

Management Discussion and Analysis



Mr. Tang Jun

President

During the year, while mitigating the negative impacts brought forth by the implementation of macroeconomic measures, the Group capitalized on the favourable market environment to strengthen its competitive edge and continue to achieve historical highs, in terms of business performance, to create a satisfactory return for shareholders.

Business Environment

Overview of the PRC Property Market

- China's economy continued to grow steadily and rapidly in 2004.

In 2004, the Gross Domestic Product ("GDP") in PRC amounted to RMB13,650 billion, which was a 9.5% surge from the previous year and a year of fastest growth since 1997. The new jobs created for urban areas exceeded the expected target to reach the number of 9,800,000; the per capita disposable income of residents in cities and towns recorded an actual growth of 7.7% (Source: Government's Work Report 2005). In light of the rapidly growing economy, the increasing income of residents, the accelerating urbanization, and the improving living environment, the affordability of the PRC people increases resulting in greater demand for quality housing.

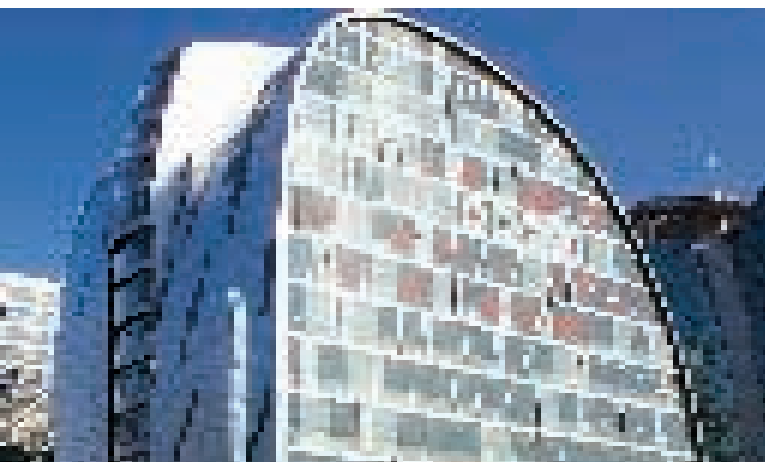
Management Discussion and Analysis

- China's property market in 2004 was characterized by soaring price and sales volume with active sales and purchases.

In 2004, the average price for commodity housing in PRC rose 14.4%, which was 10.6 percentage points higher than that of the growth in 2003. The average price for commodity residential housing was up 15.2%. The area sold for commodity housing in PRC amounted to 382 million sq.m., an increase of about 13% from that of last year. On the other hand, the PRC vacant area of commodity housing dropped by 8.3%, of which the vacant area of commodity residential housing in PRC dropped by a corresponding 15.6% (Sources: National Bureau of Statistics). Currently, China's per capita GDP exceeded US\$1,000 and, judging from historical experience, its property market is embarking on a rapid growth period. China's annual GDP growth has to maintain at around 8% for the next 15 years in order to reach a per capita income of US\$3,000 by year 2020. Under such circumstances, its property market will sustain fast and steady growth.

- Remarkable success of the timely and appropriate macroeconomic measures implemented by the PRC Government.

In order to curb over investment, the Government has, starting from the beginning of 2004, taken resolute measures to implement macroeconomic measures to control land approval and loan grant, and has achieved good results. In respect of land supply, the PRC Government has formulated the "Decision on Deepening the Reform of Land Management and Tightening Up Land Management" 《關於深化改革嚴格土地管理的決定》, with an aim to implement the strictest land management system to protect farm-land with all its strength. The measures involved suspending approval of applications regarding the change of agricultural land to non-agricultural land for half year during the period from April to October 2004. All local authorities were required to settle the problems left over from history in relation to the grant of operative land use rights by 31 August 2004. Besides, all operative land transfers taken place after 31 August 2004 shall be conducted through public tenders, bidding and auctions. As to mortgage loans, in October 2004, The People's Bank of China ("PBC") declared an interest-rise and the lifting of loan rate limit, such that the one-year loan benchmark rate increased by 0.27 percentage point from 5.31% to 5.58%, and that the individual rate for housing provident fund increased by 0.18 percentage point from 4.05% to 4.23%. With the remarkable success of the timely and appropriate macroeconomic measures, the national fixed assets investment growth rate fell from 43% at the beginning of the year to 25.8%, and the National Consumable Retail Price Index (CPI) decreased from 5.3% in July and August to 2.4% in December (Source: National Bureau of Statistics). It is expected that the Government will not adopt more stringent measures in the future, and will regulate the economy through market means instead of administrative means.



