

September 16, 2005

Stock Rating  
**Overweight**

Industry View  
**In-Line**

## China Resources Land

### Upping the Ante

#### What's Changed

Price Target **HK\$2.10 to HK\$2.50**

**Reiterate Overweight:** We expect the stock to be re-rated, driven by a "V"-shaped turnaround in fundamentals, renewed vigor in earnings, and improving management. We raise our price target to HK\$2.50, implying a 30% upside. This is based on a 40% discount to our current NAV and 11 times earnings – hardly demanding for a facelift story.

**Valuation remains one of the cheapest:** At a 53% discount to our estimated current NAV, 8.5x our F06E EPS, and 0.75x PBV, we see fundamental value in the stock, especially versus the industry average PBV of 1.6x. We think the valuation discount will narrow on consistent management execution.

**Catalysts and risks:** Strong upward earnings revisions and solid project launches in Chengdu and Shanghai appear to be short-term catalysts. Possible property asset injection by its parent, which appears complementary, could be a longer-term value-enhancement exercise. Government policy changes, weaker-than-expected execution, and potential equity raising exercise could disrupt stock outperformance.

**Interim results blow-out:** 1H05 net profit of HK\$197 million (EPS: HK\$0.13), representing a 315% YoY increase, was well ahead of consensus. We are encouraged by the genuine organic improvement in development margin (22% from 9%) as the benefit of its low-cost land bank is starting to show. Portfolio diversification should underpin strong earnings visibility and meaningful pick-up in ROE in the next few years. Net gearing of 66% is higher than most peers but is expected to drop due to lumpy sales ahead.

#### Key Ratios and Statistics

Reuters: 1109.HK Bloomberg: 1109 HK

##### China Property

|                                   |               |
|-----------------------------------|---------------|
| Price target                      | HK\$2.50      |
| Shr price, close (Sep 14, 2005)   | HK\$1.92      |
| 52-Week Range                     | HK\$2.05-1.10 |
| Sh out, basic, curr (mn)          | 1,503         |
| EV, curr (mn)                     | HK\$5,799     |
| Net debt/cap (05e) (%)            | 32.5          |
| ROE (05e) (%)                     | 5.4           |
| Sh out, basic, per-end (05e) (mn) | 1,503         |
| S'hldr eqty (05e) (mn)            | HK\$4,252     |
| RNOA (05e) (%)                    | 4.0           |
| Relative Perf. Vs. MSCI China     | 19, 28, 40    |
| Hang Seng Index                   | 15,087        |

| Fiscal Year (Dec)        | 2004  | 2005e | 2006e | 2007e |
|--------------------------|-------|-------|-------|-------|
| ModelWare EPS (HK\$)*    | 0.14  | 0.15  | 0.23  | 0.28  |
| EPS, basic, rpt'd (HK\$) | 0.10  | 0.16  | 0.23  | 0.28  |
| Rev, net (HK\$m)         | 2,409 | 3,238 | 3,224 | 4,178 |
| P/E                      | 9.5   | 13.1  | 8.5   | 7.0   |
| P/BV                     | 0.5   | 0.7   | 0.6   | 0.6   |
| EV/EBITDA                | 16.5  | 14.3  | 9.7   | 9.1   |
| Div yld (%)              | 2.3   | 2.4   | 3.5   | 4.3   |

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

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## CR Land: Financial Summary

HK\$ Millions; Years Ending December 31

### Balance Sheets

|                            | 2004         | 2005E        | 2006E         | 2007E         |
|----------------------------|--------------|--------------|---------------|---------------|
| <b>Fixed Assets</b>        |              |              |               |               |
| Land & Buildings           | 863          | 1,519        | 1,856         | 2,177         |
| Plant & Fixtures           | 9            | 16           | 20            | 23            |
| Associates                 | 694          | 958          | 978           | 1,000         |
| Other Investments          | 557          | 314          | 314           | 314           |
| <b>Current Assets</b>      |              |              |               |               |
| Stock                      | 4,780        | 4,833        | 4,781         | 5,383         |
| Debtors                    | 906          | 542          | 781           | 949           |
| Deposits & Prepays         | 37           | 918          | 1,321         | 1,606         |
| Listed Securities          | 226          | 226          | 226           | 226           |
| Cash & Deposits            | 1,536        | 473          | 744           | 524           |
| <b>Sub-Total</b>           | <b>7,484</b> | <b>6,992</b> | <b>7,852</b>  | <b>8,689</b>  |
| <b>Total Assets</b>        | <b>9,608</b> | <b>9,800</b> | <b>11,021</b> | <b>12,203</b> |
| <b>Financed By:</b>        |              |              |               |               |
| <b>Current Liabilities</b> |              |              |               |               |
| Short-Term Debt            | 1,937        | 601          | 1,231         | 1,937         |
| Creditors                  | 827          | 1,147        | 1,543         | 1,823         |
| Taxation                   | -            | 94           | 172           | 205           |
| Proposed Dividend          | -            | 70           | 102           | 124           |
| <b>Sub-Total</b>           | <b>2,764</b> | <b>1,913</b> | <b>3,048</b>  | <b>4,090</b>  |
| Minorities                 | 898          | 962          | 1,039         | 1,120         |
| L/T Borrowings             | 1,813        | 2,628        | 2,400         | 2,169         |
| Other Deferred Liabs       | 45           | 45           | 45            | 45            |
| Share Capital              | 150          | 150          | 150           | 150           |
| Reserves                   | 3,938        | 4,102        | 4,340         | 4,629         |
| <b>Shareholders' Funds</b> | <b>4,089</b> | <b>4,252</b> | <b>4,490</b>  | <b>4,779</b>  |
| <b>Capital Employed</b>    | <b>6,844</b> | <b>7,887</b> | <b>7,974</b>  | <b>8,113</b>  |
| Commitments                |              |              |               |               |
| Contracted                 | -            | -            | -             | -             |
| Not Contracted             | -            | -            | -             | -             |
| Contingent Liabs           | -            | -            | -             | -             |
| Issued Shares              | 1,503        | 1,503        | 1,503         | 1,503         |

