

<b>BUY (1)</b>
<b>Medium Risk (M)</b>

## HONG KONG

**Tony Tsang, CFA**  
 +852-2501-2788  
 tony.tsang@citigroup.com  
 Hong Kong

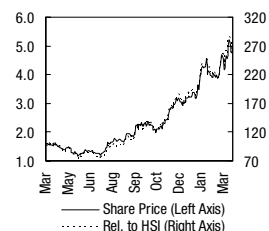
Note Released: 27 Mar 2006

### Recommendation

Rating: 1M  
 Target Price : HK\$6.0  
 Expected Share Price Return 22.4%  
 Expected Dividend Yield 1.2%  
 Expected Total Return 23.6%

### Market Data

RIC: 1109.HK  
 Price (24 Mar): HK\$4.90  
 52-Wk Hi/Lo: HK\$5.30/HK\$1.12  
 Market Cap. (Mils.): HK\$15533/  
 US\$2002  
 Shares Outst. (Mils.): 3169.9



Source: Datastream.

Performance (%):

	3M	6M	12M
Absolute	53.1	117.8	214.1
Relative	47.9	109.8	171.7

Source: Datastream.

## China Resources Land Ltd

### FY05 better than expected

#### Summary

- Maintain Buy, new target HK\$6.00, on 10% discount to our HK\$6.61 NAV. We continue to see strong upside in CR Land's NAV from the potential further asset injection from parent, and/or acquisition of new landbank
- China Resources Land reported a FY05 net profit of HK\$384.5m (EPS HK\$0.248), up 1,700% YoY on restated FY04 figure, or 156% on the last reported FY04 figure. Excluding the impacts of change in accounting policies, net profit was up 119%. A DPS of HK\$0.033 was declared, up 10% YoY
- Excluding one-off items like provisions for doubtful debts and gain in the disposal of China Vanke B-share, core net profit was about HK\$306m, up about 100% YoY. This is above our expectations
- Property sales have gone well, CR Land has sold 421,800sqm of properties in 2005. As of Feb, CR Land already presold 57% of its 2006 completions. It is completing 480,000sqm in 2006, 807,000sqm in 07, and 944,600sqm in 08
- Contributions from the newly acquired investment properties will start to kick in during 2006. We hence expect a decent increase in rental income in 2006
- We have upped our 06E EPS by 12% and 07E EPS by 9%, mainly reflecting the newly published development schedule of CR Land in its FY05 results

#### Statistical Abstract

Year to 31 Dec	Net Profit (HK\$ Mils.)	FD EPS (HK\$)	EPS Growth (%)	P/E (x)	DPS (HK\$)	Yield (%)
2004	150	.10	-	49	.03	.6
2005	306	.20	100	24.5	.03	.6
2006E	788	.26	30	18.8	.06	1.2
2007E	1107	.36	38.5	13.6	.08	1.6
2008E	1406	.46	27.8	10.7	.10	2.0

Source: Company, Citigroup Investment Research estimates.

#### Earnings Revision

Year to 31 Dec	Net Profit (HK\$ Mils.)		Diluted EPS (HK\$)			Dividend Per Share (HK\$)	
	Old	New	Old	New	% Chg	Old	New
2006E	718	788	.23	.258	12.2	.06	.06
2007E	1020	1107	.33	.36	9.1	.08	.08
2008E		1406		.46			.10

Source: Citigroup Investment Research estimates.

#### Investment thesis

We maintain Buy/Medium Risk rating on China Resources Land (CR Land) with a new target price of HK\$6.00 (previous HK\$5.30), which is based on a 10% discount to our estimated NAV of HK\$6.61/share. We see strong upside in our estimated NAV for CR Land coming from the potential second round of asset injection from CR Land's parent company, China Resources Holdings. Besides, we believe that the

Citigroup Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Non-US research analysts who have prepared this report, and who may be associated persons of the member or member organization, are not registered/qualified as research analysts with the NYSE and/or NASD, but instead have satisfied the registration/qualification requirements or other research-related standards of a non-US jurisdiction.

