招商局地產控股股份有限公司
CHINA MERCHANTS PROPERTY DEVELOPMENT CO.,LTD.

Annual Report 2009

Announcement No.:【CMPD】2010-007

Chapter 1. Important Notice & Content

Important Notice:

The Board of Directors, the Supervisory Committee of China Merchants Property Development Co., Ltd. (hereinafter referred to as the Company) and Directors, members of the Supervisory Committee and senior executives of the Company hereby confirm that there are no any important omissions, misleading statements or serious misrepresentation contained in this Report, and individually and collectively take full responsibility for the authenticity, accuracy and completeness of the information contained in this Report.

Sun Chengming - Legal Representative, Huang Peikun –Chief Financial Officer, and Xu Yixia –Manager of Accounting Department, hereby declare that the Financial Report contained in the Annual Report is true and complete.

11 directors should attend the board meeting on examining the Annual Report; Director Chen Gang could not present at the meeting in person due to individual reasons, but he entrusted director Yang Baiqian to attend and exert voting rights; other directors attended the meeting.

This report has been prepared in Chinese and English version respectively. In the event of differences in interpretation between the two versions, the Chinese report shall prevail.

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Chapter 2. Company Profile

I. Legal Name of the Company:
In Chinese: 招商局地产控股股份有限公司
Abbr: 招商地产
In English: CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD.
Abbr: CMPD

II. Legal Representative: Sun Chengming

III. Secretary of the Board: Liu Ning
Securities Affair Representative: Zeng Fanyue
Address: No.3 Building, Nanhai E Cool Park, No.6 Xinghua Road, Shekou Industrial Zone, Nanshan District, Shenzhen
Post Code: 518067
Tel: (0755)26819600
Fax: (0755)26818666
Email: investor@cmpd.cn

IV. Registered Address: No.3 Building, Nanhai E Cool Park, No.6 Xinghua Road, Shekou Industrial Zone, Nanshan District, Shenzhen
Office Address: No.3 Building, Nanhai E Cool Park, No.6 Xinghua Road, Shekou Industrial Zone, Nanshan District, Shenzhen
Post Code: 518067
Company Website: http://www.cmpd.cn
Email adress: investor@cmpd.cn

V. Media for information disclosure: "*China Securities Journal*", "*Securities Times*" "*Shanghai Securities News*" and "*Hong Kong Commercial Daily*"
Website for publishing Annual Report designated by CSRC: http://www.cninfo.com.cn
Location for Annual Report Collection: The Office of the Board of Directors

VI. Stock Exchange where the Company's shares are listed: Shenzhen Stock Exchange
The Secondary Stock Exchange listed: Singapore Stock Exchange
Short Form of the Stock: CMPD, CMPD-B
Stock Code: 000024, 200024

VII. Other relevant company information
1. Initial registration date: September 19, 1990
2. Initial registration place: Shenzhen
3. Corporate legal person business registration code: 440301503287841
4. Taxation registration code:
State Taxation code – Shen Zi 440300618845136
Local Taxation code – Deng Zi 440300618845136
5. Organization code certificate: 61884513-6
6. The Certified Public Accountants engaged by the Company:
Name: Deloitte Touche Tohmatsu (Shanghai) CPA Ltd.
Office address: 30/F, Bund Center, Yan'an Road East, Shanghai

VIII. Paraphrases

Unless carried in the report, the following abbreviations possess the meanings as follows:

1. CSRC: China Securities Regulatory Commission
2. SZSE: Shenzhen Stock Exchange
3. The Company: China Merchants Property Development Co., Ltd.
4. China Merchants Group: China Merchants Group Ltd.
5. Top Chief: Top Chief Co., Ltd.
6. Shekou Industrial Zone: China Merchants Shekou Industrial Zone Co., Ltd.
7. Zhangzhou Development Zone: China Merchants Zhangzhou Development Zone Co., Ltd.
8. Shenzhen CMRE: Shenzhen China Merchants Real Estate Co., Ltd.
9. CMPS: Shenzhen China Merchants Power Supply Co., Ltd.
10. CMWS: Shenzhen China Merchants Water Supply Co., Ltd.
11. CMPM: China Merchants Property Management Co., Ltd.
12. Hong Kong Ruijia: Ruijia Investment Industrial Co., Ltd.
13. Full Space Investment: Full Space Investment Limited

Chapter 3. Financial Summary

I. Three-Year Financial Summary (Unit: RMB)

Items	2009	2008	Year-on-year Change	2007
Operating income	10,137,701,049	3,573,184,200	183.72%	4,111,644,668
Total profit	2,273,730,035	1,301,864,971	74.65%	1,454,440,222
Net profit attributable to shareholders of the listed company	1,644,143,880	1,227,615,829	33.93%	1,157,877,638
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,654,768,378	1,254,636,882	31.89%	1,069,028,729
Net cash flow from operating activities	7,054,731,333	-3,919,843,675	279.97%	-4,002,591,582
Items	**End of 2009**	**End of 2008**	**Year-on-year Change**	**End of 2007**
Total assets	47,897,160,497	37,437,014,995	27.94%	25,107,163,682
Shareholders' equity attributable to shareholders of the listed company	16,278,736,754	14,862,746,365	9.53%	7,902,920,455
Net asset per share attributable to shareholders of the listed company	1,717,300,503	1,717,300,503	0	844,867,002

II. Financial Highlights (Unit: RMB)

Items	2009	2008	Year-on-year Change	2007
Basic earnings per share	0.96	0.94	2.13%	1.08
Diluted earnings per share	0.96	0.94	2.13%	1.01
Basic earnings per share after deducting non-recurring gains and losses	0.96	0.96	0%	0.99
Weighted average return on equity	10.54%	13.70%	Down by 3.16 percentage points	21.77%
Weighted average return on equity after deducting non-recurring gains and losses	10.61%	14.01%	Down by 3.40 percentage points	20.10%
Net cash flow per share arising from operating activities	4.11	-2.28	280.26%	-4.74
Items	**End of 2009**	**End of 200**	**Year-on-year Change**	**End of 2007**
Shareholders' equity attributable to shareholders of the listed company	9.48	8.65	9.60%	9.35

(Unit: RMB)

Non-recurring gain and loss items	Amount
Gains/losses from the disposal of non-current assets	1,299,323
Reversal of any provisions for asset impairment which has been made in prior years	1,940,114
Government subsidies	3,528,698
Other non-operating income/expenditure, net	-19,337,833
Influences on minority shareholders' gains/losses	-741,097
Impact on income tax	2,686,297
Total	-10,624,498

III. Impact of IAS Adjustment on Net Profit and Net Asset (unaudited) (Unit: RMB)

	Net profit attributable to the shareholders of the listed company		Net asset attributable to the shareholders of the listed company	
	2009	**2008**	**End of 2009**	**End of 2008**
Under IAS	1,644,143,880	1,227,615,829	17,618,565,983	16,202,575,594
Under PRC Accounting Standard	1,644,143,880	1,227,615,829	16,278,736,754	14,862,746,365
Differnce	-	-	1,339,829,229	1,339,829,229
Adjustment of goodwill	-	-	1,339,829,229	1,339,829,229
Notes	*For the current year, the net profit attributable to the shareholders of listed company is the same under both PRC Accounting Standard and International Accounting Standard (IAS). The main reason of the adjustment on the net asset attributable to shareholders of listed company according to International Accounting Standard was that according to the PRC Accounting Standard and relative regulations, the differences generated by consolidation of entities under same control shall be adjusted to capital reserves, whereas the goodwill generated by consolidation shall be presented as asset separately according to the IAS.*			

Chapter4. Changes in Share Capital and Information on Shareholders

I. Change in Share Capital

(I) Change in Share Capital as at December 31, 2009

1. Change in Shares of the Company (Unit: Share)

	December 31, 2008		Increase / Decrease (+, -)				December 31, 2009	
	Quantity	Proportion	Issue of new shares	Quantity	Proportion	Issue of new shares	Quantity	Proportion
I. Restricted Shares	929,481,534	54.12%			-42,050	-42,050	929,439,484	54.12%
1. State-owned shares								
2. State-owned legal person shares	731,298,105	42.58%					731,298,105	42.58%
3. Other domestic shares								
Including: domestic non-state-owned legal person shares								
Domestic natural person shares								
4. Foreign shares	197,709,640	11.51%			-200	-200	197,709,440	11.51%
Including: Foreign legal person shares	197,709,640	11.51%			-200	-200	197,709,440	11.51%
Foreign natural person shares								
5. Senior executives' shares	473,789	0.03%			-41,850	-41,850	431,939	0.03%
II. Unrestricted Shares	787,818,969	45.88%			42,050	42,050	787,861,019	45.88%
1. RMB ordinary shares	646,407,544	37.64%			26,850	26,850	646,434,394	37.64%
2. Domestically listed foreign invested shares	141,411,425	8.24%			15,200	15,200	141,426,625	8. 24%
3. Overseas listed foreign invested shares								
4. Other								
III. Total Shares	1,717,300,503	100.00%					1,717,300,503	100.00%

Notes:

(1) Restricted foreign shares are the shares held by subsidiaries under Shekou Industrial Zone, the change in the reporting period is the statistical differences of the broker to the number at the year beginning.

(2) During the reporting period, the restriction for the shares held by the former supervisor was released and such shares changed into unrestricted shares;

(3) Restricted shares include: Shekou Industrial Zone directly holds A shares of 693,419,317 and indirectly holds B shares of 197,709,640, China Merchants Zhangzhou Development Zone Co., Ltd. directly holds A shares of 37,878,788, senior executives hold A shares of 238,664 and B shares of 193,275.

2. Change in Restricted Shares (Unit: Share)

Name Of The shareholder	Restricted Shares At Beginning ofyear	Released This year	Increasedthis year	Restricted Shares at the end of The eriod	Reason of Restriction	Date of releasing
China Merchants Shekou Industrial ZoneCo.,Ltd.	693,419,317			693,419,317	Committed not to sell	Sep.24,2010
China Merchants Zhangzhou Development Zone Co.,Ltd	37,878,788			37,878,788	See Note 2	Sep.24,2010
Full Space Investment Ltd.	94,144,050			94,144,050	Committed not to sell	Sep.24,2010
China Merchants Securities HongKong Ltd.	49,242,245			49,242,245	Committed not to sell	Sep.24,2010
Foxtrot International Limited I	27,720,000			27,720,000	Committed not to sell	Sep.24,2010
Orienture Investment Limited	26,603,145			26,603,145	Committed not to sell	Sep.24,2010
Lin Shaobin	106,627			106,627	Shares held by senior executive	Confirmed according to regulation regarding changes of shares held by executives
Yang Baiqian	67,425			67,425	Shares held by senior executive	
He Jianye	72,876			72,876	Shares held by senior executive	
Yang Zhiguang	57,971			57,971	Shares held by senior executive	
Huang Peikun	98,025	15,000		83,025	Shares held by senior executive	
Wang Li	22,640			22,640	Shares held by senior executive	
Liu Ning	10,125			10,125	Shares held by Secretary of the Board	
Liu Ye	11,250			11,250	Shares held by supervisor	
Xiong Yan	6,300	6,300			Shares held by former supervisor	Mar.22,2009
Zhang Linmei	20,550	20,550			Shares held by former supervisor	Mar.22,2009
Total	929,481,334	41,850		929,439,484		

Note:

1. *Top Chief Co., Ltd, Full Space Investment Ltd., Foxtrot International Ltd., and Orienture Investment Ltd. are the wholly-owned subsidiaries of China Merchants Shekou Industrial Zone Co., Ltd.*

2. *Due to the purchase of non-public circulated new shares of the Company in 2007, Shekou Industrial Zone committed that its holding shares will not be sold before September 24, 2010, including shares held directly and indirectly;due to the purchase of the public circulated shares in 2008, Zhangzhou Development Zone committed that its holding shares will not be sold before September 24, 2010, including shares held directly and indirectly.*

3. *During the reporting period, the restriction for shares with restriction conditions held by former supervisors was released and such shares changed into shares without restriction conditions.*

(II) Issuing and Listing of Shares

1. Information on issue of shares and derivative securities in the past three years

(1) Private Placement of A Shares

As approved by CSRC with document Zheng-Jian-Fa-Xing-Zi [2007] No.299, during the period from September 18, 2007 to September 24, 2007, the Company issued A-shares of 110,736,639 privately to Shekou Industrial Zone at the price of RMB 20.77 per share. These shares have been placed in the Exchange on September 27, 2007 with nature of tradable shares with conditional conditions.