Capital Development Tower

Management Discussion and Analysis

- The macroeconomic measures have rationalized the balance between supply and demand of the PRC's property market.

In 2004, China's property development investment amounted to RMB1,315.8 billion, representing a growth of 28.1%. The newly-built area of commodity housing in PRC was 604 million sq.m. with a growth rate of 10.4%. The accumulated housing area completed was 425 million sq.m. with a growth rate of 2.1%. The area of completed land development by property developers in PRC was 223 million sq.m., down 11.4% (Source: National Bureau of Statistics). Judging from the demand figures, the current supply growth is lower than the demand growth, while the future supply tends to fall as the macroeconomic measures aimed at curbing supply. This will result in a balance between demand and supply in the PRC property market in the future. This is not only conducive to the long-term healthy development of this industry, but also advantageous to large developers as they are expected to survive in competition and attain even higher market share.

Overview of the Beijing Property Market

- In 2004, Beijing's economy grew at a rate higher than the national standard.

At the end of the 2004, the GDP of Beijing exceeded RMB400 billion to RMB428.33 billion, 13.2% higher than that of last year and the growth rate was also 2.5 percentage points higher than last year, breaking the record in 1995 and surpassing the national standard of 9.5%. In 2004, Beijing's new employment amounted to 233,500 and the disposable income per capita of residents in its urban area amounted to RMB15,638, representing a corresponding increase of 11.5% after inflation (Source: Beijing Statistics Bureau).

- 2004 still saw flourishing demand in Beijing's property market, and the rise in housing prices was less than one half of the national level.

In 2004, the area sold for all kinds of commodity housing in the city was 24.72 million sq.m., 30.4% higher than that of last year and 2.3 times of the national level of 13.2%. The sales realized were RMB124.91 billion with a growth rate of 39.1%. Among them, sales area of commodity residential housing was 22.858 million sq.m., up 29.1%, and the sales realized was RMB108.51 billion, up 37.5%. The selling price of commodity housing showed steady growth. The average selling price for the commodity housing was RMB5,053/sq.m., representing a rise of 6.7% from 2003, less than one half of the national level of 14.4%. Among them, the



Sydney Coast

Management Discussion and Analysis

average selling price for commodity residential housing was RMB4,747 per sq.m., representing a rise of 6.5% from 2003, also less than one half of the national level of 15.2%. In 2004, the disposable income per capita of residents in the urban area of Beijing recorded an actual increase of 11.5%; whereas the average price for commodity residential housing recorded only a moderate increase of 6.5% for the same period (Source: Beijing Statistics Bureau). The increase in the income of the residents was far above the rise in housing prices, indicating the demand for property in Beijing was driven by the residents' genuine need, with no sign of overheating. This also shows that Beijing's property market is demonstrating healthy and sustained growth.

- The growth of supply in the Beijing's property market lagged behind the growth rate of demand in 2004.

In 2004, the completed area of all kinds of commodity housing in Beijing totaled 30.67 million sq.m., up 18.2% from that of last year; and growth rate of the areas sold was 30.4%. Among them, commodity residential housing accounted for 23.44 million sq.m., up 12.6% and only 2.5% higher than the area sold of 22.858 million sq.m.. Commodity housing area that has been vacant for over one year decreased from 3.779 million sq.m. in 2003 to 2.986 million sq. m., representing a decrease of 21% (Source: Beijing Statistics Bureau) . This showed that there will be balance between the supply and demand in the Beijing's property market.

- In 2004, Beijing's property investment growth rate still maintained at the average level for the recent three years.

The State's macroeconomic measures were also proved to be effective in Beijing in 2004 as the city's fixed assets investment growth rate fell from 53% at the beginning of the year to 21.3% at the end of the year. Though the supply of property in Beijing was inhibited by the macroeconomic measures, Beijing's property market managed to maintain a reasonable growth. The property development investment in the city amounted to RMB147.33 billion, up 22.5% from that of last year and in par with the three-year average growth rate of 23.4%, of which over 50% or RMB77.6 billion came from investment in residential housing, up 22.6% from that of last year, and property development investment accounted for 58.3% of completed investment for social fixed assets (Source: Beijing Statistics Bureau). The property industry remained the key driving force of Beijing's economic growth.



River Garden of Upper East Side

Management Discussion and Analysis

- Affected by macroeconomic measures, Beijing's property supply tends to fall.