### Profit and Loss Accounts

|                       | 2004         | 2005E        | 2006E        | 2007E        |
|-----------------------|--------------|--------------|--------------|--------------|
| <b>Turnover</b>       | <b>2,409</b> | <b>3,238</b> | <b>3,224</b> | <b>4,178</b> |
| Share of Associates   | 20           | 20           | 21           | 21           |
| Pretax Profits        | 188          | 392          | 589          | 700          |
| After Charging        |              |              |              |              |
| Interest              | 103          | 95           | 107          | 121          |
| Less Capitalized Int. | 75           | 65           | 73           | 82           |
| Depreciation          | 22           | 36           | 59           | 76           |
| After Crediting       |              |              |              |              |
| Net Rentals           | 4            | 5            | 5            | 6            |
| Interest Received     | 16           | 5            | 8            | 5            |
| Investment Income     | 3            | 3            | 3            | 3            |
| Tax                   | (81)         | (94)         | (172)        | (205)        |
| Minorities            | 43           | (64)         | (77)         | (81)         |
| Exceptionals          | (117)        | (50)         | -            | -            |
| <b>Net Profit</b>     | <b>150</b>   | <b>234</b>   | <b>339</b>   | <b>414</b>   |
| Extraordinaries       | -            | -            | -            | -            |
| Dividends             | 41           | 70           | 102          | 124          |
| Retained Profit       | 110          | 164          | 238          | 290          |

### Cash Flow Statements

|                              | 2004  | 2005E   | 2006E   | 2007E   |
|------------------------------|-------|---------|---------|---------|
| Op Profit before Tax         | 188   | 392     | 589     | 700     |
| Depreciation & Amortization  | 22    | 36      | 59      | 76      |
| Other Non-Cash Adjustments   | (67)  | (94)    | (172)   | (205)   |
| Changes In Work Cap          | (264) | 214     | 517     | (120)   |
| Cash Fr Operations           | (122) | 548     | 992     | 450     |
| Disposal Of Fixed Assets     | 0     | -       | -       | -       |
| Cap. Expenditures/Prop Add   | (2)   | (1,000) | (1,000) | (1,000) |
| Decrease In Investments      | -     | -       | -       | -       |
| Increase In Investments      | -     | -       | -       | -       |
| Other Investing Activities   | (27)  | (20)    | (21)    | (21)    |
| Cash Fr Investing Activities | (29)  | (1,020) | (1,021) | (1,021) |
| Dividends Paid               | (41)  | (70)    | (102)   | (124)   |
| Inc(Dec) In St Borrowings    | -     | (1,336) | 630     | 706     |
| Increase In Lt Borrowings    | 338   | 815     | (228)   | (231)   |
| Increase In Capital Stocks   | -     | -       | -       | -       |
| Decrease In Capital Stocks   | -     | -       | -       | -       |
| Other Financing Activities   | (0)   | -       | -       | -       |
| Cash Fr Financing Activities | 297   | (591)   | 300     | 352     |

### Ratio Analysis

|       | Return on Total Assets | Equity to Total Assets | Return on Avg. Equity | Total Debt to Equity | Current Ratio | Quick Ratio | Net Profit Margin | Tax to Pretax Profit | Interest Cover | Profit to Cash Inflow |
|-------|------------------------|------------------------|-----------------------|----------------------|---------------|-------------|-------------------|----------------------|----------------|-----------------------|
| 2002  | 1.4%                   | 50%                    | 2.7%                  | 53.4%                | 418%          | 57%         | 9.3%              | NA                   | 0.9            | NA                    |
| 2003  | 0.9%                   | 43%                    | 2.0%                  | 85.6%                | 372%          | 77%         | 6.3%              | 18%                  | 1.4            | NA                    |
| 2004  | 1.6%                   | 43%                    | 3.7%                  | 91.7%                | 271%          | 64%         | 6.2%              | 35%                  | 3.1            | NA                    |
| 2005E | 2.4%                   | 43%                    | 5.6%                  | 75.9%                | 366%          | 37%         | 7.2%              | 29%                  | 5.3            | 43%                   |
| 2006E | 3.3%                   | 41%                    | 7.8%                  | 80.9%                | 258%          | 32%         | 10.5%             | 34%                  | 6.9            | 34%                   |
| 2007E | 3.6%                   | 39%                    | 8.9%                  | 85.9%                | 212%          | 18%         | 9.9%              | 33%                  | 7.0            | 92%                   |

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

## Investment Case

### Summary & Conclusions

We reiterate our Overweight rating on CR Land (CRL) and raise our price target by 20% to HK\$2.50, implying a 30% upside from here. Encouraging interim results support our conviction that the stock is emerging from its “dark age”, and we expect the stock to be re-rated going forward.

Our case for a stock re-rating is premised on:

**Earnings facelift:** We believe the strong interim represents early evidence for our estimated 40% EPS CAGR in 2004–07, driven by increased production volume and profitability (see, *New Lease of Life*, August 25, 2005, for key earnings assumptions). Our forecasts are currently 40–50% above consensus, suggesting strong earnings revision is imminent. If dismal earnings power of the past was the main reason for its indifferent share performance in the past 3 years, the reverse should imply outperformance going forward.

**Excellent visibility:** The decision to diversify out of Beijing a few years back has proved many observers wrong, including ourselves. We now estimate earnings from its exposure in five cities ensures sustainable growth in the next three years at a minimum. The solid response received for project launches in Chengdu and Shanghai in the past two weeks, in our view, reflect its capability and commitment in building a brand away from Beijing and our added confidence in earnings visibility (see *Catalysts* below).

**Valuation remains inexpensive:** At a deep 53% discount to our revised current NAV, 0.75x P/BV (vs. sector average of 1.6 times) and 8.5 times our F06E EPS, the stock appears one of the most inexpensive in the sector that has such strong earnings momentum. Given the common headache to finding “value” in many markets, CRL stock is our favored pick in the China property sector.

**Improving management:** This appears to be the hardest nut to crack. While we see significant improvement in corporate transparency as well as management accessibility, its less-than-sterling track record may still linger in some investors’ minds. Given the incremental improvement and the fundamental turnaround, there appears a stronger probability than anytime in the recent past that its vested interest is aligned with investors.

### Catalysts

We see two **near-term catalysts** in stronger-than-expected project launches in Chengdu and Shanghai and solid earnings upward revisions.

*Breaking news in Chengdu and Shanghai* – Discussions with marketing personnel in Chengdu and Shanghai in the past couple days has further boosted our confidence in CRL’s near-term growth visibility.

Phase 2A of the now-famous Jade City project in Chengdu was launched on August 28. About 80% of the 324 units has already been sold at an average price of exceeding Rmb5,000/sq m. This is 30% higher than the average price of Rmb3,800/sq m achieved in phase 1 and 25% higher than our current assumption of Rmb4,100/sq m. The rate of sales was also faster than the recent pace in many projects in Chengdu. Phase 2A accounts for less than 1/3 of the whole phase, which is due for completion in 2006/07, suggesting further earnings boost.