NAV growth for CR Land won't just stop with the second asset injection. With its much improved balance sheet after the first asset injection and the enhanced financing capacity (plus the potential further enhancement from the second injection), we believe that CR Land would embark on more landbanking activities in mainland China, hence driving further NAV growth.

**Figure 1. Key projects currently held by China Resources Holdings**

Location	Total GFA (sm)	CRH's %	Attrib. GFA (sm)	Attrib. Land Cost (RMBbn)
Beijing	832,500	49%	407,925	1.26
Hangzhou	550,000	60%	330,000	0.66
Wuxi	1,450,000	60%	870,000	1.51
Chengdu	2,050,000	100%	2,050,000	2.14
<b>Total</b>	<b>4,882,500</b>		<b>3,657,925</b>	<b>5.57</b>

Source: Company

Factoring in today's property prices, original costs of the projects and their expected development profits, we estimate that the projects (based on the attributable GFA to CRH) are worth about RMB9.3bn. If we assume that the injection will be made at a 35% discount to the above estimated NAV (similar to the discount for the first injection in Nov 2005), and that it will be half financed by placing new shares to CRH at a share price of HK\$4.90/Share of CR Land, we estimate that the second injection could add another HK\$0.80/Share (or about 12%) to CR Land's NAV.

**Figure 2. CR Land - Analysis of Potential Benefit of the Injection of CRH's Four Property Projects**

Discount to NAV	Purchase Price (RMB mn)	100% Equity Financing			50% Equity Financing		
		New Shares Issued	New NAV (HK\$mn)	New NAV (HK\$/Share)	New Shares Issued	New NAV (HK\$mn)	New NAV (HK\$/Share)
0%	10,611	1,904	30,506	6.15	951.9	25,365	6.33
5%	10,081	1,809	30,506	6.27	904.3	25,622	6.47
10%	9,550	1,713	30,506	6.39	856.7	25,880	6.61
15%	9,020	1,618	30,506	6.52	809.1	26,137	6.76
20%	8,489	1,523	30,506	6.66	761.5	26,394	6.91
25%	7,958	1,428	30,506	6.80	714.0	26,651	7.07
30%	7,428	1,333	30,506	6.95	666.4	26,908	7.22
35%	6,897	1,238	30,506	7.10	618.8	27,165	7.39
40%	6,367	1,142	30,506	7.26	571.2	27,422	7.56

Source: Citigroup Estimates

If, however, the injection of the four projects is done at the original purchase costs (instead of full NAV), the NAV enhancement assuming 50% equity financing will be about HK\$1.20/Share (+18%), on our estimates.

### **FY05 results better than expectations**

China Resources Land reported a FY05 net profit of HK\$384.5mn (EPS HK\$0.248), up 1,700% YoY on restated FY04 figure, or 156% on the last reported FY04 figure. Excluding the impacts of change in accounting policies, net profit was up 119%. A DPS of HK\$0.033 was declared, up 10% YoY.

If we further exclude the one-off items like provisions for doubtful debts and gain in the disposal of China Vanke B-share, core net profit was about HK\$0.3bn, up about 100% YoY. This is above our expectations due to higher selling prices achieved for CR Land's property sales.

