

Chairman's Statement



Mr. Liu Xiaoguang
Chairman

Adversity conquers the weak but inspires the strong to endure, combat and overcome challenges. In 2003, a year mixed with both challenges and excitements, Beijing Capital Land has worked hard and persevered with its combatant spirit to fulfill the goal of listing on the Hong Kong Stock Exchange, being the first H-share listed company which was successfully listed after SARS, and to achieve considerable business progress and development.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Capital Land Ltd ("Beijing Capital Land" or the "Company", together with its subsidiaries and jointly controlled entities the "Group"), I am pleased to present the Company's first annual report for the year ended 31st December 2003 after its listing on the Hong Kong Stock Exchange.

2003 began with challenges and difficulties and ended with exciting news and rewards. It was also a year of milestone for Beijing Capital Land. In the first half of 2003, the global political and economic environment experienced fast and unexpected changes as the US-Iraq war shocked the global financial markets, followed by the outbreak of SARS in the PRC that brought forth temporary impact on the soaring PRC economic growth. Adversity conquers the weak but inspires the strong to endure, combat and overcome challenges. Beijing Capital Land has worked hard and persevered with its combatant spirit to fulfill the goal of listing on the Hong Kong Stock Exchange, being the first H-share listed company which was successfully listed after SARS, and to achieve considerable business progress and development.

During the period under review, amidst the challenging market environment, Beijing Capital Land leveraged on its unrivaled business capabilities and overcame its obstacles to be successfully listed on the main board of the Hong Kong Stock Exchange on 19th June 2003. This marked a pivotal entry into the international equity market as well as a solid foundation for the long-term development of the Group. During the second half of the year, the Group capitalized on the revival of both the property market and consumer confidence to march in full speed towards the path of development. Throughout the past year, we continued to embrace our winning operation model, grasped the robust demand in Beijing's property market and launched a number of property projects which generated remarkable results for the Group. During the period under review, the Group's total turnover amounted to RMB1,920 million. Net profit reached RMB255 million, exceeding the profit forecast set out during listing. The Board recommended to declare a final dividend of RMB2.5 cents per share and a special final dividend of RMB2.5 cents per share for the year ended 31st December 2003.

The listing not only provided the Group with more affluent financial resources, but also introduced the internationally acclaimed property investment company, GIC Real Estate Pte. Ltd. ("GIC Re") as a strategic shareholder to enhance our management standards and paved the way for the Group to embrace the abundant business opportunities of PRC's property market. Shortly after, Beijing Capital Land jointly developed two development projects, namely Heping Lane Residential Project and Yu Yuan Tan Apartment, with GIC Re and injected a new and dynamic atmosphere to the Beijing property market. Most importantly, it also demonstrated the Group's clear business development direction, defined and yet long-term strategies.

In an attempt to further enhance its financial strength, the Group proposed the issuance of not more than 1.2 billion A Shares on the Shanghai Stock Exchange in the PRC to raise up to RMB3 billion. This will not only introduce mainland investors into the Group to enlarge its shareholder base as well as enhance its corporate image in the PRC, but also further solidify its leading position in the Beijing property market.

Looking ahead, with the continuous development of its market economy system and strengthening of the government's functions in serving the society, together with the deepening of the impacts brought forward by PRC's accession into the World Trade Organization ("WTO"), PRC's economy has entered into a new stage of accelerating development. As the capital of the PRC, office, hotel and commercial property market of Beijing will prosper to record steady growth. The hosting of the 2008 Beijing Olympic Games by Beijing will help accelerate the urbanization of the city. As the country is marching towards a moderate and well-off society, demand for quality living environment and residential projects will gradually grow. Coupled with the improvement of mortgage services and the opening up of the secondary property market, we have full confidence in the future prospects of the Beijing property market. Furthermore, the government has implemented a series of policies to further regulate the financing environment and to control land supply, all these would contribute to a more transparent and better regulated property market with healthy development potentials. It is expected that the environment of the industry will undergo substantial changes and become more advantageous for those premier and leading integrated property developers to increase their market shares and competitiveness.

There are three elements essential for a leading real estate developer: land, capital and market. The Group has much land bank in prime locations of Beijing, which is sufficient for 5 years development. Our financial position is strong as we have sufficient working capital and bank credit facilities. In addition, the Group is embracing the Beijing real estate market with enormous development potential. Equipped with all of the three competitive advantages and leveraging on the expertise of its management team, rich experience in the development of large-scale quality property projects of various types, a diversified property portfolio, unparalleled sales network and unique sales strategies, the Group will adopt proactive and prudent expansion, capitalize on every valuable opportunity in the industry's development, maintain rapid growth, striving to become the leading operator in PRC's real estate market.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to our business partners, customers and shareholders for their relentless support, and to our staff for their untiring efforts. Beijing Capital Land will put into effect its clear and definite strategic framework to proactively strive for development. With our experience and expertise in the Beijing property market, the Board believes that the Group will continue to prosper and create both wealth and successes. I sincerely wish that we can join hands to pioneer a more promising road ahead.



Liu Xiaoguang
Chairman

Beijing, 4th March 2004