The long-awaited Shanghai project, named The Bund Side, should secure its pre-sale consent in the next few days. A total of more than 600 prospective buyers are registered for the launch of 222 units, suggesting a sell-out is highly possible. About 50 units were reserved by American buyers during the recent roadshow to the States. Target sale price of Rmb18,000/sq m is above our assumption of Rmb16,000.

### Company Description

China Resources Beijing Land Ltd. 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: 7.9%  
MSCI Asia/Pac All Country Ex Jp Weight: 7.0%

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We think the above latest developments are yet to be widely absorbed and they provide concrete evidence to our belief that the location of CRL's projects in Chendgu and Shanghai should sell itself even in adverse conditions. Both projects are key earnings driver for CRL.

Chengdu and Shanghai currently account for 35% and 9% of CRL's portfolio, respectively. We estimate Shanghai could contribute 15–25% of EBIT in 2006/07 (see *New Lease of Life*, August 25, 2005).

**Solid earnings revision likely** – The interim net profit of HK\$197 million is already higher than many full-year estimates on the Street. While we see genuine upside risk to our estimate of HK\$234 million, we are 40–50% above consensus for 2005–06. However, we are upping our current NAV estimate by 9% to HK\$4.08 to reflect stronger-than-expected prices achieved in Chengdu and Shanghai. These should translate into additional earnings boost in 2006–07.

**The biggest catalyst longer term** appears in its potential cooperation with its unlisted parent, China Resources Holdings, in which we see synergies given the sizable land bank held by the latter. Asset injection is also a possibility.

### Key Investment Consideration

In view of the current net gearing of 66% and its penchant for growth, we could not completely rule out the management's intention to tap the equity market for funding should such opportunity arises.

Without additional funding, the company may turn more aggressive on land replenishment only in 2007 underpinned by lumpy sales in the next 12 months.

### Price Target and Risks

We have raised our price target to HK\$2.50 from HK\$2.10. Our new price target is based on a 40% discount to NAV and 11 times our 2006E EPS (in line with its long-term average). The applied discount is tighter than the stock's own long-term average discount to NAV of 53% and also tighter than the 45% we used for our previous price target – consistent with our view for a re-rating.

As the results support our view that stronger management execution and solid earnings momentum are on the cards, we believe the applied discount (40%) and multiple (11x) are hardly demanding for the turnaround story.

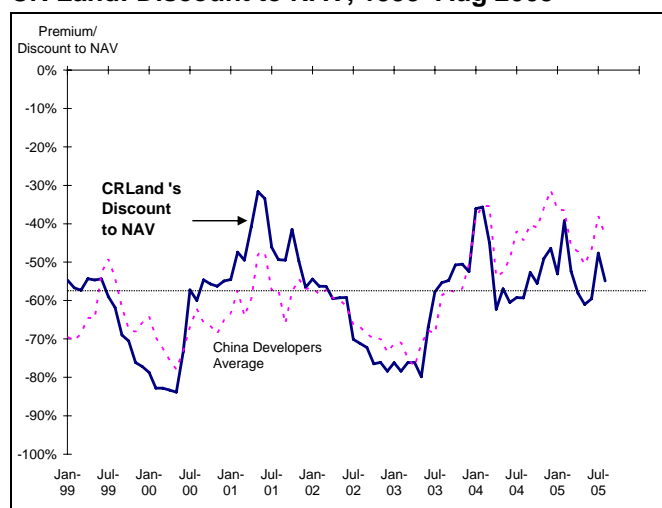
Our price target is on par with to the stock's current book value/share but still well below the industry average of 1.6x

P/BV. We firmly believe the risk is pinned to the upside provided consistent execution.

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.

Exhibit 1

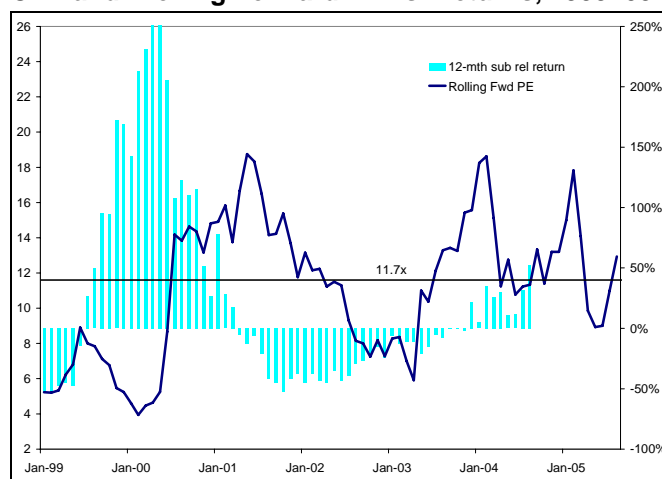
### CR Land: Discount to NAV, 1999–Aug 2005



Source: Company data, Morgan Stanley Research

Exhibit 2

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



Source: IBES Consensus, Datastream, Morgan Stanley Research

## NAV Calculation

We have raised our current NAV estimate by 9% to HK\$ 4.08/share. This compares with the end-2004 book value/share of HK\$2.72, translating into a revaluation surplus of HK\$2.04 billion.

The upward NAV revision reflects the stronger-than-expected prices achieved in Chengdu and Shanghai.

We built our NAV estimate in a two-stage process. First, we value the existing land bank for which land titles have been secured. Second, we add a value for future development where land titles should be accrued within the next 12 months or so after deducting all outstanding land premiums payable. This is the same methodology we use in valuing other listed property companies in China.

Most of CRL's land bank has secured land titles except the recently acquired project via auction in Qing He, Beijing. We have included the latter after deducting the attributable land premium of Rmb1.3 billion payable. Furthermore, a total of Rmb450 million has been deducted for remaining payables for sites in Hefei and Shanghai since end-2004.

The several key assumptions in deriving our NAV include the following.

- For development properties, we determine what is effectively a net present value based on a DCF analysis.
- We estimate the price that a given property would fetch if it were sold today. No price appreciation or depreciation is assumed except in the case of Shanghai where we have used prices last seen in 3Q04, reflecting our view that there would be some pullbacks in prices in the near term.
- We then estimate construction costs still to be incurred to complete the project and spread them over the balance of the construction period. We refer to management's account to assess the total development costs on a project-by-project basis, although we would make certain judgments based on our industry experience.

