

Chairman's Statement



Mr. Liu Xiaoguang *Chairman*

The Group has been adjusting its business strategy in a timely manner since 2005. By speeding up the construction of properties and accelerating its nationwide expansion, the Group successfully laid a solid foundation for its remarkable 2006 results. Under the concerted effort of the management and all staff members, the Group not only returned to its growth track but also reached new heights in its corporate development.

Dear Shareholders,

On behalf of the Board of Directors 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 31 December 2006.

In 2006, the Group achieved significant breakthrough with record high contracted sales revenue and contracted sales area. During the year, total contracted sales revenue exceeded RMB8.58 billion, representing a year-on-year growth of 265%. Total contracted area reached 678,000 sq. m, an increase of 152% when compared with that of the previous year. In view of the adoption of new Hong Kong accounting standards and the implementation of a series of macroeconomic austerity measures, the Group has been adjusting its business strategy in a timely manner since 2005. By speeding up the construction of properties and accelerating its nationwide expansion, the Group successfully laid a solid foundation for its remarkable 2006 results. Under the concerted effort of the management and all staff members, the Group not only returned to its growth track but also reached new heights in its corporate development.

Benefited from rapid urbanization and increasing income per capita, the Chinese economy continued to experience robust development in 2006, which was demonstrated by a GDP growth of 10.7%. During the year under review, the State Council announced a series of measures promoting the healthy development of the property market, including suspending the approval of land for the construction of villas and low-density residential properties,



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encouraging the development of mid-to-low end and small-sized residential projects and regulating foreign investment in the real estate market of China. These initiatives aim to curb the overheating property market and over investment by adjusting currency supply through monetary measures to increase investment cost with an ultimate goal of promoting the healthy development of the real estate market in mainland China.

Nonetheless, these austerity measures inevitably affect the domestic property market. As such, BCL adjusted its strategy to be in line with the national policy by developing mass residential projects so as to cater to market demands. The Group achieved impressive sales performance with increases in both sales volume and selling price bolstered by the robust housing demand.

During the year under review, the Group's turnover amounted to RMB2,039,352,000, posting a growth of 80% over that of the previous year. Profit attributable to equity holders was RMB266,009,000, a year-on-year increase of 26%.

To reward for shareholders' support, the Board recommended the payment of RMB6 cents per share as the final dividend for the year ended 31st December 2006, increasing the dividend payout ratio to 46%.

To achieve long term and sustainable development, the Group implements the strategy of "strengthening presence in three focus developments areas, namely Bohai Rim, southwest China and Yangtze River Delta region". By securing five new development projects, which are mainly residential projects, in Beijing, Wuxi, Chengdu, Shenyang and Tianjin, the Group increased its GFA for development by 2.46 million sq. m.. BCL endeavors to establish a strong foothold in other major cities in China, so as to expedite continued and stable business growth. As the Group rolls out its residential projects in Beijing and areas outside the capital city, we expect 2007 will be a year of fruitful rewards for the Group.

In order to strengthen the Group's competitive edges in land, products, brandname and assets, the Group has devised a series of development strategies to capture the opportunities arising from the rapid development of the China property market. The Group will reinforce its management reform to enhance systematic management, accelerate product standardization and adopt strategic cost control. While implementing innovative business model and utilizing its competitive advantages of integrated operations, the Group will recruit high-calibre candidates and enhance training to talented staff. By focusing on the development of residential properties and expansion in key cities, the Group will swiftly expand its operation scale and reduce development cost through replicating its standardized products in a highly efficient manner.

Looking ahead, the upcoming Beijing Olympics will further promote the image of China in the global market. In addition, the rapid economic growth resulting in higher wealth effect will further drive the enormous housing demand in the domestic market. On the other hand, as the Group adopts various strategic initiatives, including the upgrading of management system, replication of standardized products, strategic cost control and expansion in key areas, BCL will be well-poised to ride on favorable market opportunities and create value in terms of land, product, brandname and asset for each project.

On behalf of the Board, I would like to express my sincere gratitude to clients, business partners and shareholders. Furthermore, I would like to take this opportunity to thank all our staff members for their exertions and valuable contribution. The Group will also strive to maintain high level of corporate governance and transparency. By leveraging on its unrivalled edges, BCL is committed to expediting the growth of property market and joining hands with our clients for robust business development and a prosperous future.

Liu Xiaoguang

Chairman

Beijing, the PRC, 16th March 2007