(2) Public Issue of A Shares

As approved by CSRC by document Zheng-Jian-Fa-Zi [2008] No.989, the Company publicly issued A shares of 450,000,000 for public offering on November 26, 2008 at the price of RMB 13.20 per share. For issuance method, the combinations between fully preferential allotment of original A-share shareholders and on-line and off-line pricing were adopted. The preferential rights given up by the original A-share shareholders were sold on-line and off-line. The shares have been placed in the Stock Exchange on December 8, 2008.

II. Information on Shareholders

(I) Shareholding on Shareholders (Top 10 Shareholders and Top 10 Holders of Unrestricted Shares as at December 31, 2009, Unit: Share)

Total number of shareholders	94,965 (A shares: 85,810; B shares 9,155)					
Shareholding of top 10 shareholders						
No.	**Name of shareholder**	**Class of shareholder**	**% of share holdings**	**Total number of shares**	**Restricted shares**	**Pledged or lock-up shares**
1	China Merchants Shekou Industrial Zone Co., Ltd.	State-owned legal person	40.38%	693,419,317	693,419,317	0
2	Full Space Investment Limited	Overseas legal person	5.48%	94,144,050	94,144,050	0
3	China Merchants Securities Hong Kong Ltd.	Overseas legal person	2.97%	50,479,885	49,242,245	0
4	China Merchants Zhangzhou Development Zone Co., Ltd.	State-owned legal person	2.21%	37,878,788	37,878,788	0
5	Foxtrot International Limited	Overseas legal person	1.61%	27,720,000	27,720,000	0
6	Orienture Investment Limited	Overseas legal person	1.55%	26,603,145	26,603,145	0

7	Penghua Quality Governance Stock-linked Security Investment Fund (LOF)	Domestic non-state-owned legal person	1.10%	18,839,837	0	Unknown
8	China Life Insurance Company Co., Ltd.-Dividend-Individual Dividend -005L-FH002	Domestic non-state-owned legal person	0.99%	17,000,115	0	Unknown
9	Penghua Value Advantage Stock-linked Security Investment Fund	Domestic non-state-owned legal person	0.78%	13,371,593	0	Unknown
10	China Life Insurance Company Co., Ltd.-traditional-ordinary insurance products-005L-CT001	Domestic non-state-owned legal person	0.66%	11,405,620	0	Unknown
Note	49,242,245 shares held by China Merchants Securities Hong Kong Ltd. were purchased by Top Chief Co., Ltd.					

Top 10 shareholders of unrestricted shares

No	Name of shareholder	Unrestricted shares	Class of Shares
1	Penghua Quality Governance Stock-linked Security Investment Fund (LOF)	18,839,837	A shares
2	China Life Insurance Company Co., Ltd.-Dividend-Individual Dividend -005L-FH002	17,000,115	A shares
3	Penghua Value Advantage Stock-linked Security Investment Fund	13,371,593	A shares
4	China Life Insurance Company Co., Ltd.-traditional-ordinary insurance products-005L-CT001	11,405,620	A shares
5	Full Goal Selected Mixed Open-ended Security Investment Fund	10,137,461	A shares
6	Huaxia Blue-chip Core Mixed Security Investment Fund (LOF)	9,602,600	A shares
7	Penghua Motivity Growth Mixed Fund	9,410,467	A shares
8	Invesco Great Wall Selected Blue-chip Stock-linked Security Investment Fund	9,367,100	A shares
9	Dreyfus Premier Investment FDS Inc – Dreyfus Greater China FD	8,378,941	B shares
10	Invesco Great Wall Dingyi Stock-linked Open-ended Security Investment Fund	8,079,699	A shares
Explanation to the connection or concerted action	1、Penghua Quality Governance Stock-linked Security Investment Fund, Penghua Value Advantage Stock-linked Security Investment Fund, Penghua Motivity Growth Mixed Fund are under the administration of Penghua Fund Management Co., Ltd. 2、Invesco Great Wall Selected Blue-chip Stock-linked Security Investment Fund and Invesco Great Wall Dingyi Stock-linked Open-ended Security Investment Fund are under the administration of Invesco Great Wall Fund Management Co., Ltd.		

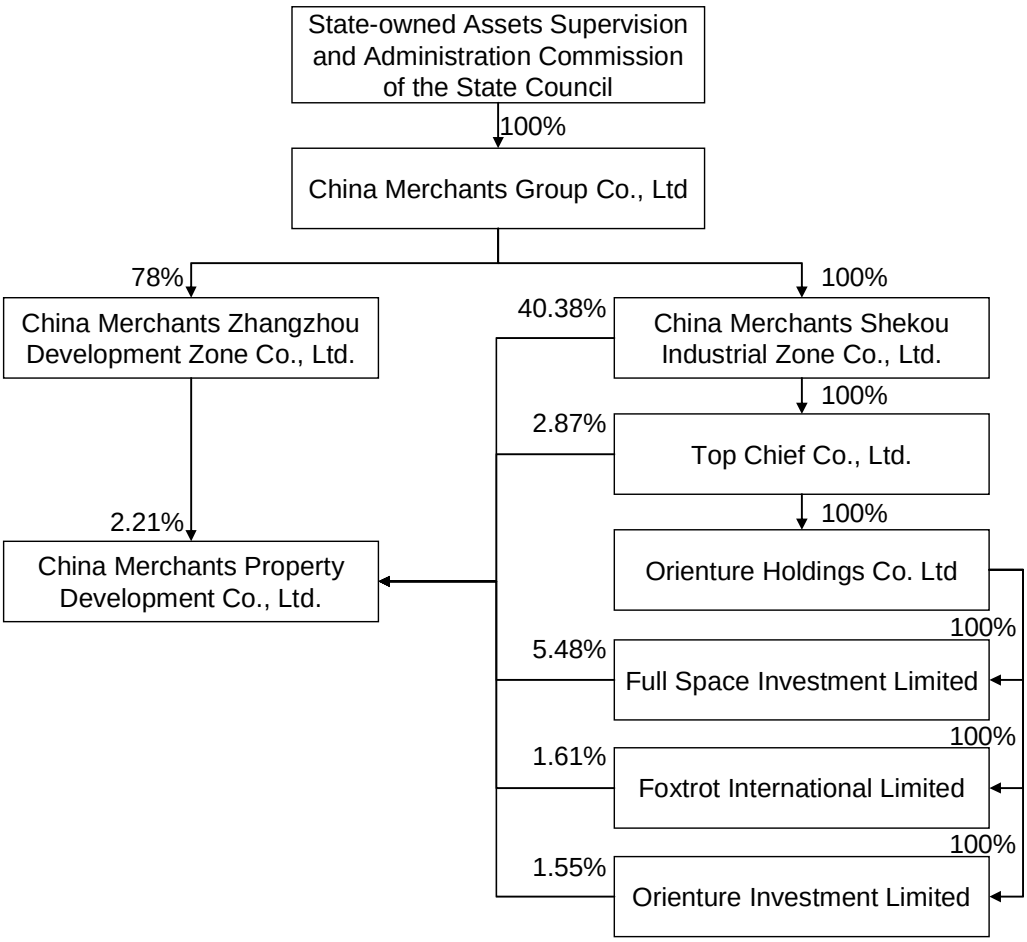
(II) Introduction to the Controlling Shareholder and Substantial Controller.

1. Controlling Shareholder of the Company: China Merchants Shekou Industrial Zone Co., Ltd.
Legal representative: Fu Yuning
Registration date: February,1992
Registered capital: RMB 2,236,000,000
Business scope: investment and management of communication and transportation, industrial manufacturing, finance and insurance, foreign trade, real estate, post and telecommunications, tourism, theatrical performances, cable TV business, hotel and other kinds of enterprises; port services and storage business; sale of products produced by affiliated enterprises, supply and sale of required equipment, raw materials, components and parts; holding sports games; providing technical, operation and legal consultation related to the above business, as well as technology and information services.

2. The Actual Controller of the Company: China Merchants Group Co., Ltd.
Legal representative: Qin Xiao
Registration date: October, 1986
Registered capital: RMB 6.3 billion

Business scope: lease and agency of water/land passenger-cargo transportation, water/land conveyance and facilities; port and storage business; salvage, refloatation and tugboat; construction, repairing, checking and marketing of shipping, offshore petroleum drilling equipment; repairing and checking of drilling platform and container; overall contracting of water/land construction projects and the related offshore petroleum development projects, and their construction organization and logistics services; procurement, supply and sale of water/land communication and transportation equipment; establishing transportation, industrial and commercial enterprises; investment and management of finance, insurance, trust, securities, futures businesses; development and management of Shenzhen Shekou Industrial Zone.

The following chart shows the equity relationship between the Actual Controller and the Company:



3. During the reporting period, the controlling shareholder of the Company did not change.
4. Condition for circulation for shares held by the original non-tradable shareholders
The Share Merger Reform was accomplished on February 9, 2006. China Merchants Shekou Industrial Zone Co., Ltd.– the sole holder of non-tradable shares, was holding 147,426,958 shares. The condition for the shares' circulation was: that they shall not been traded or transferred in 24 months after the date when the trading right is granted (which is February 9, 2006); upon the above 24 months. shares placed in Shenzhen Stock Exchange in 12 months shall not exceed 5% of the total shares of the Company. In 36 months upon the above 24 months, the price of A-shares of the Company shall not be lower than 120% of the arithmetical average in 30 days prior to the publishing of share reallocation announcement, which is RMB 11.51 (with bonus distribution in year 2005: RMB 0.20 for every 10 share; with bonus distribution in year 2006: dividend RMB 2.50 for every 10 share; with bonus distribution in year 2007: for every 10 share, 3 more shares were distributed and 2

shares were converted with distribution of RMB 1.00 The conditional price was adjusted to RMB 7.33).

In the reporting period, due to purchase of new shares in 2007, Shekou Industrial Zone promised not to dispose the Company's shares until September 24, 2010.