- We discount the cash flow of those costs and the selling price over the balance of time to completion. A discount rate of 16% is applied as deduced by the sum of the risk-free rate, MSCI China equity risk premium and stock beta.
- As CRL holds a 2.7% stake (76.83 million shares) in China Vanke's B-shares, we value these at the prevailing share price.

Based on the above, we derive our current market value estimate of its assets and then add to shareholders' funds the surplus (or deficits) over total book costs to derive the aggregate NAV.

We have cross-checked our calculation by comparing our estimated revaluation surplus with our earnings projections to 2009 and found them to be on par with each other.

Exhibit 3

## CR Land: NAV Breakdown

|   | HK\$ mn      |
|---|--------------|
| <b>Book Values</b>                              |              |
| <i>Book Value of Property Assets</i>            |              |
| Property in Fixed Assets                        | 863          |
| Property in Current Assets                      | 4,773        |
| Associates and JVs                              | 694          |
| Listed Investments                              | 226          |
| Associates and JVs                              | 694          |
| <i>Less Minorities and Deferred Tax</i>         | (898)        |
| <b>Total Book Value of Items to be Revalued</b> | <b>5,659</b> |
| <b>Market Values</b>                            |              |
| <i>Market Value of Property Assets</i>          |              |
| Development Properties                          | 12,864       |
| <i>Less Construction Costs</i>                  | (4,720)      |
| Investment Properties                           | 929          |
| <i>Market Value of Other Assets</i>             |              |
| Stake in China Vanke 'B' at market cap.         | 371          |
| Recurrent Income since last yr-end              | 16           |
| Outstanding Land Premium                        | (1,758)      |
| <b>Total Market Values</b>                      | <b>7,702</b> |
| <b>Surplus/(Deficit) on Revaluations</b>        |              |
| Shareholders' Fund                              | 2,043        |
|   | 4,089        |
| <b>Total NAV</b>                                | <b>6,132</b> |
| Number of Shares                                | 1,503        |
| <b>NAV/Share</b>                                | <b>4.08</b>  |
| Share Price                                     | 1.92         |
| Discount to NAV                                 | -52.9%       |

See Exhibit 8-10 for further project-by-project valuations  
Source: Morgan Stanley Research

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Exhibit 4

## China Property Stocks Valuation Comparables

| Stock               | Close   | P/E Ratio |       |       |       | NAV/<br>share | Disc<br>to NAV |
|---------------------|---------|-----------|-------|-------|-------|---------------|----------------|
|                     | 14/9/05 | 2004      | 2005E | 2006E | 2007E |               |                |
| BCL                 | 1.97    | 11.6      | 13.4  | 11.6  | 8.5   | 3.4           | -43%           |
| BNS                 | 1.69    | 12.6      | 12.0  | 10.3  | 9.1   | 3.3           | -49%           |
| CRL                 | 1.92    | 19.2      | 12.3  | 8.5   | 7.0   | 4.1           | -53%           |
| COLI                | 1.97    | 11.5      | 11.8  | 10.8  | 9.4   | 2.9           | -31%           |
| Forte               | 2.45    | 9.5       | 7.6   | 5.7   | 5.2   | 4.0           | -39%           |
| Hopson              | 8.40    | 13.8      | 14.5  | 11.4  | 8.7   | 8.0           | 5%             |
| R&F                 | 18.35   | 19.3      | 12.9  | 6.8   | 5.0   | NA            | NA             |
| SRE                 | 1.13    | 6.8       | 5.9   | 3.9   | 5.3   | 2.0           | -42%           |
| Vanke               | 4.20    | 16.8      | 12.5  | 11.2  | 8.6   | 6.1           | -32%           |
| Market-cap weighted |         | 14.1      | 11.3  | 8.4   | 6.8   |               |                |
| Simple Average      |         | 12.7      | 11.3  | 9.2   | 7.7   |               |                |

Source: Datastream, IBES Consensus, Morgan Stanley Research

### 2005 Results Highlights

CR Land reported a set of strong interim results, which we believe provide the first evidence of a “V”-shaped recovery in fundamentals. Net profit came in at HK\$197 million (EPS: HK\$0.13), representing a 314% increase YoY, beating Street estimates by a canter and our top-of-the-range forecast of HK\$148 million.

The strong bottom line poses some genuine risk to our full-year forecast of HK\$234 million and more so to the Street as most full-year forecasts are below HK\$200 million.

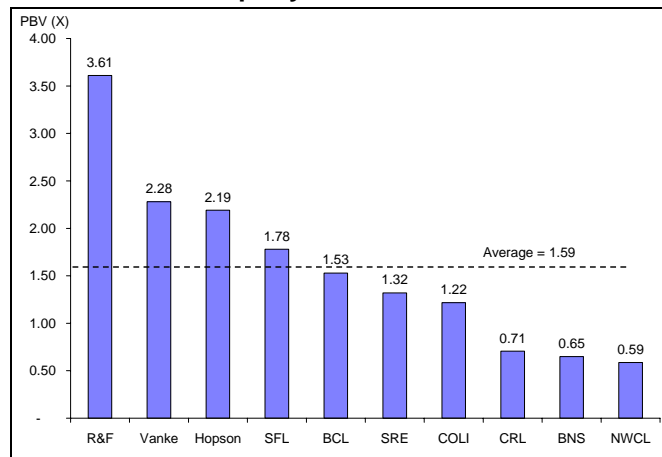
Despite the solid turnaround, management has maintained its policy to pay out dividend at year-end. We expect at least a 30% payout.

The significant increase in earnings was driven by strong property sales volume and profitability, and to a lesser extent accounting changes. Even if property revaluation is stripped out, net profit would still have come in at HK\$192 million.

We are particularly impressed in its organic recovery. Property contribution rose 491% to HK\$250 million, courtesy of much higher sales and completion rates and a sharp improvement in development margin to 22% (2004: 8%) – not far from its peers. This confirms our view that the company is starting to reap the benefit of its low-cost land bank and brand building efforts outside of Beijing. Earnings downdraft from sale of its higher-cost sites seems to be coming close to an end. Annualized ROE has climbed back to 10%, the first double-digit return in more than 5 years.

Exhibit 5

## P/BV of China Property Stocks



Source: Datastream, Morgan Stanley Research

Turnover rose 144% to HK\$1.2 billion of which 94% came from property sales. Chengdu accounted for 33% of property sales, or HK\$384 million with the rest coming from Beijing. A total of 218,000 sq m was completed and booked in 1H05.