In 2004, affected by the macroeconomic measures, such as control in land supply and credit tightening, the completed land development area by property developers in Beijing amounted to 6.342 million sq.m., down 41.7% from that of last year. The city's newly-built area for commodity housing was 30.543 million sq.m., down 11.1% from that of last year, of which 22.072 million sq.m. came from commodity residential housing, representing a drop of 11.8% from that of last year. On the other hand, owing to change of land policy, the land purchase fee paid by property developers in Beijing reached RMB27.58 billion, an increase of 29.4% from that of last year (Source: Beijing Statistics Bureau). According to the above indicators, Beijing's property supply tends to slow down while the land costs increase and demand remains robust. Currently, the Group has sufficient quality land bank and schedules to launch a number of new property projects in 2005. It is believed that, with such a favorable market condition, the Group's profitability will keep improving.

Business Review

During the year, while mitigating the negative impacts brought forth by the implementation of macroeconomic measures, the Group capitalized on the favourable market environment to strengthen its competitive edge and continue to achieve historical highs, in terms of business performance, to create a satisfactory return for shareholders.

In 2004, the Group posted a turnover of RMB1,629,332,000, down by 15.2% from last year. Operating profit amounted to RMB439,256,000, 7% lower than the previous year. Profit attributable to shareholders was RMB283,197,000, an increase of 11% when compared to the previous year. Basic earnings per share was RMB17.55 cents as compared to RMB18.54 cents in 2003. The Board of Directors recommended the payment of a final dividend of RMB7 cents per share for the year ended 31 December 2004.

During the year under review, the Group recorded satisfactory business performance, and its major achievements in the following operating management areas:

- The Group increased its land bank through public auction, after the land policy changes to maintain its competitive advantage in land reserves
- The Group further diversified the financing channels through obtaining loan facility from foreign bank



Chairman Liu Xiaoguang and President Tang Jun attended the 6th China Housing Trade Fair.

Management Discussion and Analysis

- The Group continued to optimize the operating management system by establishing the public auction and tender department, to further reduce the construction cost. The establishment of the planning and design department aims to develop products that cater for the demands of the customers; while the setting up of the BCL Customers Club strives to further extend the customer services
- Investment properties of the Group started to achieve remarkable results. The Central Holiday Inn, has commenced its operation for one year, and achieved business development which exceeded the Group's expectations.

Property Development

During year 2004, the Group completed 6 development projects with a total gross floor area ("GFA") of 370,600 sq. m.

Development projects completed in FY 2004

Property	Type	Approximate GFA completed (Sq. m.)	Interests Attributable to BCL
Capital Development Tower	Offices/commercial	34,800*	100%
Sydney Coast District E-North	Villa/apartment/commercial	31,000	100%
Vancouver Forest District A	Villa/commercial	32,200	50%
Top Land Phase I	Office/apartment/commercial	82,600	75%#
Sunny Scenic View Phase II	Residential/commercial	96,000	18%
Upper East Side District C1	Residential/commercial/hotel	94,000	33%
Total		370,600	

* Note: This refers to the actual measured area of Capital Development Tower upon completion.

For GFA equal to or less than 60,000 sq.m., attributable interest is 75%. For GFA more than 60,000 sq.m., attributable interest is 85%.



Occupation of Upper East Side by first batch of customers.

Management Discussion and Analysis

Sales Performance

During 2004, contracted sales area of the Group's properties was approximately 328,000 sq.m., up by 4.6% from the previous year, in which residential, office and commercial properties accounted for 83%, 6% and 11% respectively. Contracted sales revenue was approximately RMB2.93 billion, or 21% higher than that of the previous year, in which residential, office and commercial properties accounted for approximately 79%, 9% and 12% respectively. There was a delay in the launch of some development projects due to the implementation of macroeconomic measures. However, all properties launched for sale recorded overwhelming results, as both the selling price and area sold exceeded the Group's expectations.

The following table shows the sales of the Group's major development projects launched during the period under review:

Project	Approximate contracted sales area (sq.m.)	Approximate average contracted selling price (RMB/sq.m.)	Approximate contracted total sales income (RMB'000)
Residential			
Top Land	32,000	11,200	358,400
Vancouver Forest	42,800	7,700 ⁽¹⁾	329,560
Sydney Coast	39,200	8,100 ⁽²⁾	317,520
Winners Circle	39,500	6,600	260,700
Upper East Side	91,500	9,200	841,800
Phase II of Sunny Scenic View	25,800	7,600	196,080
Sub-total	270,800		2,304,060
Office			
Capital Development Tower	20,400	12,700	259,080
Commercial Property			
Phase I of Beijing International Business Park	36,800	9,900 ⁽³⁾	364,320
Total	328,000		2,927,460

Remarks:

- (1) Excluding basement area, the average contracted selling price was RMB10,900/sq.m.
- (2) Excluding basement area, the average contracted selling price was RMB9,500/sq.m.
- (3) The construction costs were borne by the buyers.



