

**Share Price vs. Index**


Sources: Bloomberg, BOCI Research

**Share Price Performance**

	1M	3M	6M
Absolute (%)	8	42	96
Relative to BOCI China-HK (%)	5	41	77

Sources: Bloomberg, BOCI Research

**Key Data (pre acquisition)**

Total issued shares (m)	1,518
Free float (%)	50
Free float mkt. cap. (HK\$ m)	1,825
3M avg. daily turnover (HK\$ m)	22
Net debt/equity (%)	66
NAV per share (HK\$)	3.4
Major shareholders (%)	
China Resources Holdings	50

Sources: Company data, Bloomberg, BOCI Research

**Key Data (post acquisition)**

Total issued shares (m)	2,774
Free float (%)	27
Free float mkt. cap. (HK\$ m)	1,825
3M avg. daily turnover (HK\$ m)	22
Net debt/equity (%)	44
NAV per share (HK\$)	3.4
Major shareholders (%)	
China Resources Holdings	72.8

Sources: Company data, Bloomberg, BOCI Research

Date of last note: 21 September 2005

**PROPERTY — Developers**
**Company Update**
**China Resources Land**  
**(1109.HK/HK\$2.425 — Outperform)**

Target Price: HK\$3.30

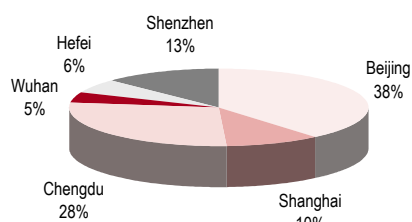
**Manfred HO, CFA**  
 manfred.ho@bocigroup.com  
 (852) 2905 2107

**Size matters.** Through asset injections, the total market capitalisation of China Resources Land (CRL) surged to HK\$6.7bn from HK\$3.7bn, while its pro-forma gearing dropped to 55% from 66%. However, we actually expect its net debt to equity to drop to 44% due to the capitalisation of the shareholders' loan for its acquired assets (i.e., only HK\$900m debt from the newly acquired assets). In addition, book value and our initial appraised NAV were also enhanced by 10% and 20% to HK\$2.8 and HK\$4.08 per share, respectively. Given the stronger rental income and earnings from the increased stake in the Beijing projects, EPS is likely to stay at the current estimates after the acquisition. This further provides the company with a more solid base for future expansion. Earnings quality has been further enhanced as we estimate that rental income will account for 46% and 41% of its net profit for 2006 and 2007 respectively. We have raised our target price from HK\$2.5 to HK\$3.3 per share (or 20% discount to its appraised NAV), representing 36% from the current level.

**Asset injection to further strengthen recurrent income.**

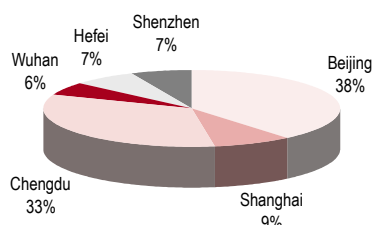
CRL announced plans to purchase three investment properties and a 21.53% stake in CR Land (Beijing) from its parent, China Resources Holdings, for HK\$3.2bn (or 35.7% discount to the fair market value of HK\$5.2bn) through the issuance of 1,256m new shares at HK\$2.2875 each and disposal of its 2.25% stake in **China Vanke B** shares (200002.SZ/HK\$4.25, U) to CR Holdings at HK\$4.205 per share. The price of the newly issue CRL shares represents a discount of 5.7% to its share price before trading suspension and a discount of 10% to its book value of HK\$2.55 per share. The newly issued shares represents 82.7% and 45.3% of the existing issued share capital and the enlarged issued share capital of the company, respectively. After the transaction, China Resources Holdings stake in CRL will increase from 50.3% to 72.8%. After the disposal of the 2.25% stake in China Vanke B, CRL will record a profit of HK\$62m. While the announcement stated that the transaction would be completed on or before 31 January 2006, management actually expected the transaction to be completed by the end of this year (i.e., HK\$62m profit from disposal of China Vanke is likely to be booked this year and increase the net profit by 17%). As a result of the acquisition of the 21.53% stake in CR Land (Beijing), we expect attributable development profits to increase by HK\$86m and HK\$106m in 2006 and 2007, respectively, or 19% and 17% of its pre-acquisition earnings in 2006 and 2007. While the rental income remain slow due to the rent free period especially from its recently opened City Crossing ph 1 in Shenzhen, we expect rental income from these three projects will be HK\$251m and HK\$293m in 2006 and 2007. As a result, net profit after the acquisitions will be enhanced by 17% for 2005, 84% for 2006 and 84% for 2007, offsetting any dilution effect from the new shares to be issued for the transactions.

