased by approximately 35.8% to approximately 9.843 million sq.m. as compared to the same period of last year. The completed area of commodity housing increased by approximately 53.4% to approximately 10.937 million sq.m. as compared to the corresponding in the previous year. Among which, the GFA of commodity residential housing sold was approximately 9.374 million sq.m., an approximately 42.2% increase as compared to the same period in last year. The completed GFA was approximately 8.935 million sq.m., an increase of approximately 58.3%, and the area sold was approximately 439,000 sq.m. more than the completed area.
- In the first half of 2005, the total new launch of pre-sale GFA of Beijing properties was approximately 12.414 million sq.m., a decrease of approximately 27.9% as compared to the same period of last year. The pre-sale GFA sold amounted to approximately 11.358 million sq.m., a decrease of approximately 4.5%, and the transaction rate was approximately 91.5%, representing an increase of approximately 22.4 percentage points as compared to the corresponding period of last year. Of which, the new launch of pre-sale GFA of commodity residential housing was approximately 9.663 million sq.m., representing a decrease of 33.3%. The pre-sale GFA sold was approximately 10.365 million sq.m., a decrease of approximately 8.1%, and the transaction rate was approximately 107.3%, representing an increase of approximately 29.4 percentage points as compared to the corresponding period of last year.
- In the first half of 2005, the average transaction price of the pre-sold commodity housing in Beijing was approximately RMB 7,220/sq.m., a year-on-year growth of approximately RMB1,112/sq.m., representing a growth rate of approximately 18.2%. Of which, the average transaction price of pre-sold commodity residential housing was approximately RMB 6,555/sq.m., a year-on-year growth of approximately RMB820/sq.m., representing an increase of approximately 14.32%.

With reference to the advanced indicators of property development, property supply in Beijing continues to decrease under the stringent land supply and the implementation of macroeconomic policies in avoiding financial risks.

- For the first half of 2005, completed property investment in Beijing amounted to approximately RMB52.98 billion, representing a growth of approximately 8.1%, a year-on-year decrease of approximately 16.1 percentage points. Completed investment in commodity housing was approximately RMB25.45 billion, a year-on-year decrease of approximately 2.6%.
- During the first half of 2005, new construction area for commodity housing in Beijing amounted to approximately 8.888 million sq.m., a year-on-year decrease of approximately 23% and a decrease of approximately 35.5 percentage points when compared to the growth rate of the same period of last year. Among which, newly constructing area for commodity housing took up 5.901 million sq.m., representing a year-on-year decrease of approximately 31.7% and a drop of approximately 42.1 percentage point in growth rate as compared with that in the corresponding period of the previous year.
- In the first half of 2005, total land supply in Beijing amounted to approximately 1,149 hectare, a year-on-year decrease of approximately 37.2%, in which supply of residential land accounted for approximately 262.19 hectare, representing a drop of approximately 78.25% as compared with the corresponding period of the previous year.

(Source: Joint announcement by Beijing Construction Committee, Beijing Municipal Bureau of Statistics, Beijing City Land Bureau and Beijing Municipal Commission of Development and Reform)

To address the problems arising from the overheated property investment in certain regions, drastic surge in commodity housing price, irrational structure of property supply and the chaotic market, the government introduced a series of austerity measures in the first half of 2005. These measures include raising preferential interest rate of personal commodity housing loan to the same level of loan interest rate, tightening control on property speculation by imposition of tax, increasing the proportion of residential land use by adjusting land supply in a timely manner as well as closely monitoring market and optimizing the disclosure system of market information. Since the major measures have just promulgated shortly, rules and regulations in various regions are to be fine-tuned for implementation. It is expected that the effect of the control measures will be gradually realize in the future.

The Group believes that the operation environment has now experienced substantial changes. The implementation of austerity measures by the government will restrain the overheated market in certain regions and at the same time promote healthy development of property markets in other regions in the long run. In middle to long term, the current market environment is favorable for the Group to increase its operation scale capitalizing on its advantages in capital, land reserve and human resources. It is also beneficial for the Group to increase its market share by enhancing its management and brand equity. However, in short term, the macro-economic adjustment and control measures will bring structural changes in market demand and influence the future supply. The Group will adopt the following strategies to mitigate the adverse impact brought forth by macro-economic adjustment and control measures and to progressively strengthen its competitive edges.