Grand opening ceremony of Vancouver Forest.

Management Discussion and Analysis

During 2004, the Group continued to embrace its precise market positioning for its customers to provide customized products and services, and achieved profitable returns. Sunny Scenic View Phase II and Top Land Phase I were sold out within one year of their launch. This demonstrated that the properties launched by BCL received overwhelming responses and support from customers.

Top Land Phase 1, an office/residential project launched by the Group, successfully developed a small modern business district within Sanyuanqiao, which has received great market response. This project has invited the residents to join the planning of the underground shopping mall, not only this will fit the demand of the residents, but also promoted the success of the shop owners. The occupancy rate of the underground shopping mall has been accelerated, which has led to an all-win situation.

The Vancouver Forest, located within 71 hectares of natural forest, with centenary architecture, was developed by using over a hundred different housing combinations and architectural style. As such, the Group has placed much effort in construction details and innovative designs. With its nature-friendly design and superb quality, Vancouver Forest was well received by the market, all 58 units were sold out within only two months of the commencement of its premiere sales at the end of May 2004.

Upper East Side was positioned to be a high-end residential community. The Group emphasized prominent quality and grandeur in several aspects, like architectural design, community set-up and management services. The current average selling prices have surged by about 16% as compared to the launch prices and it has become one of the renowned properties along the Northern and Eastern districts in Beijing.

The Group adjusted the construction plan of Beijing International Business Park according to the buyers' needs for commercial properties. This unique underground commercial plaza rarely found in the Central Business District ("CBD") achieved satisfactory sales results.

During the year, in addition to strengthening its existing edges in sales and marketing, the Group also established a "BCL Customer Club" in October 2004, aiming to pool the rich customer resources of various projects, which will enhance customer trust and loyalty, and provide higher quality services for customers.



Vancouver Forest

Management Discussion and Analysis

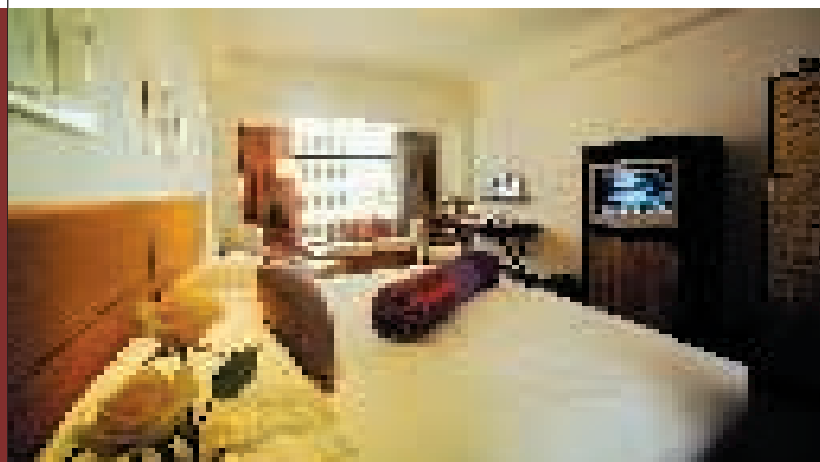
Property Investment

As the internationalization of Beijing accelerates and the 2008 Olympic Games approaches, the business environment and tourism are booming. Taking advantage of the prosperous demand of the market, the Group selectively engages in the investment of high-end hotels and commercial properties to generate recurring income and maximize the value of its property investments.

Central Holiday Inn commenced its operation at the end of March 2004. It is an international four-star hotel managed by Inter-Continental Hotels Group. The hotel, located in the business district of the Guanganmen government in the heart of Beijing, is directly connected to the office of the Municipal Government building and is adjacent to many state ministries and commissions. With such advantages, the internationally recognized hotel is well-positioned for a business meetings hotel. After operating for about one year, the hotel has maintained an occupancy rate of around 80% and is accredited “The Best Business Hotel in the Asia Pacific Region 2004” by the Inter-Continental Hotels Group.

The Finance Street Inter-Continental Hotel is an international five-star hotel managed by Inter-Continental Hotels Group. The interior decoration of the hotel has been completed and the hotel will commence operations very soon. It will become the first international five-star hotel on Finance Street. With the successful launch of Central Holiday Inn, the Group is confident of the operation prospects of this new hotel.