### Total Land Bank Breakdown



Source: Company data

### Development Land Bank Breakdown



Source: Company data

### Flagship real estate arm of CR Group with enhanced earnings quality.

After the transactions, CRL will be able to integrate the parent's real estate business and transform itself into the listed flagship vehicle for the real estate operations of the group. This will also alleviate investors' concerns over China property developers' low recurrent income and high volatility in earnings due to policy risks on the mainland. By injecting these three investment properties, we expect rental income will account for not less than 30% of CRL's earnings for 2006. Rental income will improve further after the completion of City Crossing Phase 2.

**Still not end of story.** With the acquisition, CRL's total land bank has been further increased by 24% from 2.6m m<sup>2</sup> to 3.2m m<sup>2</sup>, of which 17% is completed investment properties. Its exposure in Shenzhen and increased exposures in Shanghai and Beijing further reinforce CRL's position as a national developer. In terms of geographical distribution, 38% of the land bank is in Beijing, 28% in Chengdu, 13% in Shenzhen, 10% in Shanghai, 5% in Wuhan and 6% in Hefei. As the flagship real estate operator of China Resources Group, we expect CRL to acquire the remaining three China projects from its parent to strengthen the company's land bank further in future.

### CRL Land Bank After Acquisition in Terms of Attributable GFA

Total Land bank	Development Land bank (m <sup>2</sup> )	Investment land bank (m <sup>2</sup> )	Total (m <sup>2</sup> )
Beijing	1,035,840	205,005	1,240,845
Shanghai	226,079	97,139	323,218
Chengdu	885,529	0	885,529
Wuhan	146,900	0	146,900
Hefei	186,255	0	186,255
Shenzhen	175,000	229,937	404,937
<b>Total</b>	<b>2,655,603</b>	<b>532,081</b>	<b>3,187,684</b>

Source: Company data

### Remaining China Projects under China Resources Holding

Projects	Stake (%)	Use	GFA (sq m)	Attr. GFA (m <sup>2</sup> )	Total land cost (Rmb m)	Land cost (AV)
Qing He Project	49	R/C	832,500	407,925	2,565	3,563
Hangzhou Residential/ Commercial site	60	R/C/O	555,544	333,326	1,100	1,980
Wuxi, Jiangsu	55-60	R/C/O	167,224	91,973-100,334	2,510	15,011

Source: China Resources Holding

### Three Major Investment Properties to be Acquired

Location	China Resources Building	China Resources Times Square	City Crossing Ph 1
	Beijing	Shanghai	Shenzhen
Total GFA (sq m)	65,222	97,139	229,937
Shopping Mall	13,091	51,190	167,008
Office	41,342	36,843	41,740
No. of CP	327	115	1,034
Completion date	1999	1997	2004
Property Value (Rmb m)	1245	1132	3,719
Property value/GFA (Rmb)	19,089	11,653	16,174
Aug 05 rent (Rmb m)	7.315	7.08	15.3
<b>Occupancy rate (%)</b>			
Office	93	91	75
Retail	100	79	90

Source: Company data

### Summary of Transaction Values

Transaction	Rmb m	No of shares (m)	Price (HK\$)	Discount (%)
Purchase Price	3,328			
<b>Payment by:</b>				
New shares of CR Land	2,987	1,256	2,288	(32.7)*
2.25% of China Vanke - B	336	77	4,205	(1)**
<b>Assets to purchase</b>				
NAV of target group	2,894			
Capitalised loan from King Role and Boom Go group	1,544			
Revaluation surplus of City crossing ph 2	661			
Increase in value of investment properties from June 2005 to Aug 2005	79			
Fair market value***	5,179			
Discount to fair market value (vs purchase price) (%)	(35.7)			

\*Discount to our appraised NAV

\*\* Discount to previous closing price

\*\*\* Fair market value adjusted by revaluation surplus without revaluation of 21.53% CR Land (Beijing)

Sources: Company data, BOCI Research estimates

### Assets to Purchase

Properties	Location	Stake (%)	Attr GFA (m <sup>2</sup> )
China Resources Building	Beijing	100	65,222
China Resources Times Square	Shanghai	100	97,139
City Crossing Ph 1	Shenzhen	100	229,937
City Crossing Ph 2	Shenzhen	100	175,000
CR Land (Beijing)	Beijing	21.53	307,816