Chapter 5. Directors, Supervisors, Senior Executives and Staffs

I. Information on the Directors, Supervisors and Senior Executives

(I) Change of the Shareholding of Directors, Supervisors and Senior Executives and their Compensations

Name	Position	Sex	Age	Job term	Shareholding at the beginning of year(shares)		Shares held at the end of term(shares)		Reason of change	Total of the pre-tax compensation get from the Company in the reporting period (RMB10000)	Whether get compensation from the shareholder unit or connected unit
					A share	Bshare	A share	B share			
Sun Chengming	Chairman	M	50	2008.9 – 2011.9					N/A		Yes
Lin Shaobin	Director and General Manager	M	49	2008.9 – 2011.9	41,670	100,500	41,670	100,500	N/A	173.43	No
Yang Tianping	Director	M	50	2008.9 – 2011.9					N/A		Yes
Yang Baiqian	Director	M	44	2008.9 – 2011.9	89,900	-	89,900	-	N/A		Yes
Hua Li	Director	M	38	2008.9 – 2011.9					N/A		Yes
Chen Gang	Director	M	51	2008.9 – 2011.9					N/A		Yes
Huang Peikun	Director and Chief Financial Officer	M	47	2008.9 – 2011.9	-	130,700	-	130,700	N/A	129.55	No
Meng Yan	Independent Director	M	54	2008.9 – 2011.9					N/A	12	No
Chen Yanping	Independent Director	F	51	2008.9 – 2011.9					N/A	12	No
Gong Xinglong	Independent Director	M	61	2008.9 – 2011.9					N/A	12	No
Chai Qiang	Independent Director	M	48	2008.9 – 2011.9					N/A	12	No
Fu Gangfeng	Chairman of the Supervisory Committee	M	43	2008.9 – 2011.9					N/A		Yes
Ding Yong	Supervisor	M	49	2008.9 – 2011.9					N/A		Yes
Wu Zhenqin	Supervisor	F	51	2008.9 – 2011.9					N/A		Yes
Liu Ye	Employee	M	37	2008.9 –	15,000		15,000		N/A	45.28	No

	Supervisor			2011.9							
Zhu Yu	Employee Supervisor	F	27	2008.9 – 2011.9					N/A	16.40	No
He Jianya	Deputy General Manager	M	44	2008.9 – 2011.9	97,170	-	97,170	-	N/A	119.84	No
Yang Zhiguang	Deputy General Manager	M	46	2008.9 – 2011.9	44,295	33,000	44,295	33,000	N/A	119.97	No
Hu Jianxin	Deputy General Manager	M	51	2008.9 – 2011.9					N/A	117.46	No
Wang Li	Deputy General Manager	M	54	2008.9 – 2011.9	30,187	-	30,187	-	N/A	119.47	No
Zhu Wenkai	Deputy General Manager	M	42	2008.9 – 2011.9					N/A	102.54	No
Wang Zhengde	Chief economist	M	47	2010.4 – 2011.9					N/A	102.09	No
Liu Ning	Secretary of the Board	F	41	2008.9 – 2011.9	-	13,500	-	13,500	N/A	78.28	No
Except Lin Shaobin and Huang Peikun receive salary from the Company and four Independent Directors receive subsidies from the Company, the other Directors served at the shareholder unit, i.e. Shekou Industrial Zone Co., Ltd. and receive salary there; Except two Employee Supervisors receive salary from the Company, the other Supervisors served at the China Merchants Group Co., Ltd. and receive salary there. The Senior Executives receive salary from the Company. In the reporting period, the total of the pre-tax remuneration of the Directors, Supervisors and Senior Executives is RMB 11.2431 million and the subsidy to Independent Directors totals RMB 480 000.											

(II) Directors' attending of the general meeting of the Board.

Name	Position	Number of times that they shall attend	Number of times that they actually attend	Number of times for attending by means of communications	Numer of times for entrusting others to attend	Number of times of absence	Whether there's absence for twice in a row
Sun Bingming	Chairman	19	9	10			No
Lin Shaobin	Director and General Manager	19	9	10			No
Yang Tianping	Director	19	9	10			No
Yang Baiqian	Director	19	9	10			No
Hua Li	Director	19	9	10			No
Chen Gang	Director	19	9	10			No
Huang Peikun	Director and Chief Financial Officer	19	9	10			No
Meng Yan	Independent Director	19	9	10			No
Chen Yanping	Independent Director	19	9	10			No
Gong Xinglong	Independent Director	19	9	10			No
Chai Qiang	Independent Director	19	8	10	1		No

(III) Profile of the Directors, Supervisors and Senior Executives

1. Members of the Board of Directors

Sun Chengming, Chairman of the Board, Senior Engineer. Mr. Sun graduated from Wuhan Water Transport and Engineering Institute with a Bachelor Degree in Ship Building and Repairing. Later, he obtained the MBA from China Europe International Business School. Currently he serves as the Vice President of China Merchants Group Ltd and concurrently General Manager and Vice Secretary of Party Committee of China Merchants Shekou Industrial Zone Co., Ltd. Mr. Sun used to serve various positions, including General Manager of China Merchants Container Services Ltd., General Manager of China Merchants Godown Wharf and Transportation Co., Ltd., Deputy General Manager of China Merchants Transportation Holdings Co., Ltd., Deputy General Manager, and General Manager concurrently as Party Branch Secretary of China Merchants Industry Holdings Co., Ltd, and Assistant President of China Merchants Group Ltd..

Lin Shaobin, Director and General Manager of the Company, and Senior Architect. Mr. Lin obtained a bachelor degree in Architecture from Tsinghua University and MBA from China Europe International Business School. Currently, he serves as the General Manager of the Company, Chairman and concurrently General Manager of Shenzhen China Merchants Real Estate Co., Ltd. He used to hold various position, including General Manager of Shekou Industrial Zone Property Co., Ltd; General Manager of Property Business Department of China Merchants Holdings Co., Ltd.; Assistant General Manager and Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd and Chief Planning & Development Advisor of China Merchants Shekou Industrial Zone Co., Ltd..

Yang Tianping, Director and Senior Economist. Mr. Yang obtained a bachelor degree from the Department of Industrial and Civil Architecture, Beijing University of Technology, and MBA from China Europe International Business School. Currently, he serves at the Party Secretary and Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd; and concurrently Party Secretary and Director General Manager of Shenzhen Nanyou (Holdings) Ltd. He used to serve as the Assistant General Manager and Director Deputy General Manager of China Merchants Development Company; Director Standing Deputy General Manager of China Merchants Jinshan Industrial Zone; Deputy General Manager of China Merchants Property Management Ltd.; General Manager of HR Department of China of Lam Soon Food Industries Limited; General Manager of Guangzhou Lamsoon Cleaning Supplies Co., Ltd.; General Manager of Shenzhen Lam Soon Lipid Co., Ltd. and Assistant General Manager of China Merchants Industry Holdings Co., Ltd..

Yang Baiqian, Director. Mr. Yang obtained his bachelor degree from Nankai University, and MBA from Economic and Management School, Tsinghua University.Currently, he serves as the Deputy General Manage of China Merchants Shekou Industrial Zone Co., Ltd. Mr. Yang used to serve as the Deputy General Manager of Shenzhen Peninsula Foundation Management Company, Deputy General Manager of Enterprise Administrative Dept. of China Merchants Shekou Industrial Zone Co., Ltd., Deputy General Manager of the Company, Planning Manager of Reforming Center of China Merchants Group Ltd..

Hua Li, Director, Certified Public Accountant. He obtained his bachelor degree in Accounting from Shanghai Marine Transportation College, and later, Master Degree of Accounting from the Chinese University of Hong Kong. Currently, he serves as the Chief Financial Offier of China Merchants Shekou Industrial Zone Co., Ltd..He used to serve as the Deputy Manager of Financial Dept. of China Merchants International Co., Ltd., Manager of Accounting Dept. of China Merchants Transportation Group Ltd., and Director of Accounting Deptartment and Deputy General Manager of China Merchants Group.

Chen Gang, Director, Senior Economist. He obtained his bachelor degree from Tsinghua University, and MBA from New York State University at Buffalo Currently, he serves as the Chief Economist of China Merchants Shekou Industrial Zone Co., Ltd. He used to serve as General Manager of China Merchants Shekou Industrial Zone Investment & Development Co., Ltd. and Deputy Chief Economist of China Merchants Shekou Industrial Zone Co., Ltd.

Huang Peikun, Director and Chief Financial Officer, Senior Accountant. Mr. Huang obtained a Master Degree in Management from Zhejiang University Curretly, he serves as the Chief Financial Officer of the Company. He used to serve as the Manager of Accounting Dept. and Chief Accountant of Shenzhen China Merchants Petrol Chemical Co., Ltd., Chief Accountant of Shenzhen China Merchants Real Estate Co., Ltd., Chief Financial Offier and Deputy General Manager of Shenzhen China Merchants Venture Co., Ltd.

Meng Yan, Independent Director, professor and Certified Public Accountant. Professor Meng graduated from Central University of Finance and Economics with bachelor and master Degree in Economics (Accounting). In July 1997, he obtained a Ph.D in Economics (Accounting) from Finance Institute of the Ministry of Finance. Currently, he serves as the Dean, Professor and Doctoral Candidate Tutor at the School of Accounting, Central University of Finance and Economics. He was once successively Assistant, Instructor and Associated Professor of Central University of Finance and Economics. Mr. Meng was once sent by the national government to Manchester University (UK) and Murray State University (Kentucky, US) as visiting scholar for one year.

Chen Yanping, Independent Director., professor, Certified Metropolitan Planer. Professor Chen obtained her bachelor and master degree from Metropolitan Planning School,Tongji University. She has been teaching and conducting research in Shenzhen University since 1984. From November 2003 to November 2004, she stayed at University of California, Los Angeles as a visiting scholar.

Currently, she serves as the Dean of Architecture and Metropolitan Planning School of Shenzhen University.

Gong Xinglong, Independent Director, professor, Certified Accountant. Professor Gong studied in Accounting Numerical Statistic Department of Taibei Tamkang University, Hong Kong Zhuhai University Institute of Economics, Minnesota State University., Accounting School of Renmin University, and obtained bachelor degree in Business, MBA, Master of Accounting, and Ph.D in Management. Currently, he serves as the Executive President of Greater China Business of Wong Lam Leung & Kwok C.P.A. Ltd.. He used to serve as Chief Financial Officer of Asian-Pacific Media Ltd.; Expert, Consultant, and CPA of Beijing Tianjian CPAs and Moores Rawland CPAs.; Deputy General Manager of Bejing Zhongyinghua Taxation Consultants Co., Ltd, and the Chief Representative of Beijing Office of Hong Kong Institute of CPAs.

Chai Qiang, Independent Director. Mr. Chai successively studied in Wuhan University of Technology with major in Management Engineering and obtained bachelor degree in Engineering, Graduate School of Chinese Academy of Social Sciences with major in Technology Economics and Investment Economics and obtained Master Degree and Ph.D in Economics. Currently, he is the Vice Preseident and Secretary-General of China Institute of Real Estate Appraisers and Agents, member of Council for Science and Technology of Ministry of Construction. He used to serve as the Deputy Director of Urban Economy Research Office of China Urban and Rural Construction Economic Research Institute, Deputy- Chief Economist of Centre for Policy Research, Ministry of Construction, Vice Preseident and Secretary-General of China Institute of Real Estate Appraisers.

2. Members of the Supervisory Committee

Fu Gangfeng, Chairman of the Supervisory Committee, Senior Accountant. Mr. Fu graduated from Economics Department and Management Department. of Xi'an Highway College with bachelor and master degrees. Presently, he is the Deputy Chief Financial Officer and concurrently General Manager of China Merchants Group. He used to serve as the Director of Accounting Dept. of China Merchants Shekou Industrial Zone Co., Ltd., Vice Chief Accountant of China Merchants Shekou Industrial Zone Co., Ltd., Chief Financial Officer of China Merchants Shekou Shareholding Co., Ltd. (former name of the Company), and Chief Financial Officer of China Merchants Shekou Industrial Zone Co., Ltd..

