

November 21, 2005

Stock Rating
Overweight

Industry View
In-Line

China Resources Land

Growing in Stature

What's Changed

Price Target	HK\$2.50 to HK\$3.10
2005E EPS	Up 21%
2006E EPS	Up 4%
2007E EPS	Up 5%

Reiterate Overweight rating; New price target of HK\$3.10 implies 28% upside: We expect stock re-rating to continue driven by favorable asset acquisitions from parent and enhanced valuation. Our price target is based on a 35% discount to our revised NAV of HK\$4.76 and 11 times our 2007E EPS which is what the stock should discount 12 months from now.

Acquiring crown jewels from China Resources

Holdings: CRL intends to acquire a portfolio of Grade A office and retail assets in Beijing, Shanghai, and Shenzhen from its parent for Rmb3.3 billion, at a 35.7% discount to the market NAV of the assets. The purchase is to be funded by the transfer of CRL's holding of 76.8 million China Vanke B-shares in addition to the issuance of 1,255 million new CRL shares at HK\$2.2875/share, or a 10.4% discount to its latest book value. The amount of newly issued shares represents 82.7% and 45.3% of the existing issued capital and the enlarged issue capital of CRL.

We view the proposed transaction as favorable for four reasons: 1) both EPS and NAV accretive, reflected in our upward revisions, thereby boosting our valuation case; 2) improved asset profile and offers a buffer to earnings cyclicity; 3) enhanced future funding capacity, hence war chest to add to longer-term growth; and 4) increased market capitalization and potential stock liquidity.

Valuation: At a 49% discount to current NAV, 10 times our F06E EPS and 0.86 times PBV, CRL stock remains one of the most inexpensive in the sector, and especially for the only integrated China property play.

Key Ratios and Statistics

Reuters: 1109.HK Bloomberg: 1109 HK

China Property

Price target	HK\$3.10
Shr price, close (Nov 16, 2005)	HK\$2.43
52-Week Range	HK\$2.48-1.12
Sh out, basic, curr (mn)	1,503
Mkt cap, curr (mn)	HK\$3,651
Sh out, basic, per-end (06e) (mn)	2,766
Relative Perf., 1m, 3m, 12m	6, 45, 67
MSCI China	27.98
Current NAV/share	HK\$4.76
Discount to NAV	49%

Fiscal Year (Dec)	2004	2005e	2006e	2007e
ModelWare EPS (HK\$)*	0.14	0.15	0.23	0.29
Prior ModelWare EPS (HK\$)	-	0.15	0.23	0.28
EPS, basic, rpt'd (HK\$)	0.10	0.19	0.23	0.29
Prior EPS, basic, rpt'd (HK\$)	-	0.16	0.23	0.28
Rev, net (HK\$m)	2,409	3,238	3,669	4,736
ModelWare net inc (HK\$m)	208	227	645	793
P/E	9.5	16.1	10.4	8.5
Div yld (%)	2.3	2.3	2.9	3.5

* = Please see explanation of Morgan Stanley ModelWare later in the note.
e = Morgan Stanley Research estimates

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Investment Case

Summary & Conclusions

We reiterate our Overweight rating on CR Land (CRL) and have raised our 12-month price target by 24% to HK\$3.10, implying 28% upside from the latest close of HK\$2.425. While the stock has been re-rated in the past few months, we view the latest acquisitions from its parent, China Resources Holdings, as favorable and should lend further support to near-term growth. We believe CRL is becoming a complete player with an integrated property portfolio – the first in the industry. This justifies further re-rating in stock, in our view.

We believe the latest acquisition is growth accretive and adds to our positive view in the following ways:

Valuation enhancement boosts attractiveness: We calculate that the acquisition is accretive to both EPS and NAV, as the deal was priced at a 35.7% discount to fair market values. We have raised earnings forecasts by 4% and 5% for 2006E and 2007E EPS, respectively, while upping our NAV by 13%. At HK\$2.425, CRL stock looks attractively valued at a deep 49% discount on NAV, 0.87 times PBV, and 10 times our 2006E EPS. This makes the stock one of the least expensive vs. the industry average of a 30% discount to NAV, 2.4 times PBV and 9.5 times forward earnings. As stated in the company's announcement, the deal will also boost CRL's book value/share to HK\$2.80 from 2.55.

Improved asset profile to buffer cyclicality: The addition of maturing Grade A office and retail assets in Beijing, Shanghai and Shenzhen provide room for capital appreciation as we think the appraised fair market value has yet to reflect the full value of these assets as evidenced by the defensive cap rates used (Exhibit 5). Meanwhile, earnings profile of development profit vs. recurrent rental will move to a 50/50 split versus 90/10 at present, meaning improved earnings quality and stability. This would make CRL the first major integrated property play in the sector, and we believe other major peers will follow a similar route once their respective capital base expands further.