The continued strength in Vanke B-shares provided a further HK\$35 million boost to non-operating income. If the stock remains at the current level of HK\$4.24, a further HK\$65 million will be recognized by year-end.

Net gearing rose to 66% from 59% a year ago following land premium payments for existing sites in the past six months. Apart from the recent acquisition of the Qing He project in Beijing, outstanding land premium amounts to HK\$426 million for projects in Hefei and Shanghai. Total capex for the next 2 1/2 years is estimated at HK\$1.7 billion — in line with our assumption and seems affordable judging by its earnings momentum.

Total attributable land bank stood at around 2.5 million sq m and appears sufficient to drive earnings re-rating for the next 3–4 years.

The highly-profitable Phoenix City 2 will be booked in 2H05. The 129,000 sq m project is about 65% sold as at end-June. Latest completion schedule shows production will pick up from this year's 387,000 sq m to 393,000 sq m in 2006 and 805,600 sq m in 2007 and 928,000 sq m in 2008 – much higher than our current assumptions.

With 2005's earnings largely locked-in, the company has begun to sell 2006's projects with about 10% of scheduled completion already sold.

Exhibit 6

## CR Land Interim Results Analysis, 1H2004 vs. 1H2005

| HK\$ million                           |                    |              |             |  |
|--|--------------------|--------------|-------------|--|
| Six-month Ending June 30               | 2004<br>(restated) | 2005         | % Chg       | MS Comment   |
| <b>Turnover</b>                        |                    |              |             |  |
| Property development                   | NA                 | 1,157        | NA          | Significant increase in completion GFA to 218,174 sq m; Chengdu accounts for 33% of sales with the rest coming from Beijing  |
| Rental income                          | NA                 | 34           | NA          |  |
| Property management                    | NA                 | 40           | NA          |  |
| <b>Total Turnover</b>                  | <b>505</b>         | <b>1,231</b> | <b>144%</b> |  |
| <b>Gross Profit</b>                    |                    |              |             |  |
| Property development                   | 42                 | 250          | 491%        | Vast improvement in development margin to 22% from 9%  |
| Rental income                          | (1)                | 17           | NA          |  |
| Property management                    | (1)                | 2            | NA          |  |
| <b>Gross Profit</b>                    | <b>40</b>          | <b>269</b>   | <b>564%</b> |  |
| <b>Other operating income</b>          |                    |              |             |  |
| Dividend income from listed securities | 2                  | 7            | 350%        | Thanks to exchange gain and strong Vanke share price   |
| Exchange gain                          | -                  | 14           | NA          |  |
| Revaluation surplus                    | -                  | 1            | NA          | Fair value gain on currency swap<br>Xidan Cultural Center - investment property  |
| Interest income                        | 9                  | 6            | -35%        |  |
| Unrealized gain on Vanke B shares      | 25                 | 35           | 37%         | CRL holds 76.8 million shares in Vanke B-shares  |
| Others                                 | 5                  | 3            | -36%        |  |
| Selling expenses                       | (8)                | (16)         | 107%        |  |
| Admin. Expenses                        | (31)               | (39)         | 28%         |  |
| <b>Profit from Operations</b>          | <b>43</b>          | <b>279</b>   | <b>547%</b> | 46% increase in interest on bank loan to HK\$78.6 million and 14.5% reduction in capitalized interest; average interest rate on Rmb and US\$/HK\$ borrowings are 5.13% and <4.3%, respectively |
| Finance costs                          | (20)               | (49)         | 151%        |  |
| Share of associates and JVs            | 3                  | 8            | 134%        |  |
| Tax                                    | (1)                | (25)         | 1610%       |  |
| Minority interests                     | 22                 | (16)         | NA          |  |
| <b>Net Profit</b>                      | <b>47</b>          | <b>197</b>   | <b>315%</b> |  |
| <b>EPS (HK\$)</b>                      | <b>0.03</b>        | <b>0.13</b>  | <b>314%</b> |  |
| DPS (HK\$)                             | -                  | -            |             |  |
| <b>Liquidity</b>                       |                    |              |             |  |
| Total Borrowings                       | 3,750              | 4,225        | 13%         | Land premium payment   |
| Cash on Hand                           | 1,536              | 1,697        | 10%         |  |
| Net Gearing                            | 59%                | 66%          |             |  |
| <b>Return</b>                          |                    |              |             |  |
| Gross Margin                           | 8%                 | 22%          |             | Sale of cheaper land bank  |
| Net Margin                             | 9%                 | 16%          |             |  |
| ROE                                    | 1%                 | 5%           |             | Annualized at 10%  |
| Book value/share                       | 2.48               | 2.56         | 3%          |  |