Ding Yong, Supervisor, and Senior Economist. Mr. Ding obtained a bachelor in Engineering from Engineering School of Wuhan University of Water Transportation Engineering, and MBA from University of Oklahoma. At present, he serves as the General Manager of Enterprise Planning Department of China Merchants Group Co., Ltd.. He used to serve as Assistant Director of Enterprise Management Department of China Merchants Shekou Industrial Zone Co., Ltd.; Assistant General Manager, Deputy General Manager, and Secretary of Discipline Committee of Shenzhen China Merchants Petrol Chemical Co., Ltd.; General Manager of Development Researching Dept. of China Merchants Shekou Industrial Zone Co., Ltd. (during the period, he was sent by the company to study in the United States. from March 2002 to March 2003.); Deputy General Manager of Business Development Dept. of China Merchants Group Co., Ltd.; General Manager of China Merchants Port Service Qingdao Co., Ltd.; and Deputy General Manager of Enterprise Planning Dept. of China Merchants Group Co. ,Ltd..

Wu Zhenqin, Supervisor, Senior Accountant. Ms. Wu graduated from Marine Management School of Shanghai Marine Transportation College with Master's Degree of Economics. At present, she serves as the General Manager of Auditing Department of China Merchants Group. She used to serve as the Head of Accounting Department of COSCO, Director of Accounting Department of Ship Inspection Bureau of Minister of Transportation; Deputy General Manager of Financing Department of China Merchants Shekou Industrial Zone Co., Ltd; and Chief Financial Officer of China Merchants Shekou Shareholding Co., Ltd. (former name of the Company).

Liu Ye, Employee Supervisor, Fourth-grade Lawyer. Mr. Liu graduated from Nanjing University with Bachelor in Law. He joined the Legal Department of the Company in June 2005. Prior to joing the Company, he worked in Xuzhou Secondary Law Office of Jiangsu, Xuzhou Huijun Law Office, Xuzhou Huana Property Development Co., Ltd. respectively, holding the posts of Deputy Director Lawyer and Deputy General Manager.

Zhu Yu, Employee Supervisor. Ms. Zhu graduated from Shenzhen University with major in English and Business Administration and obtained her bachelor degree in Literature and Management. She joined the Financial Department of the Company in May 2007. Prior to joining the Company, she worked in Deloitte Touche Tohmatsu CPA Ltd. as an Auditor.

3. The Senior Executives

Lin Shaobin, Director and General Manager; profile included in the section of the Directors.

He Jianya, Deputy General Manager, Engineer. Mr. He graduated from Electronics and Telecommunication Department of Beijing Aviation University with a master degree. Later, he obtained MBA of Guanghua School of Management, Peking University. Currently, he serves as the Deputy General Manager of the Company, Deputy General Manager of Shenzhen China Merchants Real Estate Co., Ltd. He used to serve as the System Director of Shekou Container Port Co., Ltd., Vice Director and Director of Enterprise Management Office of China Merchants Shekou Industrial Zone Co., Ltd..

Yang Zhiguang, Deputy General Manager, Senior Engineer. Mr. Yang graduated from South China University of Technology with a bachelor degree in Architecture Engineering. Currently, he serves as the Deputy General Manager of the Company. Previously, he served as the Deputy General Manager, Manager of Development Department of Shekou Industrial Zone Property Co., Ltd.; Assistant General Manager of Shekou Industrial Zone Property Co., Ltd; Deputy General Manager of Shenzhen China Merchants Property Co., Ltd; General Manager of China Merchants Property Co., Ltd and Shenzhen China Merchants Venture Co., Ltd..

Huang Peikun, Director and Chief Financial Offier; profile included in the section of the Directors.

Hu Jianxin, Deputy General Manager, Professor Class Senior Engineer. He graduated from Civil Architect Department of Southern China University with a master degree. Currently, he serves as the Deputy General Manager of the Company and Deputy General Manager of Shenzhen China Merchants Real Estate Co., Ltd. He used to serve as the Deputy Manager of Guangdong Provincial Construction Company General, Deputy General Manager of China Merchants Property Co., Ltd, and Deputy General Manager of China Merchants Group, and General Manager of China Merchants Property Co., Ltd..

Wang Li, Deputy General Manager, Senior Engineer. Mr. Wang graduated from Department of Automation, Central South University of Technology. Currently, he serves as the Deputy General Manager of the Company, Deputy General Manager of Shenzhen China Merchants Real Estate Co., Ltd. He used to serve as the Deputy Dean of Southwest Municipal Engineering Design and Research Institute of China, Audit Manager of Construction and Permission Deparment of Construction and Planning Section of China Merchants Shekou Industrial Co., Ltd., Chief Supervisor of Engineering Management Center of Shenzhen China Merchants Property Co., Ltd and Assistant General Manager of Shenzhen China Merchants Real Estate Co., Ltd..

Zhu Wenkai, Deputy General Manager, Economist. Mr. Zhu graduated from Wuhan University of Water Transportion Engineering with Master in Transportion Management. Currently, he serves as the Deputy General Manager of the Company and Deputy General Manager of Shenzhen China Merchants Real Estate Co., Ltd. He used to serve as Assistant General Manager of Shekou China

Merchants Port Service Co., Ltd.; General Manager of Shenzhen Shekou Zhaogang Industrial Development Co., Ltd.; Manager of Enterprises Management Department, Manager of Planning Department, Vice Supervisor of Planning Center, and General Manager of Marketing Center and Assistant General Manager of Shenzhen China Merchants Real Estate Co., Ltd..

Wang Zhengde, General Economist, Senior Accountant. He obtained his Master Degree and post-experience diploma of British investment bank from Zhongnan University of Economics and Law. Mr. Wang was originally the member of third board of director in the company and used to serve as the General Manager and the Deputy Chairman of Shenzhen Peninsula Foundation company, the Deputy Chief Accountant and the Finance Employee in Charge of China Merchants Shekou Industrial Zone Co., Ltd., and the Director Deputy General Manager and the Chief Financial Officer of China Merchants International Co., Ltd..

Liu Ning, Secretary of the Board of Directors and Economist. Ms. Liu obtained her bachelor degree from South University of Forestry and Technology, majoring in Mechanical Manufacturing. She completed her graduate courses in Department of Business Administration of Business School of Nankai University, and later obtained MBA from Macau University of Science and Technology. Currently, she serves as the Secretary of the Board of Directors. She has been working in the field of securities since 1998, and was appointed as Representaive for Securities Affairs in 2001, and appointed as Director of Secretariat of the Board since 2004.

(III) Information on the Positions Taken by the Supervisors and Senior Executives in Companies under the Controlling Shareholder or Actual Controller of the Company:

Name	Name of company	Position	Job term
Sun Chengming	China Merchants Group Ltd.; China Merchants Shekou Industrial Zone Co., Ltd.	Vice President; General Manager	Since April 2008; Since May 2002
Yang Tianping	China Merchants Shekou Industrial Zone Co., Ltd.	Secretary of Party Committee and Deputy General Manager	Since June 2008
Yang Baiqian	China Merchants Shekou Industrial Zone Co., Ltd.	Deputy General Manager	Since June 2007
Hua Li	China Merchants Shekou Industrial Zone Co., Ltd.	CFO	Since October 2003
Chen Gang	China Merchants Shekou Industrial Zone Co., Ltd.	Economist General	Since April 2004
Fu Gangfeng	China Merchants Group Ltd.; China Merchants Group Ltd.	Deputy CFO; GM of Financial Department	Since May 2008, Since April 2002
Ding Yong	China Merchants Group Ltd.	GM of Enterprise Planning Dept.	Since April 2007
Wu Zhenqin	China Merchants Group Ltd.	GM of Auditing Department	Since January 2003

Note: None of the directors and supervisors takes jobs or concurrently takes positions in entities other than shareholding companies.

V. Changes of Directors, Supervisors and Senior Executives

During the reporting period, there is no changes of Directors, Supervisors and Senior Executives.

II. Information on Employees

As at December 31, 2009, the Company had 8,911 registered employees including:

(1) 1,316 engaged in the Real Estate Development and Water & Electricity Supply business division

Below is information about Education and Technical background of the employees:

Technical background			Education		
Class	**Number**	**Proportion**	**Class**	**Number**	**Proportion**
Production personnel	102	7.75%	Master Degree or above	136	10.33%
Sales personnel	299	22.72%	Bachelor	680	51.67%
Technicians	568	43.16%	3-year regular college graduate	274	20.82%
Finance personnel	90	6.84%	High school graduate or below	226	17.18%
Administrative personnel	247	18.77%		100%	
Otehrs	10	0.76%			
Total	1316	100%	**Total**	1316	100%

(II) 7,595 emplooyes engaged in the Property Management business division;, with education background shown as below:

Level of Education	Number	Proportion
Master or above	18	0.24%
Bachelor	362	4.77%
3-year regular college graduate	847	11.15%
High school graduate or below	6368	83.84%
Total	7,595	100%

Note: The Company undertakes no pensions for retired employees.

Chapter 6. Corporate Governance Structure

I. Company Governance

(I) Overview of Company Governance

During the reporting period, pursuant to the requirement of the Company Law, Security Law and relevant laws and regulations issued by the CSRC and Shenzhen Stock Exchange, the Company has been continued to fine-tune its corporate governance structure, improve its internal control system and standardize business operations. At present, there is no difference between the actual conditions of the corporate governance structure and the requirement of the regulations mentioned above.

1. Shareholders and the Shareholders' General Meeting

During the reporting period, besides the 2008 Shareholders' General Meeting, the Company held three temporary Shareholders' General Meeting for non-public issuances and offering guarantee to the borrowing of subsidiaries. Through participating in the meeting, small and medium-sized shareholders were informed of such key issues as financing and guarantee and participated in decision-making. And their understanding of the Company was also enhanced. Over years, the Company has been sticking to standard operation, constantly improving the governance level, laying

stress on the legitimate rights and interests of the small and medium-sized shareholders and investor relations, maintaining a positive, stable, regularized and healthy market image.

As a state-controlled listed company, the Controlling Shareholder and the Actual Controller of the Company provide support in terms of improving the Company's governance structure and enhancing quality of governance; their actions are regularized and legitimate. As to the relations with the listing company, the controlling shareholder exerted its rights and interests as a contributor by law, maintained the rights of the Company and small and medium-sized shareholders and ensured the Company's standard operation from fundamentals. Meanwhile, relying on its capabilities and credit standing obtained after about 100 years of development, the Controlling Shareholder offers resources and brand to the Company.

2. Directors and the Board of Directors

During the reporting period, the Board of Directors of the Company held 19 meetings, 9 of which adopted on-site voting and 10 adopted remote communication means. The proportion for on-site meetings was increased by large margins and the manner for holding the meetings became more regularized. The Strategy Committee, Audit Committee, Remuneration and Examination Committee of the Board of Directors and independent directors made great efforts in fulfillng their respective roles, and provided expert opinions and prior assessment procedure for the decision-making of the Board, which rendering the decision-making process more scientific.

3. Supervisors and the Supervisory Committee

During the reporting period, the Supervisory Committee held 4 meetings, and the Supervisors attended all of the Board Meetings and Shareholders' General Meeting as observers. Each supervisor provided effective supervision to the Directors, Supervisors and management team in their execution of authorities and duties.