Expand future funding capacity: While the transaction would cut CRL's net gearing to around 50% from the current 65%, the enlarged capital base with steady recurrent income stream should enhance its capacity to bank borrowings and other offshore funding options. Such flexibility should also increase its war chest and enhance its ability to further add growth potential via land replenishment in the near-term.

Increased market capitalization and liquidity: The transaction will expand CRL's market capitalization by 84% to around U\$860 million based on its latest close of HK\$2.425. The growth in its market cap should also appeal more to institutional investors as this exceeds the minimum investment threshold of U\$500 million needed for some investors. CRH will also have the flexibility to boost stock liquidity in the medium-term by selling back to the market some of its 72.8% stake. We understand management remains bounded by the general mandate of 20% (of total share outstanding pre-transaction) in the near-term regarding share issuance, translating into around 300 million (11% of total share outstanding post-transaction) that could be issued before the next AGM.

Conclusion

After successfully streamlining its businesses in the past few years, China Resources Holdings, via the latest sale of assets at a 35.7% discount to its subsidiary, has made CRL its flagship within the group for property businesses in the PRC.

Property appears to be an important component and an immediate focus of the group following the successful rationalization of its consumer and power investments in CR Enterprise and CR Power, respectively, in recent years.

We view the acquired assets as good quality as it represents the crown jewels of the group, in particular the Beijing office and the MIX complex (Cross City project) in Shenzhen. The

Company Description

China Resources Land invests and develops properties in five cities: Beijing, Shanghai, Chengdu, Wuhan and Hefei. Other activities include investment holding, property management, electrical engineering, provision of exterior decoration services and the sale of building materials.

Industry View: In-Line

Decent earnings momentum is being offset by regulatory risks and changing expectations among consumers.

MSCI Country: China

Asia Strategist's Recommended Weight: 10.3%
MSCI Asia/Pac All Country Ex Jp Weight: 7.6%

latter is dubbed *Pacific Place* in Shenzhen, carrying luxury brands such as Hugo Boss, Alfred Dunhill and Valentino. The mall also houses the largest cinema complex in the city.

In the longer term, we would not rule out further injection of two remaining major projects once they become more mature in the future. They are the recently acquired mixed developments in Hangzhou and Wuxi in joint-venture with SHK Properties.

Price Target and Risks

We have raised our price target to HK\$3.10 from HK\$2.50. Our new price target is based on a 35% discount to our revised current NAV of HK\$4.76 and 11 times our 2007E EPS. The latter is in line with the stock's own long-term average. The applied discount is tighter than the 40% discount we used from our previous price target, reflecting improved earnings quality and likely stronger growth courtesy of enhanced financial flexibility.

Our price target hardly looks demanding, as it would put the stock at a reasonable PBV of 1.1 times – still well below the industry average of 2.1 times. We still believe the risk is to the upside provided consistent execution and potential further asset injection(s).

The key risks to our price target include: 1) a severe economic slowdown; 2) a significant increase in interest rates; 3) regulatory changes to restrict mortgage lending and pre-sale of properties; 4) a cyclical property downturn; and 5) weaker-than-expected management execution.

NAV Calculation

We have raised our current NAV estimate by 13% to HK\$4.76. This compares with the pro-forma book value/share of HK\$2.799, translating into a revaluation surplus of HK\$5.4 billion.

The upward revision in NAV reflects the acquisition at discounted prices. CRL paid an equivalent of Rmb3,328 million for the property portfolio of which fair market value is estimated at Rmb5,179 million, translating into a 35.7% discount for the acquisitions.

We have included in our NAV estimate the fair value of these assets. In fact, we see further upside in valuation to come

from the acquired portfolio as they mature further, especially in the MIXc project. The latter was only completed in December 2004, and the current valuation should improve when rent-free period expires.

We have left our assumptions on development properties unchanged except for the addition of the newly acquired site in City Crossing Ph 2 in Shenzhen.

EPS Revisions

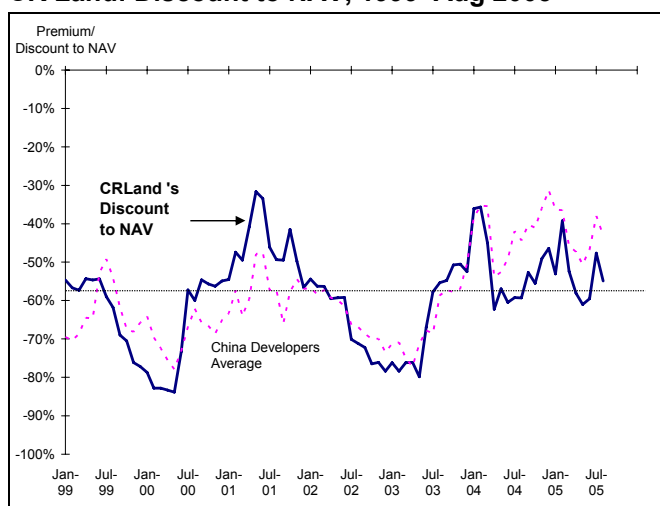
We are raising our EPS estimates by 21% to HK\$0.19 for 2005, 4% to HK\$0.23 for 2006 and 5% to HK\$0.29 for 2007.

