

Chairman's Statement



Mr. Liu Xiaoguang
Chairman

Embattled with the fierce challenges, the management reviewed the market conditions and leveraged on its competitive edges. As such, the Group proactively accelerated the construction progress of various property projects in the second half of the year, launched a number of quality project and participated in the development of numerous projects with remarkable potential.

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Beijing Capital Land Ltd. ("BCL" or the "Company"; together with its subsidiaries the "Group"), I am pleased to present the Group's annual report for the year ended 31st December 2005.

2005 is a year full of challenges to BCL. With the implementation of macroeconomic austerity measures by the PRC government in 2004, the commencement of construction works for a number of the Group's projects in Beijing were inevitably delayed. Coupled with the change in accounting policies in 2005 as a result of the adoption of new Hong Kong accounting standards, there existed a gap in the Group's results for the first half of the year. Embattled with the fierce challenges, the management reviewed the market conditions and leveraged on its competitive edges. As such, the Group proactively accelerated the construction progress of various property projects in the second half of the year, launched a number of quality project and participated in the development of numerous projects with remarkable potential. Capitalising on the Group's unrivalled market savvy and effective sales and marketing strategies, all of its projects achieved impressive sales performance with overwhelming market response, which successfully offset part of the impact brought forth by the changes in policies. In addition, the Group achieved breakthrough in business development to expand into the land development business during the year through utilising its extensive experiences in property development. This not only expanded the Group's revenue source but also laid a solid foundation for its property development business in future. With the timely adjustment of strategies, broadening of income base and stringent cost control, the Group managed to turn around the unsatisfactory results performance in the first half and achieved significant improvement in the second half of the year.

During the year under review, the PRC economy maintained robust growth with a GDP growth of 9.9%. Fuelled by the investment of infrastructure facilities for 2008 Olympic Games, Beijing economy achieved remarkable growth with per capita disposable income reaching RMB17,653. The Group captured the enormous business potential resulting from strong demand for quality residential property and accelerated the development progress of middle to high-end residential projects. Both sales volume and selling prices were better than expected. Meanwhile, the Group also seized favourable market opportunities to divest its non-core commercial business and realise its asset value by transferring its interests in several commercial projects including office projects. This was in line with its development strategy of focusing in development of residential property projects. During the year, total contracted area amounted to approximately 269,200 sq.m., representing a decrease of 18% over that of the previous year. Total contracted sales was approximately RMB2,347,000,000, down 20% when compared with last year. Profit attributable to equity holders were RMB211,505,000, dropped by 19%. Under the stringent cost controls together with the overall growth in property prices in Beijing, the Group maintained its gross profit margin at 26.5%, recording mild increase when compared with 25.5% in 2004.

In order to reward for shareholders' support, the Board recommended the payment of RMB5 cents per share (2004: RMB7 cents) as the final dividend for the year ended 31st December 2005, maintaining its dividend payout of 40%.

Chairman's Statement

To fully utilise the Group's competitive edges in capital, brand equity and management capabilities, BCL capitalised on its unparalleled insight and market expertise to seize the opportunities arising from the accelerating urbanisation as well as the exponential development potential of provincial cities. By proactively tapping into cities outside of Beijing, the Group endeavored to extend its market coverage with an ultimate goal of becoming a nationwide integrated property operator. Since July 2005, the Group has acquired Ruijing Residential Development Project in Tianjin, Taiyuan Zhangfeng Residential Development Project, Wuxi Tianyi Residential Development Project and Chengdu Residential Development Project respectively, which will be used for developing middle to high-end residential projects, so as to pursue its development strategy of "expanding markets outside Beijing and extending its business in the PRC market". By developing property markets outside Beijing, BCL is dedicated to keep its competitive strengths of sufficient land reserves while balancing operational risk and expanding income source to establish a solid platform for the Group's sustained robust growth in future.

Looking ahead, BCL is committed to becoming the most premium integrated property operator in China. In year 2006, the Group will return to its growth track. After its relentless efforts last year, the Group will reap its fruits when its completion area and sales area reach their peak in the coming two years. However, the Group will speed up its market expansion and extend its business outside Beijing. Looking forward, the Group will take advantage of the golden opportunities of the 2008 Beijing Olympics and accelerating urbanisation continuing strategic expansion in markets outside Beijing while adjusting its product structure, optimising investment portfolio to fully realise the four core values of land, product, brand and assets.

On behalf of the Board, I would like to express my heartfelt gratitude to our business partners, customers and shareholders. In addition, I would like to take this opportunity to thank all our staff members for their valuable contribution during the past year. BCL endeavors to further strengthen corporate governance and transparency, and expand business scale by capitalising on its extensive market experience and professional expertise. By leveraging on the unique development strategy, prominent management team and immense land bank, BCL is confident of ripping fruitful returns in the coming years. BCL is committed to sharing its profitable returns over the years with all shareholders and witnessing the prosperous development of the property market.

Liu Xiaoguang

Chairman

Beijing, the PRC, 31st March 2006