Sunshine Building (also known as Huatang Building) completed construction in February 2005. The Group entered into a 20-year tenancy agreement with Ito-Yokada and customized its design for the Huatang Mall (華堂商場), a reputable shopping mall in Beijing.



Guest room of Central Holiday Inn.

Management Discussion and Analysis

Project Development Consultancy Operation

Project development consultancy operation is a value-added business of the Group, the provision of which is leveraged upon the Group's competitive edges in the property market. It is mainly engaged with the provision of planning and advisory services to its clients with respect to the preliminary stage of a property development project. By capitalizing on the Group's extensive experiences in properties development, its good cooperation relationship with relevant government authorities, and its exquisite capabilities in the analysis and evaluation of the market, the Group assists its clients to complete the procedures with respect to the application, investment and registration of state-owned land use right, modification and optimization of project plans and design schemes, market research and surveys, and product positions, formulation of marketing, promotion and sales plans for the project as a whole, invitation of tender for the preliminary works of the properties, and receives fees therefrom. As the cycle for a property development project is long, and requires a lot of government approvals at various stages, whilst the condition for approvals varies across different districts, clients engaging in property investment or property development in Beijing faced difficulties in obtaining approval and conducting development at the preliminary stage from time to time. Therefore, the Group launched its project development consultancy operation in view of such requirements in the market, and generated revenue during the year under review. The Group laid a foundation and have more confidence in further promoting of this business. This service will also support the Land Development Business to be engaged by the Group in terms of resources and customer base.

Disposal of Interests in Subsidiary and Associated Company

Zhongguancun Softpark is an office property located in Zhongguancun and the construction was completed in the end of Year 2003. The Group held 80% interest in Zhongguancun Softpark. At the request of the buyer which is an independent third party, the entire property was transferred by share transfer of the project company. The gain on disposal of 80% interests of Zhongguancun Softpark was about RMB49,237,000 and was recognized as other operating income.

In addition, the Group also disposed of its 25% interests in Beijing Jinyaguang Real Estate Development Company Limited ("Jinyaguang") to an investor who is another independent third party. The gain on disposal was about RMB48,249,000 and was recognised as other operating income. After the disposal, the Group owned 75% interests in Jinyaguang. The management was of the view that the interests disposal not only realized part of the profits but also allowed the management to retain its control on the property development of Jinyaguang.



Upper East Side

Management Discussion and Analysis

Transfer of Super Shine Shares

Super Shine Company Limited (“Super Shine”) is a company listed on the Shenzhen Stock Exchange. The Company originally held 26.5% of its issued shares, being the single largest shareholder of Super Shine and consolidated Super Shine as a subsidiary. For strategic reasons and to solve the internal competition problem brought along by the A share issue, the Company announced in March 2004 the disposal 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 31 December 2003 to an independent third party, Beijing Yan Zhao Real Estate Development Co., Ltd. After the announcement, equity method is adopted for Super Shine because a supplementary agreement has been reached that the Company can still share 26.5% of Super Shine’s 2004 profit. Accordingly, the Group’s investment in Super Shine was reclassified from a subsidiary to an associated company at its carrying value pending approval of the share transfer agreement as set out in the interim report as at 30 June 2004.

On 22 December 2004, the share transfer agreement has been approved by the related authorities of the PRC government and the transfer of the issued share was completed in Shenzhen Stock Exchange. Upon the completion of the share transfer, Super Shine was therefore accounted for as investments securities as at 31 December 2004. A profit arising from disposal of the aforesaid 15.5% interests approximating to RMB5.5 million will be recognised during 2005 when all the other necessary disposal procedures are completed and consideration is received in full.

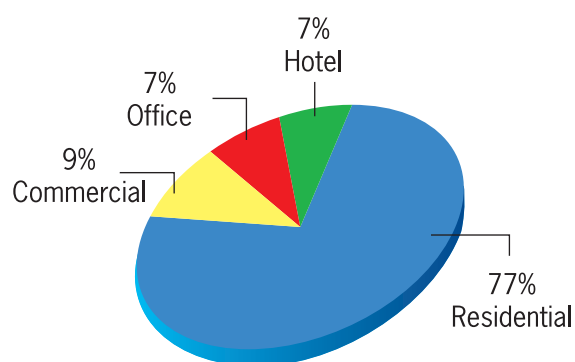


Bidding for the Shi Li Pu residential site at the land auction.

Management Discussion and Analysis

Land Bank

As at 31 December 2004, the Group's land bank, when fully developed, will amount to a total GFA of approximately 3.53 million sq. m., of which around 92% is located in the northern part of Beijing and occupies the prime locations of the capital. 94% of the Group's land bank has obtained long-term land use right certificates, while the remaining 6% is expected to obtain long term land use right certificates in 2005. Residential, commercial, office properties and hotel accounted for 77%, 9%, 7% and 7% of the land bank respectively. The existing land bank is sufficient for the Group's development for the next four to five years and will enable the Group to excel in future market competitions.