(II) Efforts in Enhancing Corporate Governance

1. Rectification and Reinforcement Activities

Based on the requirements in such documents as *The Notice on Doing a Good Job in the Governance of Listed Companies in 2009* issued by Shenzhen Securities Regulatory Bureau, the Company again conducted earnest self-check during the reporting period to make sure it strictly conforms to the provisions in *The Notice on the Matters concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies (*Zheng-Jian-Gong-Si-Zi [2007] No.*28)* and the supervision opinions proposed by Shenzhen Securities Regulatory Bureau. The self-check reveals that in 2009, the Company has honored its commitments made in the special campaign on better corporate governance in 2007, and the rectified matters listed in *The Explanation on The Rectification of Corporate Governance* that has been disclosed previously continue to be consolidated.

In accordance with the requirements Shenzhen Securities Regulatory Bureau imposed on further pushing forward the special campaign on corporate governance, the Company also carried out self-check on the occupation of funds by related parties and submitted quarterly statistics on capital transfer among related parties of listed company to the securities regulatory bureau on schedule.

During sensitive days like the periods before release of regular reports or other major events, the Company would remind its directors, supervisors, senior executives and all the insiders of not buying or selling the Company's shares arbitrarily. It also reminded its directors, supervisors and senior executives of the numerous provisions by Shenzhen Stock Exchange concerning their holdings of corporate shares on a regular basis. The Company's directors, supervisors, senior executives and other insiders strictly observed relevant provisions on supervision.

2. Improving systems pursuant to new regulatory provisions

In March 2009, the sixth board of directors of the Company held its third session of interim meeting in 2009, passing *The System for Transaction of Financial Derivative Instruments* on March 2009,

pursuant to *The Notice on Strictly Regulating Listed Companies' Transactions of Overseas Futures* released by Shenzhen Securities Regulatory Bureau.

In August 2009, the Sixth Board of Directors of the Company held its Eighth Session of Interim Meeting in 2009, approving *The System for Selecting and Employing Accounting Firms*, pursuant to *The Notice on Requiring the Listed Companies in Shenzhen to Establish and Improve their systems on Selecting and Employing Accounting Firms* released by Shenzhen Securities Regulatory Bureau.
In October 2009, the Sixth Board of Directors of the Company held its Tenth Session of Interim Meeting in 2009, approving *The System for Registration of Insiders*, pursuant to *The Notice on Doing a Good Job in the Governance of Listed Companies in 2009* released by Shenzhen Securities Regulatory Bureau.

In April 2010, the Sixth Board of Directors of the Company held its Twelfth Session of Interim meeting, approving *The System for Accountability in Major Errors Incurred in Annual Reports Disclosure*, pursuant to *The Notice on Requiring Listed Companies to Establish Systems for Accountability in Major Errors Incurred in Annual Reports Disclosure* released by Shenzhen Securities Regulatory Bureau.

3. Information on Reporting Undisclosed Information to Controlling Shareholders
As a state-controlled listed company, pursuant to relevant laws and regulations of state-owned assets management, the Company is required to report financial report to cointrolling shareholders. In the reporting period, the Company strictly adhered to undisclosed information range as is stated in *Criteria of Confidentiality and Reporting the Undisclosed Information to the Controlling Shareholders by Relative Personnel*, disclosed information and maintained confidentiality according to approval procedure. The undisclosed information reported to controlling shareholders was mainly examined and approved by heads of relevant departments; the means of information transmission includes financial software or e-mail; relevant persons in each stage were included as insiders; information was approved by responsible personnel in before delivering; authorization records are complete. The controlling shareholder-Shekou Industrial Zone and the Actual Controller-China Merchants Group strictly adhered to promises and used the undisclosed information being reported in a legal way
During the reporting period, the undisclosed information being reported included: Monthly Finance and Operation Express; Quarterly Financial Report, Analysis Report on Operation Status and Cost, Statistical Analysis Report; Annual Financial Report, Settlement Report and Five-Year Plan.
The category of the abovementioend undisclosed information being reported and profile of insiders had been timely reported to Shenzhen Securities Regulatory Bureau.

II. Execution of the Duties of Independent Directors

(I) The Attendance of Independent Directors to Board Meetings

During the reporting period, the Independent Directors attended all conferences of board of directors, and detailed information is specified in part I and (II) of this section.

During the reporting period, the Company held four shareholders' General Meetings, in which Chen Yanping and Gong Xinglong attended the 2008 Annual Shareholders' General Meeting, the 1st Extraordinary Shareholders' General Meeting of 2009, 2nd Extraordinary Shareholders' General Meeting of 2009 and the 3rd Extraordinary Shareholders' General Meeting of 2009.

(II) Execution of the Duties

Pursuant to *The Guide to the Establishment of Independent Directors System in Listed Companies* (hereinafter referred to as "the Guide"), *The Code of Corporate Governance for Listed Companies in China* and *The Regulations on Reinforcement of Protection of Interests of Public Shareholders*

issued by China Securities Regulatory Commission, the Company has established complete working system including *The Working Rules for the Independent Directors*. In the reporting period, based on the requirements of the supervision regulations and *The Working Instruction of Independent Directors*, the Independent Directors well fulfilled their supervisory duties.

1. The Independent Directors actively participated in the work of Strategy Committee, Audit Committee, Remuneration and Examination Committee. The Independent Directors of Strategy Committee offered several constructive suggestions on Company's business strategy research; Independent Directors of Audit Committee took part in the communications with the certificated public accountants in charge of annual audit of the Company to discuss issues and paid close attention to their audit plans and risk assessments; Independent Directors of Remuneration and Examination Committee guided the implementation and examination and verification of the performance evaluation standard for the Human Resources Department and Senior Executives, and supervised the decision-making and issuance of the remuneration plans, as well as examined and verified the report-period remuneration level of the Directors, Supervisors and Senior Executives of the Company to be released.

2. During the reporting period, the Independent Directors made the field surveys on the real estate projects of the Company in Shenzhen, Beijing, Tianjin, Shanghai, Nanjing and Chongqing, listened to the relevant reports of the Company on annual cost control and operation situations in 2009, and gave guidance to the cost control and sales of the Company.

3. Based on the supervision regulations, the Independent Directors gave independent Opinion on the Company's Self-Evaluation Report in Affiliated Transactions, Internal Control and External Guarantees and fulfilled the supervision functions.

4. Pursuant to the relevant requirements of *The Administrative Regulations on Fund Raising of Listed Company* issued by Shenzhen Stock Exchange, the Independent Directors paid great attention to the storage and utilization of fund raised and the internal supervision and description, and and examined and verified the description of the storage and utilization of fund raised.

5. During the reporting period, Independent Directors did not express disagreement on proposal approved in the past shareholders' general meeting and other issues.

III. The Company's Independence in Business Operations, Assets, Staff, Organization, and Finance from its Controlling Shareholder

The business scope of the Company differed with the Controlling Shareholder; the Company is completely independent from the Controlling Shareholder in terms of business operations, assets, employees, organization and finance. The Company maintains its business independence and operation autonomy.

IV. Establishing and Enhancing the Internal Control Mechanism

(I) Overview of Internal Control of the Company

Pursuant to the regulations of *The Company Law*, *The Securities Law* and *The Rules of Shenzhen Stock Exchange for the Listing of Stocks*, the Company has established a set of relatively standard

internal control mechanism which involves each operation unit and management level, with consideration of the characteristics of real estate business industry and business structure of the Company, in accordance with each the internal control objectives. Based on *The Basic Standard for Enterprise's Internal Control*, the Company has also continued to improve the internal control mechanism. During the reporting period, the Company has started up the internal flow rebuilding work to further improve the efficiency of the implementation of internal control mechanism.

(I) Improvement Plan and Implementation Situation of Internal Control Mechanism

Early before the implementation of *The Basic Standard for Enterprise's Internal Control* jointly issued by the Ministry of Finance and other ministries and commissions, the Board of Directors asked the Company, in accordance with the requirements of *The Basic Standard for Enterprise's Internal Control*, to take the company flow rebuilding as an opportunity, to fully streamline the internal control mechanism and all regulations and rules. Meanwhile, the Company shall learn from the model enterprises of the industry and duly examine, revise, and improve the current internal control mechanism. On this basis, the Company shall continue improvement to optimize the management flow and raise the level of management and control. The major work on the improvement of the internal control mechanism during the reporting period includes:

In order to effectively enhance the requirements of "Continuous Improvement" and "Delicacy Management" and accommodate the organizations and systems to the new development stage of the Company, in early 2009, the Company started up the system flow optimization and organization reconstruction work. By employing professional consulting agencies and forming the work teams, the Company made a stage progress in 2009. Currently, the Company has defined the principles and main contents related to the organization position and the power-and-responsibility system optimization, which laid a solid foundation for the work of next stage.

In order to avoid the risk incurred by foreign currency loan due to fluctuation of exchange rate, the Company insisted on using NDF transaction on foreign currency loan, which better controlled the transaction exposure and met the management objective of minimization of risk. During the reporting period, the Company also made the Derivative Financial Instrument Transaction System in accordance with *The Requirements on Enhancing Management on Derivative Financial Instrument Transaction of Listed Companies* by China Securities Regulatory Commission, and further ensured the risk control on NDF transaction flow of foreign currency loan. The new system has laid down rigorous rules in types of derivative financial instruments in transactions, transaction scales, examination and approval authority, operation flow, risk control and information release. Its actual operation conditions shall accept the monitor and supervision of the Audit and Internal Risk Control Department of the Company.

During the reporting period, the Company also established *The CPA Firm Employment System* and T*he Insider Registration System*. The CPA Firm Employment System has clearly defined the responsibilities of the Audit Committee of the Board of Directors in CPA form employment, including investigation and discussion of the operation quality and faith performance of the CPA firms to be employed, and the after-service appraisal of operation quality and etc. Therefore, the employment process became increasingly standard. The Insider Registration System clearly defined

the identification standard and the duty of secrecy of the insiders and the examination and approval process of information circulation as well as requirements on insider records management. This system intensified the management on the inside information and the insiders.

(II) Establishment of Inspection and Monitoring Departments of Internal Control Mechanism

The Company has adopted multilayer monitoring and control for the implementation of internal control. The Audit Committee is responsible for directing and supervising the establishment, improvement and implementation of internal control. The Company has established an institution dealing specifically with internal control – the Audit and Internal Risk Control Department, the responsibility of which was conduct internal auditing and monitoring of business management, budgeting and expenses status, operation benefit and potential risk of each subsidiary companies, the Audit and Internal Risk Control Department is answerable to the Board of Directors and provides regular report about the implementation and monitoring of internal control to the Board of Directors each year.

(III) Improvement of Internal Control Mechanism Related to Financial Accounting

Since 2008, pursuant to *The Accounting Standard for Business Enterprises*, *The General Financial Rules for Business Enterprises* and other related financial and economical laws and regulations, Company has begun to streamline, supplement and revise the current financial management system, accounting system and several financial management regulations in order to enhance the financial supervision and management. The Company has completed totally 11 systems including *The Financial Management System*, *The Accounting System* and *The Financial Report Preparation*. The systems in question have constituted a financial control and supervision system in budget, cost, sales and capital management and provided the latest system guarantee for the veracity, accuracy, timeliness and integrity of the financial accounting information of the and the validity of the financial supervision and control. After the implementation, the Company will further improve its financial supervision and control.

(IV) The Board of Director's Opinion on the Company's Self-Evaluation Report in Internal Control and the Appraisal of Auditing Institution:

Pursuant to the Company's evaluation on *The Internal Control Mechanism* related to the financial statements on December 31, 2009, and in accordance with The Standard for Internal Accounting Control—General Standard issued by the Ministry of Finance and other more specific rules, the Company has established an internal control mechanism related to financial reports; the internal control mechanism is reasonably designed, and effectively implemented.