**Figure 3. CR Land - FY05 Review (HK\$ Mn)**

As at 31 Dec	FY05	FY04	Change	% Change
<b>Turnover</b>	<b>2,707</b>	<b>1,890</b>	<b>817</b>	<b>43%</b>
Cost of goods sold	(2,182)	(1,680)	(502)	30%
<b>Gross profit</b>	<b>525</b>	<b>210</b>	<b>315</b>	<b>150%</b>
Other operating income	278	86	192	224%
Selling expenses	(47)	(19)	(28)	153%
G & A expenses	(116)	(68)	(47)	69%
Provision for doubtful debt	(104)	(117)	13	-11%
Finance costs	(67)	(29)	(39)	135%
Associates	16	16	(0)	-2%
Taxation	(47)	(109)	62	-57%
Minority interests	(54)	50	(104)	NM
<b>Attributable profit</b>	<b>385</b>	<b>21</b>	<b>363</b>	<b>1700%</b>
<b>Adjustments</b>				
Provision for doubtful debt	58	NA		
Gain in Vanke B-share	(97)	NA		
Investment properties revaluation surplus	(23)	NA		
<b>Core attributable profit</b>	<b>323</b>	<b>NA</b>		
Dividend	103	45	58	128%
<b>Earnings per share (HK\$)</b>				
Basic	0.25	0.01	0.23	1671%
Basic - Core	0.21	NA		
Diluted	0.24	0.01	0.23	1643%
Diluted - Core	0.20	NA		
DPS	0.033	0.030	0.003	10%

Source: Company, Citigroup Investment Research estimates.

**Figure 4. CR Land – Project Sales in 2005**

Projects	Location	Expected Completion Date	Usage	GFA Sold (sqm)	Avg. Price (RMB/sqm)
Li Firenze Ph 1	Beijing	Completed	Residential	9,568	6,392
Li Firenze Ph 2	Beijing	Completed	Residential	14,030	5,472
Fortune Island	Beijing	Mid 2006	Residential	59,131	6,789
Phoenix City Ph 2	Beijing	Completed	Residential	51,829	12,147
Phoenix City Ph 3	Beijing	End 2006/2007	Residential	5,136	13,988
Phoenix Plaza	Beijing	2007/2008	Office/Hotel	40,000	NA
Grand Constellation	Beijing	Completed	Office/Hotel	16,219	NA
Top Box	Beijing	Completed	Office/Resi	6,443	9,145
Other Residential	Beijing	Completed	Residential	28,296	NA
Car Park	Beijing	Completed	Car Park	5,288	4,767
The Bund Side 1	Shanghai	End 2006	Residential	15,360	18,458
Chengdu Jade City Ph 2	Chengdu	End 2006/2007	Residential	118,673	4,555
Car Park	Chengdu	Completed	Car Park	933	2,824
Wuhan Phoenix City Ph 1	Wuhan	End 2006	Residential	24,043	4,504
Hefei French Annex Ph 1	Hefei	End 2006	Residential	26,830	4,467
<b>Total</b>				<b>421,779</b>	

Source: Company

**Figure 5. CR Land - Schedule of development projects 2007-2009**

<b>Completion Schedule - 2008</b>			
Beijing	La Firenze 2	Completed	7,271
	Phoenix City Ph 3	1H2007	95,809
	Fortune Island	1H2007	30,605
	Oak Bay Ph 1	2H2007	184,428
	La Firenze Later Phases	2H2007	61,424
	Phoenix Plaza	2H2007	17,803
	Inshine International Centre	1H2007	38,232
	Beijing Other Residential	1H2007	4,379
Shanghai	The Bund Side Ph 1 (Part 2)	2H2007	25,017
Chengdu	Chengdu Jade City Ph 2	1H2007	95,257
	Chengdu Jade City Ph 3	2H2007	58,000
Wuhan	Wuhan Phoenix City Ph 2	2H2007	70,765
Hefei	Hefei French Annecy Ph 2	2H2007	118,351
<b>2007 Completion Area</b>			<b>807,341</b>
<b>Completion Schedule - 2008</b>			
Beijing	La Firenze Later Phases	2007	179,801
	Phoenix Plaza	2007	93,999
	Oak Bay Ph 2	2007	203,184
	Majestic Garden Commercial	2007	87,825
Shanghai	The Bund Side Ph 1	2007	46,689
Chengdu	Chengdu Jade City Ph 3	2007	102,383
	Chengdu Jade City Ph 4	2007	48,880
Hefei	Hefei French Annecy Ph 3	2007	78,810
Shenzhen	Shenzhen City Crossing Ph 2	1H2007	103,000
<b>2008 Completion Area</b>			<b>944,571</b>
<b>Completion Schedule - 2009</b>			
Beijing	Phoenix City Ph 3		30,667
	La Firenze Later Phases		397,738
	Phoenix Plaza		66,850
	Inshine International Centre		10,334
	Majestic Garden Commercial		28,430
	Oak Bay Ph 3		192,720
Shanghai	The Bund Side Ph 2		121,868
Chengdu	Chengdu Jade City Ph 4		161,965
	Chengdu Jade City Ph 5		598,252
	Chengdu Jade City Ph 6		62,440
	Chengdu Jade City Commercial		84,807
<b>2009 Completion Area</b>			<b>1,756,071</b>