Land Bank Analysis by Land Use

After 31 August 2004, lands have to be entirely transferred by means of public tender, bidding and auction in the PRC. In a Beijing's large-scale public auction after the "8.31" policy, the Group successfully purchased two quality lots of residential land in Beijing, namely:

Shi Li Pu Residential Project, located at Shi Li Pu, Chaoyang District, is only two subway stations away from China World Trade Centre, the CBD hub. Its total planned GFA is 435,600 sq. m. and total land cost is approximately RMB934 million. Total investment is expected to be approximately RMB2.4 billion. Targeting at the white-collar elite as major customers, the project is planned to develop into a large-scale modern community equipped with a unique commercial zone. The Group will partner with GIC for the development of the project, in which the Group holds 55% equity interest in the project company. The first phase of the project is planned to be launched for sale in the second half of 2005.

Xi'erqi Residential Project, located at Xi'erqi, Haidian District, is adjacent to the Xi'erqi light railway station and the Winners Circle Project developed by the Group. The total planned GFA is 391,000 sq. m. and the total land cost is approximately RMB1.175 billion. The total investment is expected to be approximately RMB2.3 billion. The Group will utilize this last piece of low-density residential land in Zhongguancun Science Park to provide a serene and comfortable residence for IT elites. The Group joined hands with North Science Construction Group for the development of the project, and owns a 40% equity interest. The project is planned to be launched for sale at the end of 2005.

Acquisition of the abovementioned two residential land sites not only enlarged the Group's land bank, but also improved the Group's land bank portfolio, conforming to the Group's strategy of expanding its residential land bank. More importantly, in view of the significant changes to land policy, in which land transactions shall be conducted by way of public transaction instead of private transfer, the Group can leverage on its capital flow and strong capability in development, to obtain quality land reserves. The Group will actively explore opportunities for the land development in the future, so as to further enhance its competitiveness in land reserves and to lay a solid foundation for the Group's long-term and stable development.



Successful bid of the
Shi Li Pu residential site.

Management Discussion and Analysis

Investor Relations

Subsequent to its listing on the Stock Exchange in June 2003, the share price of the Group has shown steady growth which is attributable to the Group's outstanding business performance and proactive development strategy and supported by the Group's committed efforts in investor relations. The H Share's share price at the end of 2004 increased by approximately 10% as compared to that at the end of 2003.

In order to maintain good relationship with the investment community, the Group has placed much efforts in maintaining interactive communications with the investors. The Group also strives to maintain high transparency and open-minded attitude to the investment community. The Group disseminates relevant corporate information on a timely basis through various channels. The Group outlined its business activities in its annual and interim reports and through regular distribution of press releases. These information are also available for download from the Group's website at www.bjcapitaland.com.

Besides the press conferences and analysts' meetings held after results announcement, the Group's management has also held regular meetings with securities analysts and investors, and participated in a number of large-scale conferences, presentations and overseas roadshows. These allow the investors to gain better understanding of the Group's development potential and prospects, facilitating their understanding of the Group's investment value. During the year under review, the Group has met with over 290 analysts and investors (major meetings and overseas roadshows are listed below).

Month	Meetings/ Overseas Roadshows	Locations	Number of Analysts and Investors Met
February	Roadshow in Europe and the US	United Kingdom, the Netherlands and the US	Over 50
February	China Access Conference	Shanghai	Around 40
March	Analysts' Briefing on 2003 Results Announcement	Hong Kong	Around 15
March & April	Roadshows on 2003 Results Announcement	Hong Kong, Singapore, Australia, the United Kingdom, the US and Japan	Around 60
August	Analysts' Briefing on 2004 Interim Results Announcement	Hong Kong	Around 15
November	Beijing site visit of the Group's two newly acquired residential land sites	Beijing	Around 15



“Evolving to Centenary — Press Conference for the 1st Anniversary of the Listing of Beijing Capital Land”.

Management Discussion and Analysis

Prospects

As 2008 Olympic Games is imminent, Beijing's economic development is reaching a new height. It is expected that Beijing's GDP and income of citizens for the next three years will maintain a growth rate of over 10%. The progress of Beijing's urban construction will be accelerated with improving public facilities and extending transportation network. The development potential of the Beijing property market is immense.