The Independent Directors of the Company pay great attention to the establishment, improvement and implementation of the Internal Control Mechanism and express the independent opinions: the Company has established the relatively perfect Internal Control Mechanism, which is reasonably designed, and effectively implemented.

Deloitte Touche Tohmatsu CPA Ltd. was entrusted to audit the abovementioned *Self-Evaluation Report of Internal Control*, and offered Auditor's Report on Internal Control (DSB (He) Zi (10) No. E0027). According to the auditor's report, as of December 31, 2009, in all major areas, the Company

has effectively maintained the internal control mechanism stated in Self-Evaluation Report, which was related to financial statements, established according to *The Standard for Internal Accounting Control—General Standard* issued by the Ministry of Finance and more specific rules.

(VI) Defects and Rectification of Internal Control

In 2009, the Audit and Internal Risk Control Department of the Company examined and evaluated the rectification of defects in the implementation of internal control during the project inspection, and the relevant issues had been rectified. Internal control is a long-term systematic project. Thought the Company has established the effective Internal Control Mechanism in all major areas of major businesses, the Company still need continue to summarize and improve the control events according to the actual situations due to the inherent limitation of the internal control and environmental changes. In 2010, the Company will continue the organization flow optimization, improve the incentive guidance and enhance risk management and internal audit supervision.

The abovementioned reports were fully published on http://www.cninfo.com.cn.

V. Performance Evaluation and Incentive Mechanism for Senior Executives

The Company has adopted a performance evaluation method for Senior Executives which combines Annual Performance Evaluation and Annual Interview Evaluation: the Annual Performance Evaluation is to first identify evaluation indicators through breaking down the tasks of Senior Executives based on objective responsibility proposal and annual working plan and then review the accomplishment of the evaluation indicators and overall appraisal made by the subject's direct superior and subordinate staff and same-level colleagues to determine the result of Annual Performance Evaluation; the Annual Interview Evaluation is conducted through interviewing with the subject's direct superior and subordinate staff and same-level colleagues, to examine his or her work performance, and in the end formulate the result of Annual Interview Evaluation. The results of performance evaluation of Senior Executives constitute important basis to determine their retention, promotion, demotion, and remuneration level.

Pursuant to the Articles of Association and relevant laws and rules, the Company has established Incentive mechanism in association with the Company's business characteristics; the Company has set up a reasonable remuneration system based on the organization's internal career development path, which ensures that individual remuneration reflects the difference in job responsibilities, technical level and work efficiency and maximizes the benefits of Company by implementing the profit-oriented project incentive method. The level of remuneration is also adequately competitive to attract outside talents. When determining the incentive mechanism for Senior Executives, great attention has been paid to effectively connect incentive with performance and exploiting the role of incentive mechanism in enhancing the Company's management. Remunerations of Senior Executives are finally determined by individual performance evaluation, with reference to market rates.

VI. Performance of Social Responsibility

The report on social responsibility has fully recorded the Company's achievements in social responsibility during the reporting period, and the report was fully published on

http://www.cninfo.com.cn.

Chapter 7. The Shareholders' General Meeting

During the reporting period, one Shareholders' Meeting and three Provisional Shareholders' Meetings were held:

I. On April 20, 2009, the Company held the 2008 Annual Shareholders' General Meeting, and the resolution notice was released on April 21, 2009.

II. On August 17, 2009, the Company held the 1st Extraordinary Shareholders' Meeting, which examined and approved *The Plan on Company Making Non-public Issuance of Stocks to Specific Objects* and other proposals, and the resolution notice was released on August 18, 2009.

III. On October 31, 2009, the Company held the 2nd Extraordinary Shareholders' Meeting, which examined and approved *The Proposal on Bank Loan Guarantee Plan for Stock-controlled Subsidiary Zhuhai Yuanfeng Real Estate Co., Ltd.*, and the resolution notice was released on November 3, 2009.

IV. On December 28, 2009, the Company held the 3rd Extraordinary Shareholder's Meeting, which examined and approved T*he Proposal on Bank Loan Guarantee Plan for Wholly-owned Subsidiary Ruijia Investment Industrial Co., Ltd.*, and the resolution notice was released on December 29, 2009.

The above notices were all published on *China Securities Journal*, *Securities Times* and *Hongkong WenWei Po*.

Chapter 8. Report of the Board of Directors

I. Management Discussion and Analysis

Business Environbemtn Analysis

In 2009, China's economy has successfully passed through numerous crises and challenges that emerged at the beginning of the year, demonstrating an obvious V-shaped recovery. The year also saw China's real estate market stepping out of recession and playing a crucial role in stabilizing and refueling the macro-economic development. The prosperity of China's real estate market is primarily ascribed to the country's proactive fiscal policies and moderately loose monetary policies. The economic stimulus package has on the one hand, offered fresh impetus to the pickup of the real estate market and the country's economy at large, and on the other hand,given rise to higher inflation expectation and potential danger in asset price bubbles in some cities. The Company believes that accumulation of asset price bubbles is not conducive to the healthy development of the industry, and therefore, the necessity that the government releases regulatory policies existed. The Company is convinced that with the joint effort of the people from all walks of life, China's real estate industry is

bound to grow in a healthy way.

Review of the Company's Management

China Merchants Property Development Co., Ltd. celebrated its 25th anniversary of incorporation in 2009. The Company has always adhered to its principle of balanced development:"Scale, Quality, Efficiency", expanding from a small firm principally focusing on business in Shekou to a large corporate with widespread business engagement nationwide. Inheriting the pruden business style that China Merchants Group has consistently adopts, while incorporating advanced business concepts, the Company has developed a core value featuring pursuit of excellence, readiness to take on responsibilities and deep concern for people's needs. After 25 years of effort, it has evolved into a company combining sound growth and marked individuality and developed the core competitiveness with distinct features of its own.

As one of the 16 central enterprises specializing in real estate development and operation, the Company is the sole platform for real estate business under China Merchants Group. As China Merchants Group strives to build it into a strong and responsible flagship in the real estate field, the Company will be powerfully backed in resources and finance by relying on the Group's comprehensive strength and ever-increasing support.

The Company also benefits from the "mode of equal emphasis on development of both residential and commercial buildings", "green real estate technologies" and "comprehensive experiences in community development" that it has accumulated from operation over the years. Besides real estate development and sales, the Company also increases its presence in the investment property leasing business. At present, it has about 700,000 sq m of leasable investment properties, mostly distributed in the Sea World commercial circle in Shekou. As the operation of Shekou subway approaches and the cooperation between Shenzhen and Hong Kong further deepens, the Company will see more room for its investment property leasing business. In the future, the ambitious plan of the company's big shareholders for the construction of the international oil tanker home port and the Sea World CBD in Shekou and the expected increasing share of investment properties in other cities will offer more resources for the Company in its expansion in investment property business, and step up its financial innovation and diversity of financing channels.

Practices of advanced technologies for green properties render the Company's products unique competitiveness. With regard to green property technologies, the Company is in the forefront of the industry and acts as the leader of the green property at home. Based on its understanding of and responsibility for the sustainable development of both the industry and cities, the Company has kept exploring the new modes for living and real estate development and held six sessions of "Sino-foreign Green Property Forum" during 2004-2009, with the themes respectively being "Concept and Practice of Sustainable Development", "Green Community and Harmonious Homeland", "Green Buildings and Circular Economy", "Green Practice and Urban Regeneration", "Green Development and Urban Upgrading" and "Green New Cities and Low-carbon Development". Through the said six sessions, the forum has become a grand occasion of gathering for both experts and scholars in the field of ecological development and green construction as well as media both at home and abroad, and grown into one of the public-welfare international conferences with the

highest academic level in China's green development field. While advocating the concept of green properties, the Company also vigorously applies green technologies to develop "green buildings". Relying on a wide range of energy-saving technologies like humiture independently controlled air-conditioning system, solar photovoltaic cell and central ventilation system, it has completed such highly comfortable and energy-saving green buildings as Tiger Apartment Shenzhen, Guangzhou Golden Hill Valley and Shenzhen Nanhai E Cool after years of exploration and practices. That helps the Company win wide reorganization and high praise from its peers. Since 2001, the Company has been awarded 37 honors at the provincial level and above; Its Golden Hill Valley project won the "Award for Best Practice in Inhabitation" from UN-HABITAT in 2009, the only project awarded in China and one of the five in the world, Currently, the Company is working to popularize the standardized application of the green technology system in every project at home in a bid to create more energy-saving buildings.

Comprehensive community development was still the vantage of the Company. The concept of "comprehensive community development" has not only solved the problem on overall circulation of the diversified demands of resident living but also endowed communities with strong cohesion and multiple social functions. It also provided community development with a completely suitable comprehensive solution and the actual vigor as well as motive force for sound development. The Shekou Project, covering an area of 11 square kilometers, was a prime example. Nowadays, the Company tried to imitate the comprehensive community development method selectively in the projects in other regions, and made it a core competitiveness of business expansion in different places. The diversified and extensive large communities were going on, including the Golden Hill Valley Project in Guangzhou, the Xiaoshicheng Project in Shuzhou, the Jiangwancheng Project in Chongqing and the Lakeward Scenery Project in Beijing.

In the wake of step-by-step maturity of a scale-style development and operation management flow, the Company entered into the stage of "delicacy management". In 2009, the Company attached great importance to the improvement of capacities in cost control, marketing and services, and has successfully realized overall-process cost control, whole-staff marketing and whole-staff services.

Cost reduction is an everlasting theme of enterprise management. In 2009, the Company continued and deepened the efforts in cost reduction, optimized the cost target management system and carried out a cost control system in four stages from total project investment, cost estimation, cost target to budget utilization to reduce the target cost step by step. The Company also issued an improvement plan on major aspects of cost items; and implemented cost reduction in the initial stage of planning and design in particular to promote quota design method for major structures, public area decoration, chambers, show houses and landscape engineering as well as other key aspects and major areas, which impact the costs; effectively reduced the target cost items of the projects by control costs in design stage. In respect of expense management, the Company implemented a rigid budget management to strictly control the spending and carried out management mode of non-excess sub-items of both total and controllable expense, which effectively control the increase of management expense.

After the "Sales Year" of 2008, the Company brought forward the slogan of "Whole-Staff

Marketing" in 2009. During the market downturn in early 2009, by maintaining a cautiously optimistic mood and persisting in the sales strategy of "flexible- response and quick-reaction", the Company built a nationwide marketing network in an all-round way and established the professional marketing technique platform. Later, in the wake of market revival, the Company put forth the interim strategy of "grasping opportunities and speeding up marketing" in due time. The timely adjustment in marketing strategy and potential ensured the annual gross sales amount of the Company was close to RMB 15 billion.

In the service year of 2009, through the "Tulip Campaign", the Company carried out 11 measures in three major areas including the quasi buildings to be delivered, capital incorporation and complaint handling. The abovementioned measures included "Consumer Open Day", "Project Manager Service Center" and "Guarantee Green Channel", which were dedicated to establishing the service system with characteristics of merchants and real estate. The Company started the PAD-based house acceptance system and mechanism, which not only realized the systematization and effectiveness of all house acceptance information but also finished the IT- based document archives of all consumer feedback information. It realized the all-around seamless connection with the consumer information, established the complete supervision system and took all service items into internal evaluation system of the Company. The "Tulip Campaign" integrated and improved many functions of "consumer service" and fulfilled the Company's promise of "Houses Give Emotions", which received extensive recognition and high reputation from the consumers, featuring by the reduction of consumer complaints and the increase of consumer satisfaction during the delivery of commercial residential building.