Source: Company

## Valuation

Our new target price of HK\$6.00 is based on a 10% discount to our estimated NAV of HK\$6.61/share for CR Land. We have raised our price target for CR Land from HK\$5.30 to HK\$6.00 on the back of a higher estimated NAV.

As a reference, we have taken up our estimated NAV of CR Land from HK\$5.90 to HK\$6.61 after we incorporated the information contained in the latest reported FY05 results of CR Land. Selling prices achieved for selected projects (like the Phoenix City, The Bund Side, Wuhan Phoenix City, and Hefei French Annecy) have been better than our expectations, while sales progress has also been stronger than expected (57% of 2006 completions have already been presold). In addition, the FY05 results also presented new information on CR Land's landbank, which turned out to be larger than our original expectations. All these led to the upgrade in our estimated NAV for CR Land.

**Figure 6. CR Land – 2006 Completions and % Presold**

	Project Name	Completion	Total GFA (sqm)	Area Sold Feb 06 (sqm)	% locked-in
Beijing	La Firenze 2	Completed	3,204	612	19%
	Grand Constellation	Completed	10,416	10,416	100%
	Phoenix City Ph 2	Completed	45,690	3,059	7%
	Phoenix City Ph 3	2H2006	52,633	15,808	30%
	Fortune Island	Jun-06	86,757	63,811	74%
	Beijing Other Residential	Completed	38,513	5,658	15%
Shanghai	The Bund Side Ph 1 (Part 1)	2H2006	29,147	16,968	58%
Chengdu	Chengdu Jade City Ph 2	2H2006	100,777	100,777	100%
Wuhan	Wuhan Phoenix City Ph 1	2H2006	79,755	29,714	37%
Hefei	Hefei French Annex Ph 1	2H2006	34,571	29,837	86%
<b>2006 Completion Area</b>			<b>481,463</b>	<b>276,660</b>	<b>57%</b>

Source: Company

**Figure 7. CR Land – Estimated NAV**

	NAV (HK\$m)	NAV/ Share(HK\$)	% of NAV	% of GAV
<b>Development Properties</b>				
Residential	9,328	3.05	46.1%	42.2%
Office	3,749	1.23	18.5%	16.9%
Retail	215	0.07	1.1%	1.0%
<b>Total Development Properties</b>	<b>13,292</b>	<b>4.35</b>	<b>65.7%</b>	<b>60.1%</b>
<b>Investment Properties</b>				
Residential	16	0.01	0.1%	0.1%
Office	2,975	0.97	14.7%	13.5%
Retail	5,380	1.76	26.6%	24.3%
Hotel	77	0.03	0.4%	0.4%
Carpark	153	0.05	0.8%	0.7%
<b>Total Investment Properties</b>	<b>8,600</b>	<b>2.81</b>	<b>42.5%</b>	<b>38.9%</b>
Other Assets	226	0.07	1.1%	1.0%
<b>Gross Asset Value</b>	<b>22,119</b>	<b>7.23</b>	<b>109.4%</b>	<b>100.0%</b>
Net debt	(1,893)	(0.62)	-9.4%	-8.6%
<b>NAV</b>	<b>20,225</b>	<b>6.61</b>	<b>100.0%</b>	<b>91.4%</b>