Driven by real market demand, active sales and purchases will appear in the property market in Beijing, and the market will experience long-term prosperity. In 2004, the Beijing's population has increased by 360,000, while the annual increase is expected to exceed 300,000 in the future. Meanwhile, baby boomers of the 70s enter into a stage of purchasing their own properties, which spurred robust demand for housing. According to government planning, there will be an average of 55,000 relocated households per year in the next four years, equivalent to around 6 million sq. m. of housing demand per annum. The government aims to increase the per capita living space from approximately 19 sq. m. in 2004 to approximately 35 sq. m. by 2010. All the above factors will lead to stable and huge demand for residential properties in the long run. As the internationalization of Beijing accelerates, the capital city is becoming an important location for local and overseas companies to set up offices. These expatriates will in turn become the buyers or tenants of the residential, offices, commercial properties and hotels in Beijing.

Facing the favourable development opportunities, the Group will continue to proactively implement the following strategies, in order to become a leading property operator in Asia:

- Continue to maintain its leading edges in land bank and capital sources
- Continue to extend cooperation with international developers and investors to further enhance product quality
- Adjust product mix, improve investment portfolio and accelerate capital flow
- Achieve horizontal integration selectively to become an integrated property operator
- Identify business opportunities arising from the Beijing Olympic Games and proactively explore opportunities for development in other districts
- Capitalize on consolidation of the industry and seek after mergers and acquisition to expand operation scale

首创置业股份有限公司
2005年管理工作会议

2006年2月5日



2005 Management Working Meeting of
Beijing Capital Land.

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- Strengthen the strategic planning, and enhance the strategic management capability
- Increase capital investment for human resources to build up a management team for becoming an integrated property operator
- Proactively enhance brand awareness to expand BCL's brand effects

Financial Analysis

1 Revenue and Operating Results

During 2004, turnover of the Group was RMB1,629,332,000 (2003: RMB1,920,522,000), a decrease of 15.2%. The decrease in turnover was mainly attributable to the disposal of interest from 26.5% to 11% in Super Shine. Therefore, sales generated from Super Shine were not consolidated in the Group's results.

Due to its stringent cost control, the Group managed to achieve a gross profit margin of 26.4% (2003: 26.6%) for the year 2004, in par with last year.

In 2004, the Group's operating profit was approximately RMB439,256,000 (2003: RMB473,383,000).

The Central Holiday Inn, commenced its operation at the end of March 2004. After operating for one year, the hotel has maintained an occupancy rate of around 80% and generated a revenue of RMB40,765,000 for the Group.

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In addition, the Group began to actively engage in a new income source business, namely property development consulting services which generated a revenue of RMB70,000,000 to the Group in 2004. The service scope of this value added business included assisting the client to complete the application for securing property development projects, market research and product positioning, promotion, sales and marketing plans and invitation of tenders for the construction works of the project.

Sales of a property development project amounting to RMB272,250,000 for the year ended 31 December 2003 was reversed in 2004 upon the cancellation of the sales agreement. The relevant development project was then substantially sold to another independent third party in 2004 at RMB274,000,000. The gross profit from the original contract of RMB70,854,000 that recognised in 2003 was reversed in 2004 while gross profit from the new contract amounting to RMB80,853,000 was recognised in the current year.

2 Financial Resources, Liquidity and Liability Position

In 2004, the Group maintained a healthy cash flow and capital resources were reasonably allocated. As at 31 December 2004, the Group's total assets were RMB8,813,316,000 (current assets were RMB5,985,994,000) [2003: RMB7,833,412,000 (current assets were RMB5,972,134,000)] and the total liability was RMB5,947,443,000 (current liabilities were RMB3,959,717,000 and non-current liabilities were RMB1,987,726,000) [2003: RMB5,040,915,000 (current liabilities were RMB3,074,993,000 and non-current liabilities were RMB1,965,922,000)], and the shareholder's equity reached RMB2,314,252,000 (2003: RMB2,181,108,000).

The Group had high liquidity and sufficient solvent ability. The Group's current ratio as at 31 December 2004 was 1.51 (2003: 1.94).

As at 31 December 2004, the Group's cash and short-term bank deposits amounted to RMB1,879,135,000, (2003: RMB1,493,870,000) which represented sufficient cash flow for operations.

Bank loans of the Group as at 31 December 2004 was RMB4,226,251,000, (2003: RMB2,368,000,000) which was mainly used to fulfil the finance requirements of the Group's properties development projects.