The company all along persisted in the principles of "Harmonious Development of Scale, Quality and Benefit". It has established the financial models of the harmonious development for the key factors, including lands, capitals and debts, which were needed for the development of the Company. It has played a vital role in preventing the operation and financial risks. The Company continued the diversified financing model to meet the capital demands of production and operation. The Company also grasped the opportunities to optimize the debt structure and increases the proportion of mid and long-term debts in the active debts. By the end of the reporting period, the mid and ling-term debts of the Company accounted for 70% of the total debts, and most of them belonged to the fixed-rate debts. By fixing life and rate of debts, the Company effectively controlled the capital cost and provided the future development with powerful support.

Facing a heated housing and land market, the Company has stuck to a conservative land bank expansion strategy.,and remained sober-minded while making great endeavor to purchase lands prudently. In 2009, by means of cooperative bidding, the Company successfully obtained six pieces of lands in central locations of various cities, including the Danzishi Plot in Chongqing and the Jingjianglu Plot in Tianjin. The newly added gross floor area amounted to 1.96 million square meters (1.08 million square meters belongs to the Company's interests). The land bank purchased provides valuable resources for the Company's sustainable development.

II The Company's Business Review

(I)Overall Operation

In 2009, in the face of rapid changes in the industry, the Company gained insight into the situation and grasped the opportunity of industry recovery, duly adjusted development pace and sales strategies with market-oriented and service-themed, and made a breakthough in both development and sales and realized a comparatively sound business performance. Realized operating income of the year was RMB 10,138 million, and net profit attributable to shareholders of listed company was RMB 1,644 million, up by 34% over the same period of the previous year. Among the operation income:

RMB 8,490 million generated from sales income of commodity residential houses, with settlement area of 624,800 sq m; the sales income of commodity residential houses included RMB 53 million of project income confirmed in construction contract yet not be settled; it had not yet been settled this year;

RMB 483 million generated from investment property leasing, with leasing area of 6.61 million sq m;

RMB 599 million billion generated from sales income of power supply, with 776,060,000 kWh of electricity being sold;

RMB 65 million generated from sales income of water supply, with 25,560,000 tons of water being sold.

In the reporting period, change in main business sectors on a year-on-year basis:

（Unit: RMB'0000）

Business sector	Operation income	Operation cost	Gross profit ratio	Increase or decrease of operation income over the previous year	Increase or decrease of operation cost over the previous year	Increased or decreased percentage point of gross profit ratio over the previous year
Real estate development	848,983	480,325	43%	338%	392%	-7
Property leasing	48,251	25,731	47%	-4%	-1%	-1
Real estate agency	12,737	9,104	29%	112%	61%	23
Power and water supply	66,491	48,597	27%	-12%	-9%	-3
Property management	38,279	31,442	18%	27%	22%	4
Engineering construction	1,340	1,327	1%	-	-	-

During the reporting period, the Company realized good performance in sales, with real estate contract sales real estate amounting to RMB 14,842 million and 1,211,900 sq m, making average sale price of approximately RMB 12,247 per sq m. The Company overfilled the plan early this year, up by 131% and 172% in terms of sale amount and sale area from last year.

(II)The Operation of Main Business Divsions of the Company

Real estate Development and Sales

In the reporting period, the Company initiated the development in across 11 cities simultaneously. At the end of 2009, a total area of 214,000 sq m was on sale, and 3,570,000 sq m area was in construction.

Real estate project unders development in 2009 (Unit: '0000 sq m)

No.	Project name	Region	Gross Floor Area	Equity Gross Floor Area	Area settled this year	Accumulatively settled area	Launched / to be launched	Finished / to be finished
1	Lanxi Valley Phase II	Shekou Shenzhen	14.75	14.75	5.32	8.37	2005.09	2010.08
2	Yishanjun	Longgang Shenzhen	23.42	23.42	7.72	19.51	2005.06	2009.10
3	Haiyue Huating	Shekou Shenzhen	7.60	7.60	6.56	6.56	2007.02	2009.09
4	Technology Building Phase II	Shekou Shenzhen	4.26	4.26	-	-	2009.03	2010.02
5	Garden City Phase V	Shekou Shenzhen	2.71	2.71	-	-	2008.03	2010.08
6	Kings Ville	Shekou Shenzhen	12.93	12.93	-	-	2009.07	2011.12
7	CM Plaza (originally Pilot Tower)	Shekou Shenzhen	6.80	6.80	-	-	2010.05	2012.11
8	Woods Apartment (originally Pilot Park)	Shekou Shenzhen	3.20	3.20	-	-	2010.05	2012.08
9	BUENA VISTA	Baoan Shenzhen	30.31	15.16	3.26	10.40	2005.09	2012.10
10	CM Guoling Garden	Baoan Shenzhen	16.00	16.00	-	-	2010.05	2012.10
11	CM Lanyuan	Baoan Shenzhen	22.28	22.28	-	-	2008.03	2010.10
12	CM Guanyuan	Baoan Shenzhen	22.22	22.22	-	-	2008.08	2010.10
13	Golden Valley	Panyu Guangzhou	106.64	106.64	4.33	4.33	2008.02	2019.11
14	Panyu Innovation Tech Garden	Panyu Guangzhou	83.94	42.65	-	-	2008.07	2016.12
15	Foshan Evian Town	Foshan Guangdong	45.90	22.95	2.88	2.88	2008.04	2011.05
16	Foshan Evian Up Town	Foshan Guangdong	26.83	13.42	-	-	2008.08	2012.04
17	Zhuhai Merchants Garden City Phase I (A)	Xiangzhou Zhuhai	12.30	6.27	-	-	2008.12	2010.12
18	Zhuhai Merchants Garden City Phase II, III (B)	Xiangzhou Zhuhai	22.12	22.12	-	-	2009.12	2012.12
19	Merchants Yonghuayuan (originally Zhuanqiao)	Minxing Shanghai	13.76	13.76	-	-	2008.07	2011.05
20	Merchants Nanqiaoyayuan (originally Nanqiao)	Fengxian Shanghai	9.86	9.86	-	-	2008.03	2010.01
21	Hyde Garden	Baoshan Shanghai	24.42	14.65	3.26	3.28	2006.05	2013.08
22	Merchants Gulf Garden	Fengxian Shanghai	10.62	10.62	-	-	2008.10	2013.12
23	Evian Valley	Xianlin Nanjing	14.51	14.51	6.64	8.48	2006.12	2010.10
24	Evian Town	Xiangcheng Suzhou	18.78	18.78	8.19	15.54	2005.06	2009.06
25	Suzhou Stone City	Wuzhong Suzhou	92.90	55.74	7.12	7.12	2008.04	2016.12
26	Suzhou Weiting	Suzhou Industrial Park	16.90	8.45	-	-	2010.08	2014.12
27	Park·1872	Chaoyang Beijing	32.29	32.29	0.28	2.20	2006.10	2012.12
28	Beijing Xicheng House	Changping Beijing	51.56	25.78	-	-	2008.10	2013.05
29	Beijing Conrad Hotel	Chaoyang Beijing	3.50	2.10	-	-	2009.12	2011.12
30	Tianjin Xikang Road No.36	Heping Tianjin	3.40	2.55	1.55	2.10	2007.03	2010.04
31	Tianjin Star City (originally Weijin South)	Nankai Tianjin	31.00	31.00	2.72	2.72	2007.10	2012.08
32	Chongqing CM Jiangwan City	Jiangbei Chongqing	45.34	45.34	-	-	2007.10	2012.09
33	Chongqing Merchants Garden City	North New Area Chongqing	51.93	51.93	-	-	2010.07	2013.05
34	Zhangzhou Merchants Garden City	Zhangzhou Development Zone	13.70	6.99	2.48	2.48	2008.07	2011.03
35	Nanpaotai	Zhangzhou Development Zone	67.80	34.58	-	-	2010.05	2020.05
36	Holiday 365 (originally Southern wood)	Zhangzhou Development Zone	10.37	5.29	-	-	2010.06	2015.05
37	Shenzhen Jiangangshan Item	Baoan Shenzhen	2.81	1.41	-	-	Under planning and design	
38	Huizhou Jiangbei Item	Jiangbei Huizhou	17.26	8.63	-	-	Under planning and design	
39	Nanjing G67 Item	Qixia Nanjing	12.89	12.89	-	-	Under planning and design	
40	Tianjin Jingjiang Road Item	Hedong Tianjin	12.02	6.01	-	-	Under planning and design	
41	Chongqing Tanzishi Item	Nanan Chongqing	145.00	72.50	-	-	Under planning and design	
42	Chengdu Shengdeng Item	Chenghua Chengdu	6.49	6.49	-	-	Under planning and design	
	Total		1173.32	857.53	62.31	95.97		

Note: 1. During the reporting period, the Garden City Digital Building in Shekou, Shenzhen started renting and Shanghai Dream of Evian was settled and transferred;

2. The area of Lanxi Valley Phase II included 31,600 sq m of No.2 plot;

3. During the reporting period, there were 6 new projects with planning construction area of 1.96 million square meters and equity construction area of 1.08 million square meters;

4. The total area settled and transferred in the reporting period amounted to 624,800 sq m; in addition to the above table data, other items late were also included.

Investment Property

Affected by the financial crisis, the overall rental rates of investment property dropped slightly in 2009; consequently, this Company took steps to improve service quality and actively maintained the established high quality customers, so that unit rental price saw a slight increase over the previous year, thus offsetting the negative impact on performance incurred from rental rate decline to some extent. Through these efforts, the Company achieved an annual rental income of RMB 483 million billion with cumulative rental area of 6,610,000 sq m and the main operating performance was the basically same from last year..

Particulars about the investment property of 2009 (Unit: ’0000 sq m)

Property class	Area available for leasing	Accumulatively leased area		Leasing rate	
		2009	2008	2009	2008
Of which: apartment	11.07	92.18	101.31	69%	81%
Villa	6.59	59.49	68.90	75%	87%
Office building	19.92	179.03	181.74	74%	75%
Shop	17.05	180.63	186.92	88%	95%
Workshop (others)	15.63	149.93	149.08	82%	86%
Total	70.26	661.26	687.95	79%	84%

Power and Water supply in the Industry Park

Affected by relocation of industrial clients in the Industry Park and structural adjustment of power and water clients, the power and water supply business has seen some degree of decline in 2009. The Company achieved the annual electricy sales of 776,060,000 kWh with electricity sales income of RMB 59,949,00,000 ; annual sales volume of water amounted to 25,560,000 tons with income of RMB 65,410,000. .

Ppower and water supply business in the past three years

Business name	Unit	2009	2008	Year-on-year increase or decrease
Supply of electricity	’0000 kWh	77,606	84,146	-7.77％
Supply of water	’0000 tons	2,556	2,841	-10.04%

Property Management

In 2009, our property management was focused on supporting real estate business and themed on "customer service year" ,and we attached great importance to quality improvement through secutity safeguarding quality, training promoting quality, and innovation upgarding quality, and serviced the new items of real estate with high-quality, developed new itmes and solidified major items and achieved the goal of customer satisfaction. Annual income of management amounted to RMB 0.383

billion, up by 27% over the same period of the previous year.