Source: Citigroup Estimates

In our view, given the potential of further NAV enhancement through further asset injection from CR Land's parent company, CR Holdings, we think CR Land deserves to trade at a 10% discount to our estimated NAV of HK\$6.61, which is based solely on the existing asset base of the company and has not assumed any further asset injection yet. In addition, given the much improved capital base (gearing of as low as 30% now) of the company after the first asset injection and the recent share placement, we believe CR Land is in a good position to acquire more new projects in mainland China, which could bring in further NAV enhancements. Lastly, CR Land's recent new property launches in mainland China have also achieved better-than-expected sales performances, removing our previous concerns on the company's relatively slower property sales progress in the past.

Discount to NAV is the most widely used method for valuing Hong Kong and China property stocks. NAV measures how much a stock is worth based on the market value of its assets; for a property company those would be its development and investment properties. The NAV discount is then adjusted for the 'realizability' of those assets.

As a reference, our estimated NAV for CR Land has factored in residential price growth of 3-5% per year in 2006 and 2007 for the projects of CR Land in mainland China.

Our estimated NAV is derived using sum of the parts; DCF for development properties, capitalization rates of 8-10% for rental properties, and book values for unlisted subsidiaries and non-property investments, less net debt.

Depending on their location, asset type, and asset quality, our assumed capitalization rates and rental growth forecasts for the rental properties of CR Land would be different for different properties. In our view, our estimated values for those investment properties represent the fair values that the individual properties could command in the event of a disposal.

We applied the DCF approach to value to the company's development properties in Beijing, Chengdu, Shanghai, Hefei, and Wuhan, for which we have assumed different selling prices for properties with different locations, asset types, qualities and years of completion in our net cash flow projections.

Our target price also represents a 2x price-to-book to our estimated book value of HK\$2.96 at end-2005 (adjusted for share placement in January 2006). We believe this is justified by the company's large-scale landbank, solid property sales volume, strong brand identity in China, and good product quality. Given that development properties are valued at cost in the calculation of book value and the potential for further value-enhancing asset injection from the parent company, we argue that a price-to-book of greater than 1x is justifiable.

### **Risks**

We rate CR Land Medium Risk although our quantitative risk rating system, which tracks 260-day historical volatility of the shares, rates CR Land High Risk. In our view, the re-rating of CR Land on the back of the restructuring of the company has led to volatility in the share price of CR Land, leading our quantitative risk rating system to assign a High Risk rating for the stock. We, however, believe that the restructuring of the company has the effect of expanding the recurrent income base of the company and enhancing its financing capacity, which should improve the earnings and financial stability of the company. Therefore, we are keeping a Medium Risk rating for CR Land.

Fundamentally, CR Land is exposed principally to the property markets in mainland China.

The most notable downside risks to CR Land's share price are economy and policy related. With regard to economic risks, any weaker-than-expected GDP growth for the Chinese and/or global economy, and the risk of a hard landing in the domestic economy could negatively affect buyers' sentiment in China's property markets, leading to elusive demand, which could render our sales and earnings estimates for CR Land unrealizable.

In addition, any stronger-than-expected pickup in inflation could result in a sharp rise in interest rates, affecting housing affordability for homebuyers. This could also attract new austerity measures, which could further dampen sentiment in the housing market.

On the policy front, any further tightening measures and policy changes by the Central government with regard to mortgage applications and approvals, project financing, and property pre-sales to curb speculation and overinvestment could adversely affect the bottom lines and cash flows of property developers, and homebuyer sentiment.

Any of the aforementioned risks could impede the shares from reaching our target price.