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Since the Group is mainly engaged in investment in Beijing, except for a loan facility of US\$32 million obtained for its subsidiaries from DBS Singapore, in which US\$5.8 million was withdrawn on 31 December 2004, all of the Group's bank loans come from banks in PRC and are borrowed and repaid in RMB. There are no significant currency risks involved. Apart from the abovementioned loan in US\$, all of the Group's bank borrowings were arranged on a non-floating rate basis.

As at 31 December 2004, our gearing ratio was 53.7% (2003: 44%). Our gearing ratio is calculated by dividing the (i) the Group's short term and long term bank loans, (ii) net amounts due to ultimate holding company (iii) net of cash and bank balances (the balance of (i), (ii) and (iii) being referred to as "(A)"), by the sum of (A) and net assets of the Group.

3 Substantial Acquisition by Subsidiaries and Associated Companies

In 2004, the Company established a sino-foreign equity joint venture company in Beijing, PRC with Reco Ziyang Pte Ltd. Further details are set out in the section of connected transaction in the Director's Report. In 2004, the Company injected capital into Beijing Xing Tai Property Development Company. Further details are set out in the section of connected transaction in the Director's Report.

4 Entrusted Deposits and Matured Time Deposits

As at 31 December 2004, the Group had not held any deposits under trusts or any time deposits in financial institutions in the PRC. All of the Group's cash were 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.

5 Pledged Assets

As at 31 December 2004, hotel properties with book value of approximately RMB675,213,000 were pledged to banks for securing guarantee of bank loans of the Group. Rights to yields on certain land (income from the sale of land or other income obtained for related land) have been pledged as securities for short term loan with an amount of RMB1,000,000,000 and long term loan with an amount of RMB1,300,000,000.

Management Discussion and Analysis

6 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 RMB637,468,000 (2003: RMB885,280,000) as at 31 December 2004.

As at 31 December 2004, other than guarantees provided for a short term bank borrowing of RMB498,000,000 (2003: a short term bank borrowing of RMB40,000,000 and a long term bank borrowing of RMB360,000,000) to subsidiaries of the Company and a short term bank borrowing of RMB120,000,000 (2003: RMB250,000,000) to a jointly controlled entity, the Group had no material external guarantee.

Others

1. Human Resources

Currently, the Group has a total of 288 young, internationalised and professional team, with an average age of 34 years old. Among them, 20% and 57 % have received master degree or above and undergraduate education respectively. In addition, 15 staff members had studied or worked overseas. Mid-level staff, senior staff and staff members with different experiences and qualifications accounted for 35%, 12% and 14% of total number of staff respectively. During 2004, the Company reduced its shareholding interests in Super Shine and therefore the employees of Super Shine and its subsidiaries were not included.

The Group is replacing the traditional human resources management with the new operating concept of “human capital operation”, that is to enhance core strength of the Group to become the human capital for centralized operation, and to cultivate corporate culture and enhance communication for the implementation of corporate strategy.

In August 2004, the Group and Deloitte Consulting jointly developed the project on “Building of Corporate Culture and Human Capital Development”. The major objectives of the project include establishing a corporate culture that supports sustainable development, outlining the human capital strategy and development plan for international competition and creating a career development system based on staff capability. As at the end of 2004, objectives were attained in phases and “common objective, discipline and innovative learning” became the new corporate culture.

Management Discussion and Analysis

In 2004, the Group organized about 17 training programmes with the number of participants amounted to approximately 400 and the number of training hours totaled 4,300 hours (in terms of working hour). During 2004, each staff member received an average of 15 hours of training and staff members of headquarters received an average of 43 hours of training. In addition, the Group organized a number of training programmes, including “Grabber-Holder Dynamics” with The Stanford University and “The 7 Habits of Highly Effective People” with Franklin Covey, and remarkable results were achieved, which further strengthened BCL’s culture as a learning organisation.

2. Community Services

- In June 2004, the Ecology Society of Entrepreneur was established by Mr. Liu Xiaoguang, the Chairman of BCL, as the principal promoter. This is a common welfare fund aiming at controlling the sandstorm in Alashan, Inner-Mongolia. Capital in place amounted to RMB8 million. The proposal for the two projects, namely the “Suo Suo Lin” (梭梭林) and “Wen Peng” (温棚), has been approved by the executive committee of the Society for operations. Project Alashan is so far the largest common welfare project promoted by PRC property leaders and embodies the strong sense of social responsibility of the property developers.
- In October 2004, the “Centurial Exhibition of French Fashionable Design”, co-sponsored by BCL, was successfully organized in the National Museum of China. As the principal activity of the Sino-French Cultural Year, this exhibition has featured hosts of French collectables and treasures for the last century and has attracted wide attention. French President Chirac has also attended the exhibition.