- In view of the changing taxation terms and the increasing demand from owner-tenant customers, the Group will introduce more mid-end residential property targeting small to medium-sized families in appropriate timing, so as to cater to the changing market demand.
- Accelerate the construction progress of current projects and to adjust future property portfolio, so as to increase capital liquidity and stabilize results performance.
- Launch commercial properties such as office and shops at appropriate timing and to selectively invest and operate some projects to achieve advantages of a balanced property portfolio.
- To optimize management workflow according to its strategic objectives while strengthening investment planning, brand operation, standardized management as well as sales and marketing capabilities.
- To capture business opportunities brought froth by Beijing Olympics to adjust project planning and sales and marketing arrangement in a timely manner, so as to fully realize project value and further consolidate the Group's leading edges in Beijing.
- Proactively expand to peripheral regions with Beijing as its base and continue to explore developing cities with high potentials for business expansion. The Group endeavors to balance the property portfolio and development progress of different projects in a greater extent.
- Strengthen the collaboration with foreign banks and overseas investors to further expand financing channels.

FINANCIAL ANALYSIS

Revenue and Operating Results

For the first half of the year 2005, the Group's turnover amounted to approximately RMB249,103,000, representing a drop of approximately 43% when compared with RMB438,416,000 for the first half of the year 2004. The drop in turnover was mainly due to the drastic decrease in the number of completed properties for the first half of the year 2005 when compared with that for the first half of the year 2004.

For the first half of the year 2005, profit attributable to equity holders of the Group was RMB15,704,000, a decrease of approximately 83% compared with RMB91,319,000 for the first half of the year 2004, which was resulted from the significant decrease of other revenues by RMB89,841,000 for the first half of the year 2005 when compared with that for the first half of the year 2004.

Financial Resources, Liquidity and Liability Position

During the period under review, the Group maintained a healthy cash flow and capital resources, which were reasonably allocated. As at 30th June 2005, the Group's total assets were RMB8,597,384,000 (current assets were RMB3,575,167,000) and the total liability was RMB5,675,495,000 (current liabilities were RMB1,329,159,000 and non-current liabilities were RMB4,346,336,000), and the shareholder's equity reached RMB2,389,858,000.

The Group's short-term loans were repaid through long-term loans, which in turn increased the liquidity of assets as well as the short-term solvent ability to a large extent. The current ratio (current ratio/current liability) of the Group as at 30th June 2005 increased from 1.08 as at 31st December 2004 to 2.69.

As at 30th June 2005, the Group's cash and short-term bank deposits amounted to RMB1,258,477,000, which represented sufficient cash flow for operations.

Bank loans of the Group as at 30th June 2005 were RMB4,378,861,000 of which short-term bank loans were RMB172,000,000 and long-term bank loans were RMB4,206,861,000 which was mainly used to fulfill the capital requirements of the Group's properties development projects.

Since the Group invests in Beijing, except for a loan facility of US$32,000,000 obtained for its subsidiary from DBS Singapore, of which US$12,800,000 was utilised as at 30th June 2005, all of the Group's bank loans come from banks in PRC and are borrowed and repaid in RMB, thus there are no currency risks involved. Apart from the abovementioned loan which is denominated in US dollar, all of the Group's bank borrowings were arranged on a non-floating rate basis.

As at 30th June 2005, our gearing ratio was 58.0% (31st December 2004: 53.7%). 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 from/to holding 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.

Entrusted Deposits and Matured Time Deposits

As at 30th June 2005, the Group had not held any deposits under trusts in any financial institutions in the PRC. All of the Group's cash was held in commercial banks in the PRC in accordance with applicable laws and regulations. The Company had no bank deposits which cannot be withdrawn upon maturity.

Pledged Assets

As at 30th June 2005, rights to yield on certain lands (income from the sale of land and other income obtained from the utilisation of the related lands) had pledged as securities for a long term loan of RMB3,300,000,000. A subsidiary of the Group had pledged its land use rights of RMB57,420,000 to secure a long term loan of RMB106,861,000.

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 RMB717,317,000 as at 30th June 2005.

As at 30th June 2005, other than guarantees provided for a short term bank borrowing of RMB22,000,000 and a long term bank borrowing of RMB300,000,000 to subsidiaries of the Company and a short term bank borrowing of RMB120,000,000 to a jointly controlled entity, the Group had no material external guarantee.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the unaudited interim report for the six months ended 30th June 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30th June 2005, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

Since the Company formulated its "Code on Securities Transactions" in August 2003, each of the directors of the Company had been implementing it strictly. After amendments were made to the Listing Rules by the Hong Kong Stock Exchange on 31st March 2005, the Company made corresponding amendments to its "Code on Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Listing Rules.

During the Year, pursuant to specific enquiries made with all directors, all directors confirmed that they met the standards of the Model Code regarding the securities transactions by the directors and the "code on Securities Transactions" of the Company.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The 2005 Interim Report will be dispatched to shareholders as well as made available on The Stock Exchange of Hong Kong Limited's website at http://www.hkex.com.hk and the Company's website at http://www.bjcapitalland.com.

The 2005 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30th June 2005 but is extracted from the financial statements for the six months ended 30th June 2005 to be included in the 2005 Interim Report.

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

Beijing, the PRC, 25th August 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.