### Income Statement, 2004-2008E (HK\$ Mil)

Year to 31 Dec	2004	2005	2006E	2007E	2008E
Property Sales	2,313	2,548	3,199	4,128	6,515
Property investment	22	68	658	676	683
Property Management	74	91	100	110	121
<b>Total Turnover</b>	<b>2,409</b>	<b>2,707</b>	<b>3,957</b>	<b>4,914</b>	<b>7,320</b>
Property Sales	261	484	803	1,133	1,687
Property investment	4	49	461	473	478
Property Management	-	9	10	11	12
Allowance for Bad Debts	(117)	(104)	-	-	-
Others	48	1	(15)	(15)	(15)
Operating Profit	196	439	1,258	1,602	2,162
Other Income/Expenses	-	-	-	-	-
Net Interest Income/Expenses	(28)	(51)	(52)	(54)	(53)
Net Operating Profit	168	389	1,207	1,547	2,110
Share of Associates	20	-	-	144	74
Exceptionals	-	97	-	-	-
Profit before Taxation	188	485	1,207	1,691	2,183
Taxation	(81)	(47)	(398)	(558)	(720)
Minority Interest	43	(54)	(20)	(26)	(56)
<b>Net Profit</b>	<b>150</b>	<b>385</b>	<b>788</b>	<b>1,107</b>	<b>1,406</b>
EPS (HK\$) - Diluted	0.10	0.26	0.26	0.36	0.46
Core Net Profit	150	306	788	1,107	1,406
Core EPS (HK\$) - Diluted	0.10	0.20	0.26	0.36	0.46
DPS (HK\$)	0.03	0.03	0.06	0.08	0.10

### Cash Flow Statement, 2004-2008E (HK\$ Mil)

Year to 31 Dec	2004	2005	2006E	2007E	2008E
Pretax Profit	188	485	1,207	1,691	2,183
Net Interest Expense (Income)	(17)	51	52	54	53
Non Cash Items Adjustment	74	(97)	-	(144)	(74)
Change in Working Capital	(273)	(512)	(1,922)	(1,505)	(1,012)
<b>NCF from Op Activities</b>	<b>(28)</b>	<b>(73)</b>	<b>(664)</b>	<b>97</b>	<b>1,150</b>
Interest	(88)	(170)	(171)	(171)	(153)
Dividend	(39)	(50)	(183)	(245)	(306)
Ret. on inv. & serv'g of finance	(127)	(219)	(355)	(415)	(459)
Tax paid	(36)	(23)	(223)	(454)	(603)
<b>NCF before inv activities</b>	<b>(163)</b>	<b>(243)</b>	<b>(578)</b>	<b>(870)</b>	<b>(1,063)</b>
<b>NCF from Inv activities</b>	<b>(29)</b>	<b>-</b>	<b>(2,872)</b>	<b>-</b>	<b>-</b>
Debt/Loan Financing	2,458	-	-	(200)	(800)
Issue of Shares	-	-	-	-	-
Increase in minorities	(0)	-	-	-	-
<b>NCF from Financing activities</b>	<b>2,458</b>	<b>-</b>	<b>-</b>	<b>(200)</b>	<b>(800)</b>
Change in Cash Balance	146	(316)	(555)	(973)	(712)
Beginning Cash Balance	1,389	1,536	1,220	665	(308)
<b>Ending Cash Balance</b>	<b>1,536</b>	<b>1,220</b>	<b>665</b>	<b>(308)</b>	<b>(1,020)</b>
OCF Per Share	0.00	(0.05)	(0.22)	0.03	0.38

### Key Ratios, 2004-2008E

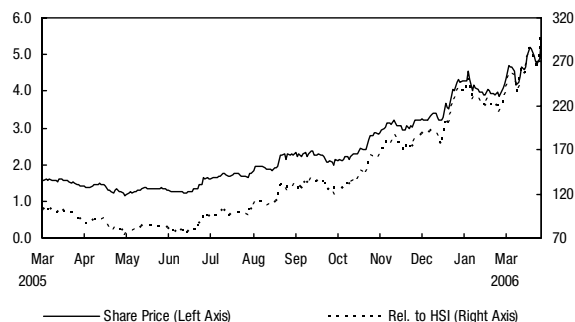
Year to 31 Dec	2004	2005	2006E	2007E	2008E
ROE	3.7%	9.0%	11.8%	11.8%	13.5%
ROA	2.1%	5.5%	8.3%	9.0%	10.6%
Net Gearing	48.6%	52.1%	31.8%	36.9%	32.4%
Dividend Payout Ratio	30.0%	12.9%	23.1%	22.1%	21.7%

Source: Company, Citigroup Investment Research estimates.