Source: Company data, BOCI Research

### Investment Summary (pre acquisition)

Year ended Jun 31	2003	2004	2005E	2006E	2007E
Revenue (HK\$ m)	1,252	2,409	2,577	3,567	3,751
Change (%)	11	92	7	38	5
Net profit (HK\$ m)	79	150	257	325	423
Fully diluted EPS (HK\$)	0.052	0.099	0.169	0.214	0.278
Change (%)	(25)	90	71	27	30
Previous EPS (HK\$)	-	-	0.169	0.214	0.278
Change (%)	-	-	0	0	0
I/B/E/S EPS (HK\$)	-	-	0.140	0.153	0.203
P/E (x)	46.5	24.5	14.4	11.3	8.7
CFPS (HK\$)	0.07	0.10	0.18	0.23	0.29
P/CF (x)	33.4	23.9	13.6	10.8	8.3
EV/EBITDA (x)	216.7	30.1	17.3	10.0	8.7
DPS (HK\$)	0.027	0.030	0.051	0.065	0.084
Yield (%)	1.1	1.2	2.1	2.7	3.5

Sources: Company data, BOCI Research estimates

### Investment Summary (post acquisition)

Year ended Jun 31	2003	2004	2005E	2006E	2007E
Revenue (HK\$ m)	1,252	2,409	2,577	3,567	3,751
Change (%)	11	92	7	38	5
Net profit (HK\$ m)	79	150	257	325	423
Fully diluted EPS (HK\$)	0.052	0.099	0.169	0.214	0.278
Change (%)	(25)	90	71	27	30
Previous EPS (HK\$)	-	-	0.169	0.214	0.278
Change (%)	-	-	0	0	0
I/B/E/S EPS (HK\$)	-	-	0.140	0.153	0.203
P/E (x)	46.5	24.5	14.4	11.3	8.7
CFPS (HK\$)	0.07	0.10	0.18	0.23	0.29
P/CF (x)	33.4	23.9	13.6	10.8	8.3
EV/EBITDA (x)	216.7	30.1	17.3	10.0	8.7
DPS (HK\$)	0.027	0.030	0.051	0.065	0.084
Yield (%)	1.1	1.2	2.1	2.7	3.5

Assuming acquisition takes place at the end of 2005

Sources: Company data, BOCI Research estimates

## DISCLOSURE

The views expressed in this report accurately reflect the personal views of the analysts. Each analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analysts, BOCI Research Limited and BOCI Group. Member companies of BOCI Group confirm that they, whether individually or as a group (i) do not own 1% or more financial interests in any of the listed corporations reviewed; (ii) are not involved in any market making activities for any of the listed corporation reviewed; (iii) do not have any individual employed by or associated with any member companies of BOCI Group serving as an officer of any of the listed corporation reviewed. Certain member companies of BOCI Group has/have investment banking relationship with China Merchants Bank and Bank of Communication within the preceding 12 months.

This disclosure statement is made pursuant to paragraph 16 of the “Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission” and is updated as of 17 November 2005. Waiver has been obtained by BOC International Holdings Limited from the Securities and Futures Commission of Hong Kong to disclose any interest the Bank of China Group may have in this research report.

*BOCI's daily product is christened "The Raw and the Cooked" with inspiration from the legendary Professor Claude Lévi-Strauss, whose groundbreaking research into "Mythology" 40 years ago showed that even apparently trivial and unintelligible myths form a vast and intricate system of parallels and oppositions — a system whose complexity far transcends that of any one particular myth.*

*In that sense, Myths are no different from Stock Markets, in which investors and analysts claim to see logics but nonetheless become mesmerised by irrational exuberance from time to time. After all, both myths and stock markets are but manifestations of the human mind.*

*For the practical purposes of humble stockbroking research, "The Raw and the Cooked" offers both "raw materials" (eg, visit notes, key statistics) to disillusioned clients who no longer have faith in stockbrokers' recommendations and forecasts as well as "delicious" end-product "cuisines" for generalists who cannot afford to cover a full spectrum of stocks in detail.*

## DISCLAIMER

This report was originally prepared and issued by BOCI Research Limited for distribution to their professional, accredited and institutional investor customers. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject BOCI Research Limited, BOC International Holdings Limited and its subsidiaries and affiliates (collectively "BOCI Group") to any registration or licensing requirement within such jurisdictions. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of BOCI Group. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of BOCI Group.

The information, tools and material presented in this report are provided to you for information purposes only and shall not be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. BOCI Group may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The contents of this report do not constitute investment advice to any person and such person shall not be treated as a customer of BOCI Group by virtue of receiving this report.

Information and opinions presented in this report have been obtained or derived from sources believed by BOCI Group to be reliable, but BOCI Group makes no representation as to their accuracy or completeness and BOCI Group accepts no liability for loss arising from the use of the material presented in this report unless such liability arises under specific statutes or regulations. This report is not to be relied upon in substitution for the exercise of independent judgment. BOCI Group may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. The reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. For the avoidance of doubt, views expressed in this report do not necessarily represent those of BOCI Group.