Source: Company Data, Morgan Stanley Research

September 16, 2005  
China Resources Land

Exhibit 7

## CR Land Earnings Analysis, 2000–2007E

| HK\$ million                                 |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Year Ending Dec 31                           | 2000         | 2001         | 2002         | 2003         | 2004         | 2005E        | 2006E        | 2007E        |
| <b>Turnover</b>                              |              |              |              |              |              |              |              |              |
| Property sales                               | 1,611        | 3,385        | 1,058        | 1,184        | 2,313        | 3,129        | 3,110        | 4,060        |
| Rental income                                | 6            | 0            | 13           | 8            | 22           | 32           | 33           | 33           |
| Property mgmt and others                     | 15           | 36           | 59           | 60           | 74           | 77           | 81           | 85           |
| <b>Total Turnover</b>                        | <b>1,632</b> | <b>3,421</b> | <b>1,130</b> | <b>1,252</b> | <b>2,409</b> | <b>3,238</b> | <b>3,224</b> | <b>4,178</b> |
| Cost of Sales                                | (1,433)      | (3,049)      | (1,078)      | (1,165)      | (2,098)      | (2,757)      | (2,531)      | (3,336)      |
| <b>Gross Profit</b>                          | <b>199</b>   | <b>373</b>   | <b>52</b>    | <b>87</b>    | <b>311</b>   | <b>481</b>   | <b>693</b>   | <b>842</b>   |
| Other operating income                       | 75           | 37           | 82           | 101          | 86           | 84           | 22           | 22           |
| Dividend income from listed securities       | 4            | 4            | 3            | 3            | 2            | 2            | 2            | 2            |
| Exchange gain                                | 0            | 0            | 0            | 1            | 0            | 30           | 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           | 33           | 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)         | (114)        |
| Allowance for bad and doubtful debts         | (35)         | (218)        | (71)         | (55)         | (117)        | (50)         | 0            | 0            |
| <b>Profit from Operations</b>                | <b>210</b>   | <b>72</b>    | <b>(20)</b>  | <b>63</b>    | <b>197</b>   | <b>403</b>   | <b>602</b>   | <b>718</b>   |
| Finance costs                                | (9)          | (17)         | (5)          | (34)         | (29)         | (31)         | (35)         | (39)         |
| Share of associates and JVs                  | (16)         | (18)         | 21           | 7            | 20           | 20           | 21           | 21           |
| <b>Profit before Tax</b>                     | <b>185</b>   | <b>37</b>    | <b>(4)</b>   | <b>36</b>    | <b>188</b>   | <b>392</b>   | <b>589</b>   | <b>700</b>   |
| Tax  | (47)         | 116          | 74           | (17)         | (81)         | (94)         | (172)        | (205)        |
| Minority interests                           | (40)         | 15           | 36           | 60           | 43           | (64)         | (77)         | (81)         |
| <b>Net Profit</b>                            | <b>98</b>    | <b>168</b>   | <b>106</b>   | <b>79</b>    | <b>150</b>   | <b>234</b>   | <b>339</b>   | <b>414</b>   |
| % Change                                     | -213%        | 71%          | -37%         | -25%         | 90%          | 56%          | 45%          | 22%          |
| <b>EPS (HK\$)</b>                            | <b>0.07</b>  | <b>0.11</b>  | <b>0.07</b>  | <b>0.05</b>  | <b>0.10</b>  | <b>0.16</b>  | <b>0.23</b>  | <b>0.28</b>  |
| Modelware EPS*                               |              |              |              | 0.04         | 0.14         | 0.15         | 0.23         | 0.28         |
| DPS (HK\$)                                   | 0.02         | 0.02         | 0.03         | 0.03         | 0.03         | 0.05         | 0.07         | 0.08         |
| Gross Margin                                 | 12%          | 11%          | 5%           | 7%           | 13%          | 15%          | 21%          | 20%          |
| Net Margin                                   | 6%           | 5%           | 9%           | 6%           | 6%           | 7%           | 10%          | 10%          |

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

Exhibit 8

## CR Land: Development and Investment Properties

|   | Residential | Office  | Retail  | Industrial | Hotel | Car Parks | Total   |
|---|-------------|---------|---------|------------|-------|-----------|---------|
| <b>Investment Properties Floor Area (sq. ft.)</b> |             |         |         |            |       |           |         |
| China   | 31,485      | 364,219 | 337,768 | 0          | 0     | 0         | 733,472 |
| Others  | 0           | 0       | 0       | 0          | 0     | 0         | 0       |
| Total   | 31,485      | 364,219 | 337,768 | 0          | 0     | 0         | 733,472 |
| % of Total  | 4.3%        | 49.7%   | 46.1%   |            |       |           | 100.0%  |

### Development Properties Floor Area (sq. ft.)

|            |            |           |           |   |   |   |            |
|------------|------------|-----------|-----------|---|---|---|------------|
| China      | 21,582,425 | 2,429,958 | 1,499,960 | 0 | 0 | 0 | 25,512,343 |
| Others     | 0          | 0         | 0         | 0 | 0 | 0 | 0          |
| Total      | 21,582,425 | 2,429,958 | 1,499,960 | 0 | 0 | 0 | 25,512,343 |
| % of Total | 84.6%      | 9.5%      | 5.9%      |   |   |   | 100.0%     |

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

|        |    |     |     |   |   |   |     |
|--------|----|-----|-----|---|---|---|-----|
| China  | 14 | 416 | 500 | 0 | 0 | 0 | 929 |
| Others | 0  | 0   | 0   | 0 | 0 | 0 | 0   |
| Total  | 14 | 416 | 500 | 0 | 0 | 0 | 929 |

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

|        |        |       |     |   |   |   |        |
|--------|--------|-------|-----|---|---|---|--------|
| China  | 10,058 | 2,239 | 540 | 0 | 0 | 0 | 12,837 |
| Others | 0      | 0     | 0   | 0 | 0 | 0 | 0      |
| Total  | 10,058 | 2,239 | 540 | 0 | 0 | 0 | 12,837 |

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

|           |       |       |     |   |   |   |       |
|-----------|-------|-------|-----|---|---|---|-------|
| 31-Dec-05 | 1,430 | 346   | 0   | 0 | 0 | 0 | 1,777 |
| 31-Dec-06 | 2,372 | 187   | 0   | 0 | 0 | 0 | 2,559 |
| 31-Dec-07 | 2,886 | 392   | 20  | 0 | 0 | 0 | 3,298 |
| Later     | 3,370 | 1,313 | 520 | 0 | 0 | 0 | 5,203 |

### Potential Returns at Current Market Rates on Investment Property

|                         |        |         |         |      |      |      |         |
|-------------------------|--------|---------|---------|------|------|------|---------|
| Gross Area (Sq.Ft.)     | 31,485 | 364,219 | 337,768 | 0    | 0    | 0    | 733,472 |
| Value (HK\$Mil.)        | 14     | 416     | 500     | 0    | 0    | 0    | 929     |
| Rent (HK\$/Sq.Ft.)      | 4      | 8       | 9       | 0    | 0    | 0    | 8       |
| Rental Income (HK\$Mil) | 1      | 37      | 35      | 0    | 0    | 0    | 73      |
| Gross Yield             | 10.0%  | 8.8%    | 7.0%    | 0.0% | 0.0% | 0.0% | 7.9%    |

### Estimated Current Net Asset Value

| Surplus on Valuation<br>(HK\$ mn) | Total NAV<br>(HK\$ mn) | Share Price<br>(HK\$) | NAV per share<br>(HK\$) | Share Price<br>Variance from NAV | EV<br>to AV |
|-----------------------------------|------------------------|-----------------------|-------------------------|----------------------------------|-------------|
| 2,043                             | 6,132                  | 1.92                  | 4.08                    | -52.9%                           | -38.9%      |