### Balance Sheet, 2004-2008E (HK\$ Mil)

Year to 31 Dec	2004	2005	2006E	2007E	2008E
Investment Prop.	873	873	4,145	4,145	4,145
Other fixed assets	243	243	243	243	243
<b>Fixed assets</b>	<b>1,115</b>	<b>1,115</b>	<b>4,388</b>	<b>4,388</b>	<b>4,388</b>
Associates & JC entities	694	694	694	791	840
Other Investments	314	314	314	314	314
Property under dev/for sales	4,773	5,492	7,612	9,228	10,329
Bank balances & cash	1,536	1,220	665	(308)	(1,020)
Other current assets	1,176	1,169	1,466	1,267	1,028
<b>Current Assets</b>	<b>7,484</b>	<b>7,881</b>	<b>9,743</b>	<b>10,187</b>	<b>10,337</b>
Loans & overdrafts	1,937	1,937	1,937	1,737	937
Trade & other payables	827	812	1,187	983	732
Other current liabilities	-	23	199	255	348
<b>Current liabilities</b>	<b>2,764</b>	<b>2,773</b>	<b>3,323</b>	<b>2,975</b>	<b>2,017</b>
<b>Total Net assets</b>	<b>6,844</b>	<b>7,233</b>	<b>11,816</b>	<b>12,705</b>	<b>13,861</b>
Long term bank loans	1,813	1,813	1,813	1,813	1,813
Convertible bonds	-	-	-	-	-
Other long term liabilities	45	45	45	45	45
<b>Long term liabilities</b>	<b>1,858</b>	<b>1,858</b>	<b>1,858</b>	<b>1,858</b>	<b>1,858</b>
Minority interests	898	951	972	998	1,054
Shareholders' funds	4,089	4,424	8,987	9,849	10,950
<b>Total capital employed</b>	<b>6,844</b>	<b>7,233</b>	<b>11,816</b>	<b>12,705</b>	<b>13,861</b>
Book Value Per Share	2.72	2.94	2.97	3.22	3.58

### Share Price Performance



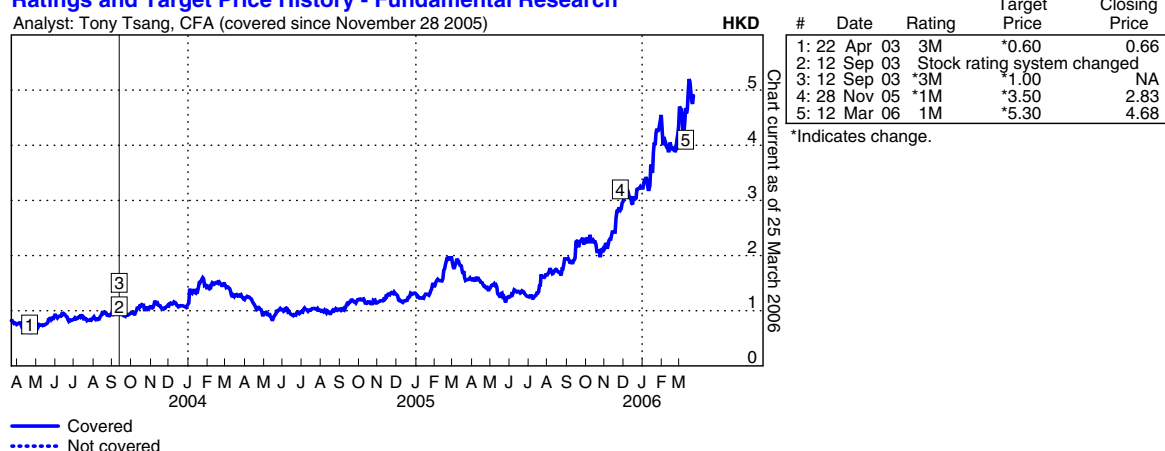
I, Tony Tsang, CFA, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## IMPORTANT DISCLOSURES