Our upward revision of 2005E EPS reflects the disposal gain of HK\$61.8 million from the transfer of China Vanke 'B' shares (76.8 million) as part of the consideration for the transaction. The amount is calculated based on the difference between the latest closing price of Vanke shares and the market value as at the end of June 2005.

Our upward revisions of 2006E and 2007E EPS primarily come from the increased rental income from the added investment properties portfolio in Beijing, Shanghai and Shenzhen. Our new estimates have accounted for the newly issued shares amounting to 1,255.6 million shares.

Exhibit 1

CR Land: Discount to NAV, 1999–Aug 2005

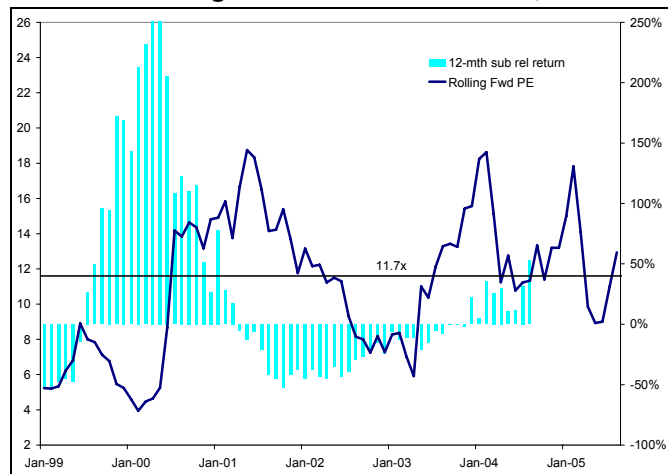


Source: Company data, Morgan Stanley Research

November 21, 2005
China Resources Land

Exhibit 2

CR Land: Rolling Forward PE vs. Returns, 1999–05



Source: IBES Consensus, Datastream, Morgan Stanley Research

Exhibit 3

CR Land: Current NAV Breakdown

	HK\$ mn
Book Values	
<i>Book Value of Property Assets</i>	
Property in Fixed Assets	863
Property in Current Assets	4,773
Associates and JVs	694
Total Book Value of Items to be Revalued	5,659
Market Values	
<i>Market Value of Property Assets</i>	
Development Properties	15,788
Less Construction Costs	(5,859)
Investment Properties	7,435
<i>Market Value of Other Assets</i>	
Recurrent Income since last yr-end	20
Outstanding Land Premium	(1,758)
Book Value of Vanke shares to be transferred	(261)
Total Market Values	15,365
Surplus/(Deficit) on Revaluations	9,035
Shareholders' Fund	4,089
Total NAV	13,123
Number of Shares	2,758
NAV/Share (HK\$)	4.76
Share Price	2.43
Discount to NAV	-49.0%

See Exhibit 9–11 for further project-by-project valuations
Source: Morgan Stanley Research

Exhibit 4

China Property Stocks Valuation Comparables, Nov 18, 2005

Stock	Close 14/9/05	P/E Ratio				NAV/ share	Disc to NAV
		2004	2005E	2006E	2007E		
BCL	2.10	12.0	12.6	9.8	7.5	3.3	-36%
BNS	1.92	13.6	11.5	11.2	10.9	3.3	-41%
CRL	2.43	24.3	12.9	10.4	8.5	4.6	-47%
COLI	3.00	16.1	16.5	15.1	13.1	3.3	-10%
Hopson	10.70	18.7	11.9	10.0	9.5	10.3	4%
Forte	2.65	12.5	9.4	6.4	4.5	4.2	-36%
R&F	22.60	23.9	12.3	8.5	7.0	24.1	-6%
SRE	1.08	6.4	7.2	4.2	2.5	2.0	-46%
Vanke	4.25	17.1	12.6	10.5	8.2	6.3	-32%
Simple Average		16.1	11.9	9.5	8.0		-28%

Source: Datastream, IBES Consensus, Morgan Stanley Research

Exhibit 5

Summary of Assets to be Acquired

Asset	CR Building	CR Times Sq.	City Crossing Ph 1
Location	Beijing	Shanghai	Shenzhen
Total GFA	65,222	97,139	229,937
Retail	13,091	51,190	167,008
Office	41,342	36,843	41,740
No of Carpark	327	115	1,034
Completion Date	1,999	1997	2004
Market Value (Rmb Mn)	1,245	1,132	3,179
Market Value (Rmb/Sq M)	19,089	11,653	16,174
Monthly Rent (Rmb Mn)	7.3	7.1	15.3
Cap Rate			
Retail	12.5%	12.0%	10.5%
Office	9.5%	9.5%	8.0%
Occupancy Rate			
Retail	100%	79%	90%
Office	93%	91%	75%

Source: Company Data, CBRE

The Transaction

CRL intends to acquire from its parent, China Resources Holdings (CRH), a portfolio of Grade A office and retail properties as well as 21.53% of China Resources Land (Beijing) Co. Ltd, which currently holds the bulk of the minority interests in CRL's Beijing operation.