This report may provide the addresses of, or contain hyperlinks to, various websites. To the extent that this report refers to material outside BOCI Group's own website, BOCI Group has not reviewed the linked sites and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to BOCI Group's own website material) is provided solely for your convenience and information and the content of the linked sites does not in any way form part of this report. Accessing such websites shall be at your own risk.

BOCI Group may, to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of the securities referred to in this report, perform services for or solicit business from such issuers, and/or have a position or effect transactions in the securities or other financial instruments thereon. BOCI Group may, to the extent permitted by law, act upon or use the information or opinions presented herein, or the research or analysis on which they are based, before the material is published. BOCI Group and the analysts preparing this report (each an "analyst" and collectively the "analysts") may have relationships with, financial interests in or business relationships with any or all of the companies mentioned in this report (each a "listed corporation" and collectively the "listed corporations"). See "Disclosure".

Information, opinions and estimates are provided on an "as is" basis without warranty of any kind and may be changed at any time without prior notice. Nothing in this report constitutes investment, legal, accounting or tax advice nor a representation that any investment or strategy is suitable or appropriate to your individual circumstances. Nothing in this report constitutes a personal recommendation to you.

This report has been prepared and issued by BOCI Research Limited. This information is confidential and is intended solely for the use of its recipient. This report is distributed in Hong Kong by BOCI Research Limited and BOCI Securities Limited; in Singapore by BOC International (Singapore) Pte. Ltd.; and in the United Kingdom by Bank of China International (UK) Limited. This information may only be issued or passed on to any person in the United Kingdom if that person is of a kind described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 or otherwise pursuant to exemptions to section 21 of the Financial Services and Markets Act 2000. In addition, no person who is an Authorised Person may issue or pass on this information, or otherwise promote BOCI Group, to any person in the United Kingdom other than under the rules of the Financial Services Authority (FSA) applicable to such Authorised Persons. This report and any information, material and contents herein are intended for general circulation only and do not take into account the specific investment objectives, financial situation or particular needs of any particular person. The investment(s) mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a financial adviser regarding the suitability of such investment(s), taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to purchase any of such investment(s). The suitability of any particular investment or strategy whether opined on, described in or referred to in this report or otherwise will depend on a person's individual circumstances and objectives and should be confirmed by such person with his advisers independently before adoption or implementation thereof (either as is or is varied).

Without prejudice to any of the foregoing disclaimers, to the extent that the reader is an accredited or expert investor as defined in Regulation 2 of the Financial Advisers Regulations ("FAR") of the Financial Advisers Act (Cap. 110) of Singapore ("FAA"), BOC International (Singapore) Pte Ltd is in any event exempted (i) by Regulation 34 of the FAR from the requirement to have a reasonable basis for making any recommendation as mandated under Section 27 of the FAA, and (ii) by Regulation 35 of the FAR from the requirements in Section 36 of the FAA mandating disclosure of any interests in securities mentioned in this report, or in their acquisition or disposal, that it or its associated or connected persons may have.

Copyright 2005 BOCI Research Limited, BOC International Holdings Limited and its subsidiaries and affiliates. All rights reserved.

20/F, Bank of China Tower  
1 Garden Road  
Hong Kong  
Tel: (852) 2867 6333  
Fax: (852) 2147 9513

**Toll free numbers to Hong Kong:**  
**China North:** 10800 8521065  
**China South:** 10800 1521065  
**Singapore:** 800 852 3392

**BOCI Securities Limited**  
20/F, Bank of China Tower  
1 Garden Road  
Hong Kong  
Tel: (852) 2867 6333  
Fax: (852) 2147 9513

**Bank of China International (UK) Limited**  
90 Cannon Street  
London EC4N 6HA  
United Kingdom  
Tel: (4420) 7022 8888  
Fax: (4420) 7022 8877

**BOC International (Singapore) Pte. Ltd.**  
**Reg. No. 199303046Z**  
4 Battery Road  
4/F Bank of China Building  
Singapore 049908  
Tel: (65) 6439 8856/6439 8630  
Fax: (65) 6534 3996/6532 3371

**BOC International (China) Limited**  
39/F Bank of China Tower  
200 Yincheng Zhong Road  
Shanghai Pudong District  
200120 China  
Tel: (8621) 6860 4866  
Fax: (8621) 5888 3554

**BOC International Holdings Limited**  
**Beijing Representative Office**  
Rm801 8/F Tower E1  
Oriental Plaza  
No.1 East Chang An Avenue  
Dong Cheng District, Beijing  
100738 China  
Tel: (8610) 8518 5505  
Fax: (8610) 8518 4063