### China Resources Land Ltd (1109.HK)

#### Ratings and Target Price History - Fundamental Research

Analyst: Tony Tsang, CFA (covered since November 28 2005)



Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of China Resources Land Ltd. This position reflects information available as of the prior business day.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from China Resources Land Ltd.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from China Resources Land Ltd.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from China Resources Land Ltd in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as investment banking client(s): China Resources Land Ltd.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: China Resources Land Ltd.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, non-securities-related: China Resources Land Ltd.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Equities, and Investment Banking.

#### Citigroup Investment Research Ratings Distribution

Data current as of 31 December 2005

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (2784)	42%	41%	17%
% of companies in each rating category that are investment banking clients	47%	48%	37%
Hong Kong -- Asia Pacific (71)	46%	15%	38%
% of companies in each rating category that are investment banking clients	27%	27%	41%

#### Guide to Fundamental Research Investment Ratings:

Citigroup Investment Research's stock recommendations include a risk rating and an investment rating.

**Risk ratings**, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

**Investment ratings** are a function of Citigroup Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

---

Between September 9, 2002, and September 12, 2003, Citigroup Investment Research's stock ratings were based upon expected performance over the following 12 to 18 months relative to the analyst's industry coverage universe at such time. An Outperform (1) rating indicated that we expected the stock to outperform the analyst's industry coverage universe over the coming 12-18 months. An In-line (2) rating indicated that we expected the stock to perform approximately in line with the analyst's coverage universe. An Underperform (3) rating indicated that we expected the stock to underperform the analyst's coverage universe. In emerging markets, the same ratings classifications were used, but the stocks were rated based upon expected performance relative to the primary market index in the region or country. Our complementary Risk rating system -- Low (L), Medium (M), High (H), and Speculative (S) -- took into account predictability of financial results and stock price volatility. Risk ratings for Asia Pacific were determined by a quantitative screen which classified stocks into the same four risk categories. In the major markets, our Industry rating system -- Overweight, Marketweight, and Underweight -- took into account each analyst's evaluation of their industry coverage as compared to the primary market index in their region over the following 12 to 18 months.

---

## OTHER DISCLOSURES

---

Citigroup Global Markets Inc. or its affiliates beneficially owns 2% or more of any class of common equity securities of China Resources Land Ltd.

---

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the subject company(ies) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

---

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. In producing Products, members of the Firm's research department may have received assistance from the subject company(ies) referred to in the Product. Any such assistance may have included access to sites owned, leased or otherwise operated or controlled by the issuers and meetings with management, employees or other parties associated with the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Although Citigroup Investment Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citigroup Investment Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

---

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by non-US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

---

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citigroup Wealth Advisors Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. If the Product was prepared by Citigroup Investment Research and distributed in Japan by

Nikko Citigroup Ltd., it is being so distributed under license. Nikko Citigroup Limited is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Akasaka Park Building, 2-20, Akasaka 5-chome, Minato-ku, Tokyo 107-6122. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, which is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd., a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Papierów Wartościowych i Gield. Bank Handlowy w Warszawie S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the Russian Federation through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in Taiwan through Citigroup Global Markets Inc. (Taipei Branch), which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citigroup Investment Research's Products can be found at [www.citigroupgeo.com](http://www.citigroupgeo.com). Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. Advice in the Product has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs.

---

© 2006 Citigroup Global Markets Inc. Citigroup Investment Research is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citigroup and the Umbrella Device are trademarks and service marks of Citigroup or its affiliates and are used and registered throughout the world. Nikko is a registered trademark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---