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

September 16, 2005  
China Resources Land

Exhibit 9

## 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) |
|--------------------------------|-------------------------|--------|------------------------|----------------------------|-----------------------------|------------------------------------|-----------------------------|----------------------------|-----------------------|
| 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                                | 207                         | 450                        | 405                   |
| Residential (Ph 2 - low rise)  |                         | 100%   | Dec-06                 | 602,205                    | 602,205                     | 222                                | 125                         | 500                        | 245                   |
| Residential (Ph 3)             |                         | 100%   | Dec-07                 | 1,967,854                  | 1,967,854                   | 200                                | 338                         | 450                        | 616                   |
| Residential (Ph 4)             |                         | 100%   | Dec-08                 | 2,268,644                  | 2,268,644                   | 200                                | 345                         | 450                        | 605                   |
| Retail (Ph 4)                  |                         | 100%   | Dec-08                 | 810,761                    | 810,761                     | 160                                | 100                         | 400                        | 192                   |
| Residential (Ph 5)             |                         | 100%   | Dec-09                 | 2,615,405                  | 2,615,405                   | 200                                | 353                         | 450                        | 595                   |
| Phoenix City II, III & Later   | Chaoyang, Beijing       |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 70%    | Aug-05                 | 848,552                    | 597,381                     | 300                                | 60                          | 1,037                      | 619                   |
| Residential                    |                         | 70%    | Jul-06                 | 582,733                    | 410,244                     | 300                                | 93                          | 1,250                      | 447                   |
| Residential                    |                         | 70%    | Dec-07                 | 817,521                    | 575,535                     | 300                                | 148                         | 1,250                      | 500                   |
| Office                         |                         | 70%    | Jun-08                 | 1,937,457                  | 1,363,970                   | 500                                | 566                         | 1,500                      | 1,313                 |
| Qing He project                | Haidian, Beijing        |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 51%    | Dec-07                 | 1,937,457                  | 988,103                     | 200                                | 170                         | 800                        | 549                   |
| Residential                    |                         | 51%    | Dec-08                 | 3,013,822                  | 1,537,049                   | 200                                | 234                         | 800                        | 729                   |
| Residential                    |                         | 51%    | Dec-09                 | 1,506,911                  | 768,525                     | 200                                | 104                         | 800                        | 311                   |
| Retail/Office                  |                         | 51%    | Dec-09                 | 1,270,111                  | 647,756                     | 340                                | 150                         | 1,000                      | 328                   |
| The Bund Side 1-2              | Huangpu, Puxi, Shanghai |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 100%   | Jun-06                 | 315,666                    | 315,666                     | 400                                | 91                          | 1,670                      | 465                   |
| Residential                    |                         | 100%   | Mar-07                 | 609,987                    | 609,987                     | 400                                | 229                         | 1,670                      | 798                   |
| Residential                    |                         | 100%   | Dec-09                 | 1,101,810                  | 1,101,810                   | 400                                | 298                         | 1,670                      | 930                   |
| La Firenze I, II & Later       | Daxing, Beijing         |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential (Ph 1A)            |                         | 70%    | Dec-04                 | 182,487                    | 128,471                     | 250                                |                             | 634                        | 81                    |
| Residential (Ph 2A)            |                         | 70%    | Jul-04                 | 58,726                     | 41,343                      | 250                                |                             | 634                        | 26                    |
| Residential (Ph 1B)            |                         | 70%    | Dec-05                 | 71,298                     | 50,194                      | 200                                | 5                           | 541                        | 26                    |
| Residential (Ph 2B)            |                         | 70%    | Dec-05                 | 242,161                    | 170,481                     | 200                                | 17                          | 541                        | 88                    |
| Residential (Ph 5)             |                         | 70%    | Dec-06                 | 1,189,114                  | 837,136                     | 200                                | 157                         | 600                        | 409                   |
| Retail (Ph 5)                  |                         | 70%    | Dec-07                 | 58,866                     | 41,442                      | 300                                | 11                          | 700                        | 20                    |
| Unsold inventories             | Xicheng, Beijing        |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 70%    | Dec-03                 | 1,639,465                  | 1,154,184                   | 200                                |                             | 450                        | 519                   |
| Wuhan Pheonix City I & II      | Wucheng, Wuhan          |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 100%   | Dec-06                 | 747,535                    | 747,535                     | 200                                | 140                         | 450                        | 274                   |
| Residential                    |                         | 100%   | Dec-07                 | 747,535                    | 747,535                     | 200                                | 128                         | 450                        | 234                   |
| Majestic Garden III            | Chaoyang, Beijing       |        |                        |                            |                             |                                    |                             |                            |                       |
| Office                         |                         | 70%    | Dec-07                 | 800,816                    | 563,774                     | 400                                | 199                         | 1,000                      | 392                   |
| Hefei French Annecy I-III      | Gaoxin, Heifei          |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 100%   | Dec-06                 | 430,546                    | 430,546                     | 200                                | 81                          | 360                        | 126                   |
| Residential                    |                         | 100%   | Dec-07                 | 753,456                    | 753,456                     | 200                                | 129                         | 360                        | 189                   |
| Residential                    |                         | 100%   | Dec-08                 | 938,730                    | 938,730                     | 200                                | 143                         | 360                        | 200                   |
| Grand Constellation            | Xicheng, Beijing        |        |                        |                            |                             |                                    |                             |                            |                       |
| Office                         |                         | 70%    | Jun-05                 | 245,874                    | 173,095                     | 500                                | 18                          | 1,500                      | 260                   |
| U-Space Ph I-II, Chaoyang      | Chaoyang, Beijing       |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 70%    | Dec-03                 | 59,372                     | 41,798                      | 250                                |                             | 875                        | 37                    |
| Office                         |                         | 70%    | Dec-06                 | 363,327                    | 255,782                     | 400                                | 80                          | 900                        | 187                   |
| Top Box                        | Chaoyang, Beijing       |        |                        |                            |                             |                                    |                             |                            |                       |
| Office                         |                         | 70%    | Sep-04                 | 104,171                    | 73,336                      | 400                                |                             | 1,182                      | 87                    |
| Various sites                  | Beijing, PRC            |        |                        |                            |                             |                                    |                             |                            |                       |
| Land                           |                         | 70%    | Exist                  | 383,455                    | 269,952                     | 0                                  | 0                           | 100                        | 27                    |
| Jing Tong Sunny Uptown         | Beijing, PRC            |        |                        |                            |                             |                                    |                             |                            |                       |
| Residential                    |                         | 70%    | Dec-03                 | 53,797                     | 37,873                      | 200                                |                             | 471                        | 18                    |
| <b>Total</b>                   |                         |        |                        |                            | <b>25,512,343</b>           |                                    | <b>4,720</b>                |                            | <b>12,864</b>         |