The purchase price for these assets of Rmb3,328 million represents a 35.7% discount to the fair market value of Rmb5,179 million as appraised by CB Richard Ellis as at August 31, 2005.

CRL intends to fund the acquisition by:

- The sale of CRL's holdings of 76.83 million China Vanke 'B' shares at HK\$4.205/share for a total value

of HK\$323.1 million (vs. original cost of HK\$35.3 million and the latest book cost of HK\$261.2 million).

- Issuance of 1,255.6 million new CRL shares to CRH at HK\$2.2875/share. This translates into the average closing price of CRL shares for the 10 trading days preceding the date of S&P Agreement and a discount of 10.4% to its book value as at June 30, 2005.

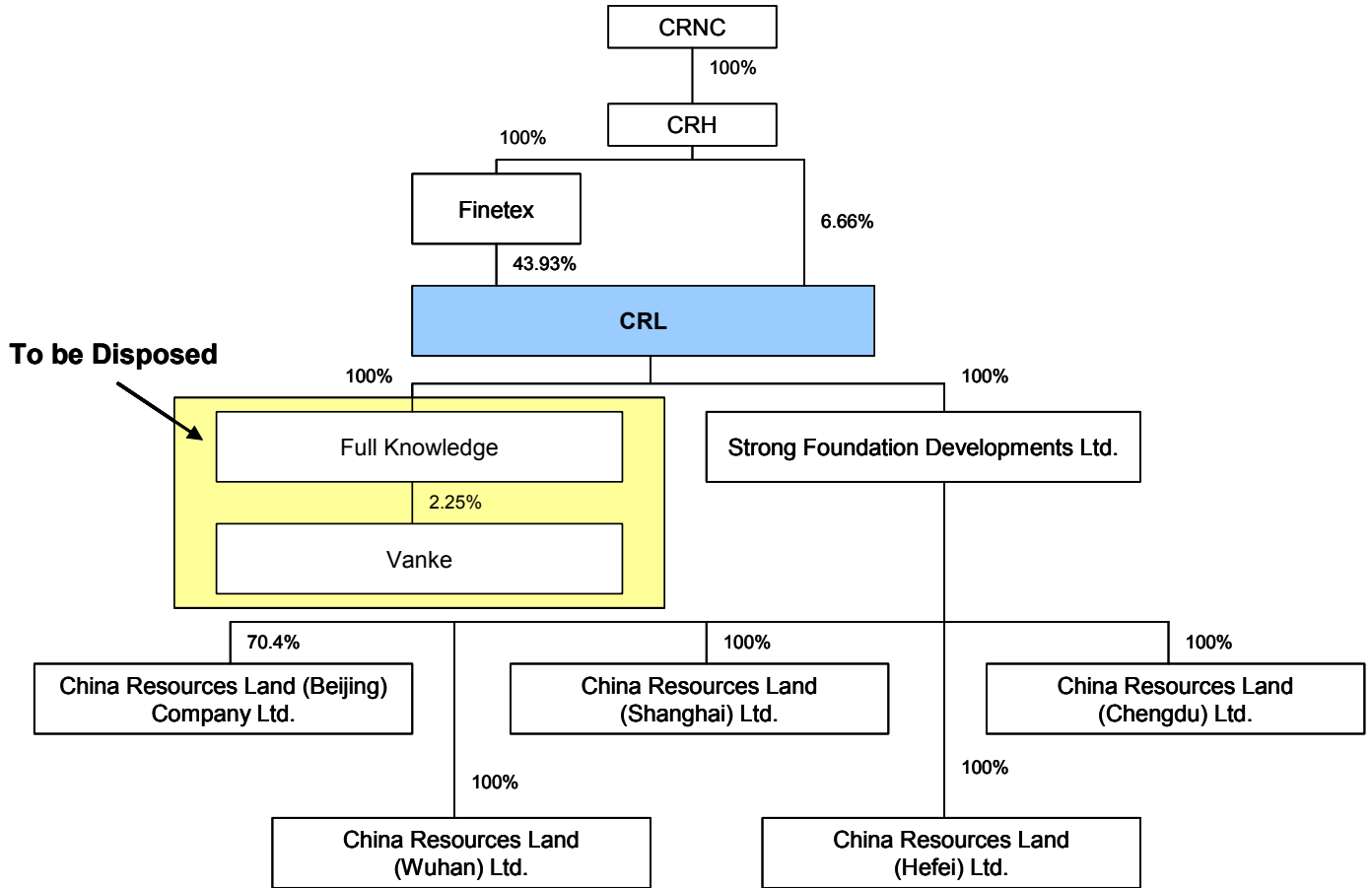
Post the completion of the proposed transaction in early February, the implication to CRL includes:

- Development properties portfolio will rise to 2.65 million sq m from 2.48 million sq m, on an attributable GFA, as a development site in Shenzhen is acquired.

- Investment properties portfolio will climb to an attributable GFA of 476,400 sq m after adding 386,300 sq m from the transaction.
- CRL will hold 91.9% of its Beijing operation, including development projects and existing investment properties, compared with 70.4% as minority interests were acquired from CRH.
- Net debt/equity will fall from 65.6% as at June 30, 2005 to a 55.4% on a pro-forma basis
- The total of 1,255 newly issued shares represents approximately 82.7% and 45.3% of the existing issued share capital and the enlarged issued share capital
- The controlling shareholder remains CRH as it will hold 72.8% of CRL.

Exhibit 6

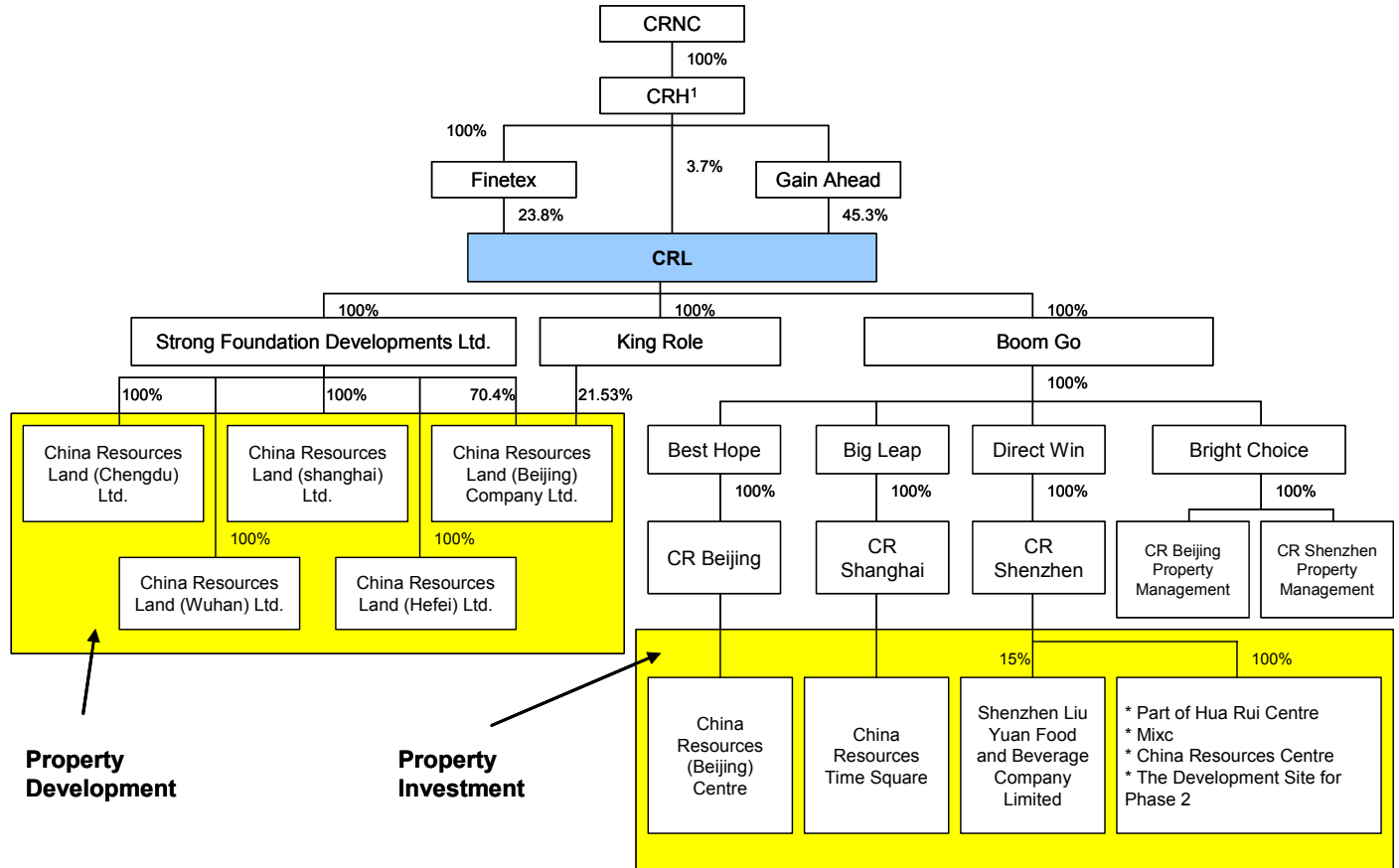
Holding Structure of CRL: Pre-transaction



Source: Company Data; Morgan Stanley Research

Exhibit 7

Holding Structure of CRL: Post-transaction



¹ CRH will 72.9% in CRL post the acquisition
Source: Company Data; Morgan Stanley Research

Exhibit 8

CR Land

Earnings Analysis, 2000–2007E

HK\$ million								
Year Ending Dec 31	2000	2001	2002	2003	2004	2005E	2006E	2007E
Turnover								
Property sales	1,611	3,385	1,058	1,184	2,313	3,129	3,110	4,133
Rental income	6	0	13	8	22	32	478	517
Property mgmt and others	15	36	59	60	74	77	81	85
Total Turnover	1,632	3,421	1,130	1,252	2,409	3,238	3,669	4,736
Cost of Sales	(1,433)	(3,049)	(1,078)	(1,165)	(2,098)	(2,757)	(2,620)	(3,433)
Gross Profit	199	373	52	87	311	481	1,049	1,303
Other operating income	75	37	82	101	86	146	22	22
Dividend income from listed securities	4	4	3	3	2	2	2	2
Exchange gain	0	0	0	1	0	28	0	0
Disposal gain	0	0	0	0	0	0	0	0
Interest income	53	33	18	20	16	15	15	15
Unrealized holding gain on other investments	0	0	8	74	59	97	0	0
Others	18	0	52	2	10	5	5	5
Selling expenses	(7)	(77)	(34)	(14)	(19)	(25)	(25)	(33)
Admin. Expenses	(21)	(42)	(50)	(56)	(65)	(88)	(87)	(116)
Allowance for bad and doubtful debts	(35)	(218)	(71)	(55)	(117)	(70)	0	0
Profit from Operations	210	72	(20)	63	197	445	959	1,176
Finance costs	(9)	(17)	(5)	(34)	(29)	(31)	(35)	(39)
Share of associates and JVs	(16)	(18)	21	7	20	20	21	21
Profit before Tax	185	37	(4)	36	188	435	945	1,158
Tax	(47)	116	74	(17)	(81)	(88)	(279)	(343)
Minority interests	(40)	15	36	60	43	(64)	(21)	(22)
Net Profit	98	168	106	79	150	282	645	793
% Change	-213%	71%	-37%	-25%	90%	88%	128%	23%

*Note: Modelware EPS excludes non-recurring/exceptional items
Source: Company Data, Morgan Stanley Research

Exhibit 9

CR Land: Development and Investment Properties

	Residential	Office	Retail	Industrial	Hotel	Car Parks	Total
Investment Properties Floor Area (sq. ft.)							
China	44,723	1,908,714	2,781,084	0	222	1,476	5,395,332
Others	0	0	0	0	0	0	0
Total	44,723	1,908,714	2,781,084	0	222	1,476	5,395,332
% of Total	0.8%	35.4%	51.5%		2.7%	9.6%	100.0%

Development Properties Floor Area (sq. ft.)

China	22,557,221	5,055,700	1,460,541	0	0	0	29,073,462
Others	0	0	0	0	0	0	0
Total	22,557,221	5,055,700	1,460,541	0	0	0	29,073,462
% of Total	77.6%	17.4%	5.0%				100.0%

Investment Properties Value at Current Market Prices (HK\$ mn)

China	20	2,517	4,497	0	89	312	7,435
Others	0	0	0	0	0	0	0
Total	20	2,517	4,497	0	89	312	7,435

Development Properties Value at Current Market Prices (HK\$ mn)

China	11,044	4,171	535	0	0	0	15,750
Others	0	0	0	0	0	0	0
Total	11,044	4,171	535	0	0	0	15,750

Value of Development Properties by Completion Dates (HK\$ mn)

31-Dec-05	1,869	452	0	0	0	0	2,321
31-Dec-06	2,710	252	0	0	0	0	2,962
31-Dec-07	3,082	527	27	0	0	0	3,635
Later	3,383	2,941	508	0	0	0	6,831

Potential Returns at Current Market Rates on Investment Property

Gross Area (Sq.Ft.)	44,723	1,908,714	2,781,084	0	222	1,476	5,395,332
Value (HK\$Mil.)	20	2,517	4,497	0	89	312	7,435
Rent (HK\$/Sq.Ft.)	4	10	12	0	3,333	1,055	10
Rental Income (HK\$Mil)	2	220	392	0	9	19	641
Gross Yield	10.0%	8.7%	8.7%	0.0%	10.0%	6.0%	8.6%