Source: Company Data, Morgan Stanley Research

Exhibit 10

## 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) |
|--|------------------|--------|------------------------|--------------------------|---------------------------|---------------------------|-----------------------|---------------------------|----------------------|
| Xidan Cultural Center<br>Retail        | Xicheng, Beijing | 70%    | Exist                  | 389,472                  | 274,188                   | 9                         | 30                    | 1,600                     | 439                  |
| Huawei Centre<br>Office                | Xicheng, Beijing | 50%    | Exist                  | 466,832                  | 233,416                   | 11                        | 32                    | 1,500                     | 350                  |
| Retail                                 |                  | 50%    | Exist                  | 116,708                  | 58,354                    | 8                         | 5                     | 1,000                     | 58                   |
| Guan Hua Building<br>Office            | Xicheng, Beijing | 70%    | Exist                  | 86,431                   | 60,847                    | 3                         | 2                     | 500                       | 30                   |
| Huan Yuan Building<br>Office           | Xicheng, Beijing | 70%    | Exist                  | 82,049                   | 57,763                    | 3                         | 2                     | 500                       | 29                   |
| Guanyingyuan<br>Residential (resettle) | Xicheng, Beijing | 70%    | Exist                  | 44,723                   | 31,485                    | 4                         | 1                     | 450                       | 14                   |
| Huanan Building<br>Office              | Xicheng, Beijing | 2%     | Exist                  | 527,856                  | 12,193                    | 3                         | 0                     | 500                       | 6                    |
| Retail                                 |                  | 2%     | Exist                  | 226,224                  | 5,226                     | 4                         | 0                     | 500                       | 3                    |
| <b>Total</b>                           |                  |        |                        |                          | <b>733,472</b>            |                           | <b>73</b>             |                           | <b>929</b>           |

Source: Company Data, Morgan Stanley Research



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| Stock Rating Category | Coverage Universe |            | Investment Banking Clients (IBC) |                |                      |
|-----------------------|-------------------|------------|----------------------------------|----------------|----------------------|
|                       | Count             | % of Total | Count                            | % of Total IBC | % of Rating Category |
| Overweight/Buy        | 689               | 35%        | 265                              | 40%            | 38%                  |
| Equal-weight/Hold     | 902               | 46%        | 312                              | 47%            | 35%                  |
| Underweight/Sell      | 379               | 19%        | 93                               | 14%            | 25%                  |
| Total                 | 1,970             |            | 670                              |                |                      |

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.

**Analyst Stock Ratings**

**Overweight (O or Over)** - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

**Equal-weight (E or Equal)** - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

**Underweight (U or Under)** - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

**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.

**Analyst Industry Views**

**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.

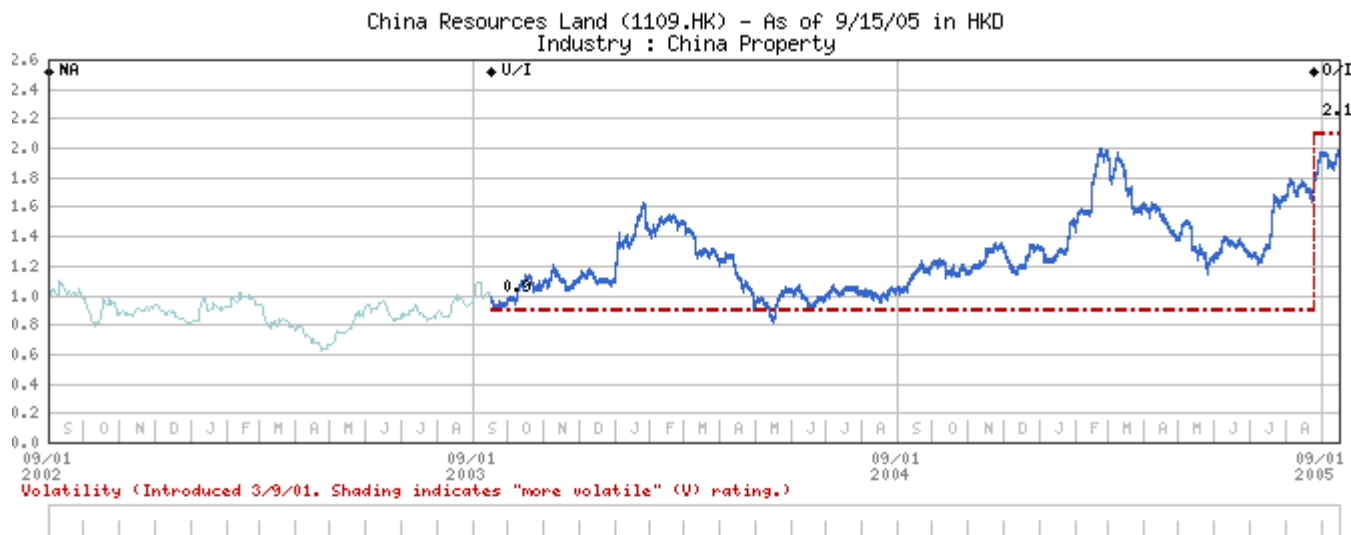
**In-Line (I):** The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

**Cautious (C):** The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

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.

Stock price charts and rating histories for companies discussed in this report are available at [www.morganstanley.com/companycharts](http://www.morganstanley.com/companycharts) or from your local investment representative. You may also request this information by writing to Morgan Stanley at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.

## 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

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 (U) No Rating Available (NAU)  
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)  
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

## Other Important Disclosures

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this summary and the risks related to achieving these targets, please refer to the latest relevant published research on these stocks. Research is available through your sales representative or on Client Link at [www.morganstanley.com](http://www.morganstanley.com) and other electronic systems.

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**Industry Coverage: China Property**

| <b>Company (Ticker)</b>              | <b>Rating (as of)</b>   | <b>Price (09/15/2005)</b> |
|--------------------------------------|-------------------------|---------------------------|
| <b>Kenny Tse</b>                     |                         |                           |
| Beijing North Star (0588.HK)         | E (09/17/2003)          | HK\$1.70                  |
| China Overseas Land & Inv. (0688.HK) | E (03/22/2005)          | HK\$2.05                  |
| China Resources Land (1109.HK)       | Overweight (08/25/2005) | HK\$1.96                  |
| Shanghai Forte Land (2337.HK)        | O (04/13/2004)          | HK\$2.45                  |

Stock Ratings are subject to change. Please see latest research for each company.