Estimated Current Net Asset Value

Surplus on Valuation (HK\$ mn)	Total NAV (HK\$ mn)	Share Price (HK\$)	NAV per share (HK\$)	Share Price Variance from NAV	EV to AV
9,035	13,123	2.43	4.76	-49.0%	-42.0%

E = Morgan Stanley Research Estimates
Source: Company Data, Morgan Stanley Research

Exhibit 10

CR Land: Development Properties

Project Name	Location	% Held	Est Date of Completion	Total Floor Area (sq. ft.)	Attri. Floor Area (sq. ft.)	Cost of Construction (Rmb/sq. ft.)	Pending Const Cost (Rmb mn)	Market Price (Rmb/sq. ft.)	Market Value (Rmb mn)
Phoenix City II, III & Later	Chaoyang, Beijing								
Residential		92%	Aug-05	848,552	779,820	300	80	1,037	809
Residential		92%	Jul-06	582,733	535,532	300	124	1,250	600
Residential		92%	Dec-07	817,521	751,302	300	198	1,250	672
Office		92%	Jun-08	1,937,457	1,780,523	500	754	1,500	1,764
Chengdu Jade City I-V	Jinjiang, Chengdu, PRC								
Residential (Ph 1)		100%	Jun-05	39,987	39,987	169	2	380	15
Residential (Ph 2 - high rise)		100%	Dec-06	1,104,749	1,104,749	200	211	450	417
Residential (Ph 2 - low rise)		100%	Dec-06	602,205	602,205	222	128	500	253
Residential (Ph 3)		100%	Dec-07	1,967,854	1,967,854	200	345	450	634
Residential (Ph 4)		100%	Dec-08	2,268,644	2,268,644	200	353	450	623
Retail (Ph 4)		100%	Dec-08	810,761	810,761	160	102	400	198
Residential (Ph 5)		100%	Dec-09	2,615,405	2,615,405	200	361	450	612
The Bund Side 1-2	Huangpu, Puxi, Shanghai								
Residential		100%	Jun-06	315,666	315,666	400	93	1,670	479
Residential		100%	Mar-07	609,987	609,987	400	234	1,670	821
Residential		100%	Dec-09	1,101,810	1,101,810	400	304	1,670	958
Qing He project	Haidian, Beijing								
Residential		47%	Dec-07	1,937,457	908,667	200	159	800	520
Residential		47%	Dec-08	3,013,822	1,413,483	200	220	800	690
Residential		47%	Dec-09	1,506,911	706,741	200	98	800	294
Retail/Office		47%	Dec-09	1,270,111	595,682	340	141	1,000	310
City Crossing Ph 2	Luohu, Shenzhen								
Office		100%	Dec-09	1,883,639	1,883,639	500	667	1,200	1,176
La Firenze I, II & Later	Daxing, Beijing								
Residential (Ph 1A)		92%	Dec-04	182,487	167,705	250		634	106
Residential (Ph 2A)		92%	Jul-04	58,726	53,970	250		634	34
Residential (Ph 1B)		92%	Dec-05	71,298	65,523	200	7	541	35
Residential (Ph 2B)		92%	Dec-05	242,161	222,546	200	23	541	118
Residential (Ph 5)		92%	Dec-06	1,189,114	1,092,796	200	209	600	550
Retail (Ph 5)		92%	Dec-07	58,866	54,098	300	14	700	27
Unsold inventories	Xicheng, Beijing								
Residential		92%	Dec-03	1,639,465	1,506,669	200		450	678
Hefei French Annecy I-III	Gaoxin, Heifei								
Residential		100%	Dec-06	430,546	430,546	200	82	360	130
Residential		100%	Dec-07	753,456	753,456	200	132	360	194
Residential		100%	Dec-08	938,730	938,730	200	146	360	206
Majestic Garden III	Chaoyang, Beijing								
Office		92%	Dec-07	800,816	735,949	400	265	1,000	527
Wuhan Pheonix City I & II	Wucheng, Wuhan								
Residential		100%	Dec-06	747,535	747,535	200	143	450	282
Residential		100%	Dec-07	747,535	747,535	200	131	450	241
Grand Constellation	Xicheng, Beijing								
Office		92%	Jun-05	245,874	225,958	500	24	1,500	339
U-Space Ph I-II, Chaoyang	Chaoyang, Beijing								
Residential		92%	Dec-03	59,372	54,563	250		875	48
Office		92%	Dec-06	363,327	333,898	400	107	900	252
Top Box	Chaoyang, Beijing								
Office		92%	Sep-04	104,171	95,733	400		1,182	113
Various sites	Beijing, PRC								
Land		100%	Exist	383,455	383,455	0	0	100	38
Jing Tong Sunny Uptown	Beijing, PRC								
Residential		100%	Dec-03	53,797	53,797	200		471	25
Total					29,073,462		5,859		15,788

Source: Company Data, Morgan Stanley Research

Exhibit 11

CR Land: Investment Properties

Project Name	Location	% Held	Est Date of Completion	Total Floor Area (sq Ft)	Attri. Floor Area (sq Ft)	Monthly Rent (HK\$/Sq Ft)	Annual Rental (HK\$M)	Market Price (HK\$/Sq Ft)	Market Value (HK\$M)
City Crossing Ph 1	Luohu, Shenzhen								
Office		100%	Exist	449,275	449,275	11	61	1,500	674
Retail (The MIXc)		100%	Exist	1,797,616	1,797,616	13	275	1,700	3,056
Carpark		100%	Exist	1,034	1,034	1,000	12	200,000	207
China Resources Bldg	Dongcheng, Beijing								
Office		100%	Exist	444,991	444,991	14	76	1,900	846
Retail		100%	Exist	140,907	140,907	15	25	2,000	282
Carpark		100%	Exist	327	327	1,250	5	250,000	82
CR Times Square	Pudong, Shanghai, PRC								
Office		100%	Exist	550,991	550,991	7	44	1,000	551
Retail		100%	Exist	396,565	396,565	10	46	1,300	516
Carpark		100%	Exist	115	115	1,000	1	200,000	23
Xidan Cultural Center	Xicheng, Beijing								
Retail		92%	Exist	389,472	357,925	9	39	1,600	573
Huawei Centre	Xicheng, Beijing								
Office		46%	Exist	466,832	214,743	11	29	1,500	322
Retail		46%	Exist	116,708	53,686	8	5	1,000	54
Hua Rui Building	Luohu, Shenzhen								
Hotel		100%	Exist	222	222	3,333	9	400,000	89
Huanan Building	Xicheng, Beijing								
Office		15%	Exist	527,856	80,234	3	3	500	40
Retail		15%	Exist	226,224	34,386	4	2	500	17
Guan Hua Building	Xicheng, Beijing								
Office		100%	Exist	86,431	86,431	3	3	500	43
Huan Yuan Building	Xicheng, Beijing								
Office		100%	Exist	82,049	82,049	3	3	500	41
Guanyingyuan Residential (resettle)	Xicheng, Beijing								
Residential (resettle)		100%	Exist	44,723	44,723	4	2	450	20
Total									
					5,395,332		641		7,435

Source: Company Data, Morgan Stanley Research



ModelWare is Morgan Stanley's new system for helping investors and analysts to uncover value, free from the distortions and ambiguities created by accounting data. Morgan Stanley has dissected and fundamentally redefined the components of corporate valuation, giving clients more consistent definitions, more comparable data, and more flexible analytic tools. ModelWare makes investment insights easier by making value more visible.

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ModelWare EPS illustrates the approach. It represents ModelWare EPS as ModelWare net income divided by average fully diluted shares outstanding. ModelWare net income sums net operating profit after tax (NOPAT), net financial income or expense (NFE) and other income or expense. ModelWare adjusts reported net income to improve comparability across companies, sectors and regions. Among these adjustments: We exclude goodwill amortization and items deemed by analysts to be "one-time" events; we capitalize operating leases where their use is significant (e.g., in transportation and retail); and we convert inventory to FIFO accounting when LIFO costing is used. For more information on these adjustments and others, as well as additional background, please see *Morgan Stanley ModelWare (ver. 1.0): A Road Map for Investors*, by Trevor Harris and team, August 2, 2004.

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(as of October 31, 2005)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total	% of Rating Category
Overweight/Buy	729	36%	275	40%	38%
Equal-weight/Hold	927	45%	319	46%	34%
Underweight/Sell	389	19%	102	15%	26%
Total	2,045		696		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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More volatile (V) - We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/22/99 : NA; 9/17/03 : U/I; 8/25/05 : O/I
Price Target History: 10/22/99 : NA; 9/17/03 : 0.9; 8/25/05 : 2.1; 9/16/05 : 2.5

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) ---
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAV)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAV)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage: China Property

Company (Ticker)	Rating (as of)	Price (11/18/2005)
Kenny Tse		
Beijing North Star (0588.HK)	E (09/17/2003)	HK\$1.92
China Overseas Land & Inv. (0688.HK)	E (03/22/2005)	HK\$3.00
China Resources Land (1109.HK)	Overweight (08/25/2005)	HK\$2.42
Guangzhou R&F Properties (2777.HK)	E-V (10/26/2005)	HK\$22.60
Shanghai Forte Land (2337.HK)	O (04/13/2004)	HK\$2.65

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