Table on change in property management area (Unit: ’0000 sq m)

Business	2009	2008	Year-on-year increase or decrease
Entrusted management	996	869	14.61%
Consultant management	188	588	-68.03%

(III) Main Suppliers and Clients of the Company

Due to the business characteristics of the Company, its main suppliers include power supplier - China Light & Power Co. Ltd. and water supplier - three reservoirs at Shenzhen. The amount of supply due to direct procurement for real estate business was relatively small, thus there were only a few direct suppliers involved.

In 2009, power sold by Shenzhen China Merchants Power Supply Co., Ltd. to the top five clients took 45% of the total power sales; and water sold by Shenzhen China Merchants Water Service Co., Ltd. to the top five clients took 10% of the total water supply sales.

(IV) Analysis on Financial Condition of the Company

1. Analysis on change in fiancial conditions (Unit: RMB’0000)

Item	December 31, 2009	December 31, 2008	Change scope	Main influential factors
Trading financial assets	644	9,733	-93%	Decreased due to reduced NDF contract delivery this year and the price fluctuation in NDF market
Prepayment	875	2,832	-69%	Decrease in advance payment for the project
Receivable other	192,651	77,851	147%	Increase in advance guarantee money and earnest money for land bidding
Other floating assets	62,480	22,760	175%	Increase in withholding tax resulting from increase in real estate sales income
Constructions in process	1,925	3,961	-51%	The works under construction were included into fixed assets after completion
Deferred tax asset	29,049	4,088	611%	Increase in deferred tax assets confirmed by temporary differences resulting from withholding land value increment tax
Short money	137,293	361,396	-62%	Decrease due to part of debt being paid back this year
Notes payable	25,790	14,329	80%	Newly increased bank acceptance this year
Accounts payable	270,552	186,369	45%	Increase in land cost payable and engineering funds
Advance collections	949,846	273,147	248%	Increase in money for selling the rooms received in advance
Wages & welfarism payable	16,283	12,190	34%	Increase in staff salaries
Taxes and dues payable	58,986	27,055	118%	Increase in income tax payable and turnover tax
Interest payable	2,187	4,105	-47%	Due to reduced bank loan
Dividend payable	10,775	878	1127%	Increase in benefits attributable to minority shareholders by subsidiaries
Other payables	583,533	315,457	85%	Increase in items advance invested by minority shareholders of subsidiaries and debt of affiliate companies
Other current liabilities	184,356	45,907	302%	Increase in withholding increment tax on land value resulting from increase in real estate sales income
Long-term payables	4,647	3,329	40%	Increase in principal maintenance fund payable
Minority equity	202,330	141,676	43%	Due to increase in registered capital of collaborative items and benefits

2. Analysis on asset-liabilities constitution
(Unit: RMB’0000)

Item	December 31, 2009		December 31, 2008		Increase percentage of proportion in total assets	Main influenctial factors
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	948,949	20%	738,913	20%	-	Increase in money for selling the rooms received in advance

Inventory	3,046,118	64%	2,386,930	64%	-	Expansion of business scale
Investment real estate	278,784	6%	263,298	7%	-1	New items mainly included Garden City Digital Building
Short-term loans	137,293	3%	361,396	10%	-7	Decrease due to part of debt being paid back this year
Account payable	270,552	6%	186,369	5%	1	Increase in land cost payable and engineering funds
Account received in advance	949,846	20%	273,147	7%	13	Increase in money for selling the rooms received in advance
Other account payabl	583,533	12%	315,457	8%	4	Increase in items advance invested by minority shareholders of subsidiaries and debt of affiliate companies
Long-term loans	572,030	12%	680,732	18%	-6	Decrease due to part of debt being paid back this year

3. Change in profit and loss items and income tax in the reporting period (Unit: RMB'0000)

Item	2009	2008	Change scope	Main influential factors
Operating income	1,013,770	357,318	184%	Increase in sales income of real estate
Operating costs	596,174	209,777	184%	Increase in sales cost of real estate
Sales tax and extra charges	162,322	26,498	513%	Tax increase due to sale income increase
Finance costs	-1,536	3,091	-150%	Increase in interest return
Loss of impairment of assets	48	40,765	-100%	Withdrew special reserve of inventory devaluation and other bad debt reserve for account receivable in the previous year
Income from changes in fair value	-10,366	14,547	-171%	Loss from Changes in fair value of NDF business
Income from investments	30,457	80,282	-62%	Larger benefits yielded from subsidiaries disposition in the previous year
Nonoperating outlay	3,043	1,252	143%	Increase in estimated liabilities expense
Income tax expense	51,926	20,986	147%	Increase in taxable profit

4. Change in constitution of cash flow in the reporting period (Unit: RMB'0000)

Item	2009	2008	Increase or decrease	Growth rate	Main influential factors
Net cash flow arising from operating activities	705,473	-391,984	1,097,457	280%	Increase in sales income of real estate
Net cash flow arising from investment activities	-44,579	-41,924	-2,655	-6%	Increase in benefits yielded from subsidiaries disposition
Net cash flow arising from financing activities	-518,914	816,445	-1,335,359	-164%	Bank loan repayment

5. Change in sales and technical personnel and other information related to the Company's operation

During the reporting period, there was no significant change in important sales and technical personnel of the Company.

6. Operation and performance analysis on main subsidiaries and joint stock companies of the Company (Unit: RMB'0000)

Company name	Main products or services	Registered capital	Total assets		Net assets		Operation profit		Net profit	
			Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease

Company name	Main products or services	Registered capital	Total assets		Net assets		Operation profit		Net profit	
			Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease
Shenzhen China Merchants Real Estate Co., Ltd.	Real estate	50,000	2,255,948	28%	346,602	327%	160,346	131%	117,487	103%
Shenzhen China Merchants Power Supply Co., Ltd.	Power Supply	5,700	160,421	7%	76,903	20%	14,432	-29%	12,676	-25%
Shenzhen China Merchants Water Supply Co., Ltd.	Water Supply	4,300	21,024	8%	15,942	-2%	292	-21%	280	96%
Shenzhen China Merchants Property Management Co., Ltd.	Property Management	2,500	33,501	22%	7,384	21%	2,509	22%	1,811	12%
China Merchants Real Estate (Suzhou) Co., Ltd.	Real estate	3,000	52,292	25%	3,000	-80%	10,600	324%	7,951	320%
China Merchants Real Estate(Guangzhou) Co., Ltd.	Real estate	5,000	180,155	-9%	14,020	2995%	16,274	559%	13,566	483%
Tianjin China Merchants Real Estate Co., Ltd.	Real estate	3,000	142,082	-12%	7,649	434%	7,763	701%	6,215	583%
Foshan Xincheng Real Estate Co., Ltd.	Real estate	USD 12,700	214,697	53%	97,747	4%	4,633	366%	3,893	324%
China Merchants Real Estate (Suzhou Nanshan) Co., Ltd.	Real estate	10,000	131,912	-11%	20,661	9%	9,794	1150%	7,593	918%
China Merchants Real Estate (Nanjing) Co., Ltd.	Real estate	3,000	193,894	184%	22,978	239%	21,500	297%	16,192	291%

7. Particulars about items measured by fair value and about financial assets and liabilities held in foreign currency

Assets of the Company measured by fair value: transaction financial assets and financial assets available for sale.

Transaction financial assets and liabilities of the Company belonged to non-deliverable forwards (NDF), with the aim to prevent from risk of exchange rate fluctuation in borrowings of foreign currency and paying cost for imported power. Due to the fact that this item of assets had active market; the Company confirmed their fair value according to quotation from relevant financial institutions in active market.

Financial assets available for sale were the circulating shares of Shenzhen CAU Technology Co., Ltd. (hereinafter referred to as AU Technology) held by the Company. Till the reporting period end, the Company still held 489,824 circulating shares with unrestricted condition of AU Technology.

This item of assets belonged to listed stocks, so the Company confirmed their fair value according to the closing price in relevant time and place exchange.

Items related to fair value measure

(Unit: converted into RMB'0000)

Item (1)	Amount at period-begin (2)	Current gains and losses due to change of fair value (3)	Accumulative fair value change calculated to equity (4)	Current balance for exchange rate convert (5)	Amount at period-end (6)
Financial assets					
Including: 1. Financial assets which was measured by fair value and whose change was calculated to current gains and losses	9,733	-9,089		-1	644
Including: derivative financial assets	9,733	-9,089		-1	644
2. Financial assets available for sale	174		316		490
Subtotal of financial assets	9,907	-9,089	316	-1	1,134
Financial liability	0	1,277		5	1,283
Total	0	1,277		5	1,283

Financial assets and liabilities held in foreign currency (Unit: RMB'0000)

Item (1)	Amount at period-begin (2)	Current gains and losses due to change of fair value (3)	Accumulative fair value change calculated to equity (4)	Current balance for exchange rate convert (5)	Amount at period-end (6)
Financial assets					
Including: Financial assets which was measured by fair value and whose change was calculated to current gains and losses [2]	9,733	-9,089		-1	644
Including: derivative financial assets	9,733	-9,089		-1	644
Subtotal of financial assets	9,733	-9,089		-1	644
Financial liability	0	1,277		5	1,283

8.Devaluation of Significant assets

Devaluation reserve for inventory

At the end of 2008, according to relevant regulations and demands of Accounting Standard for Enterprise and its accounting policy, based on prevailing market conditions, combined with expected sales of the items, the Company withdrew RMB 296,210,000 of reserve for obsolete stocks for two items., i.e., Foshan Evian Up Town and Suzhou Weiting. At the end of the reporting period, according to the latest market, sales and item sales expectations, the Company conducted devaluation test to all items again. Among them, at the end of the year 2009, the difference between net realizable value and book value (devaluation reserve deducted) for the Foshan Evian Up Town and Suzhou Weiting was much smaller and there was still the risk of devaluation. Therefore, at the end of the year 2009, we maintained the judgment of withdrawing devaluation reserve to the items above mentioned.

In addition, there are no other significant devaluation signs of real estate items

Devaluation reserve for receivables

At the end of 2008, Hong Kong Ruijia, a subsidiary, failed to pay the downpayment land purchases of Xianlin Lake 82 plot in Qixia District, Nanjing in line with the agree time; for earnest money for bidding having been paid, HKD 122,500,000, the Company withdrew bad debts reservein full amount. In December 2009, the Company received a notice from the local Bureau of Land and Resources, which firmly believed that subsidiary Hong Kong Ruijia voluntarily gave up the qualification of bid winning and earnest money for land bidding paid will not be returned. The Company cancelled the above-mentioned receivables and withdrew reserve for bad debts (RMB 107,862,400) after verification. This cancellation will not affect the profit or loss of the year 2009.

Ⅲ. Management Result

In the beginning of 2009, the Company brought forward the requirements for enhancing the management abilities such as marketing, cost, service, engineering and planning etc. and multiple management objectives. After a years' great effort, while the business performance increases, the management foundation is more solid, the management ability is enhanced, and the Company is acknowledged by social parties.:

- Entitled "2009 Chinese Real Estate Listed Company TOP10" issued by Chinese Real Estate TOP10 Research Group;
- Entitled "Chinese Listed Company Value TOP100" evaluated by *Securities Times*;
- Entitled "2009 Chinese Real Estate Listed Company Comprehensive Value TOP10" evaluated by *First Financial*;
- Entitled "2009 Annual Chinese Optimum Employer Enterprise" issued by Chinese Optimum Employer Investigation and Research Group;
- Entitled "2009 Chinese Optimum Corporate Citizen" evaluated by 21 Century Newspaper Office;
- Won "2009 Chinese Enterprise Social Responsibility List Excellent Practice Prize" evaluated by *First Financial*;
- Won "2009 Blue Chip Stock Property Prize" issued by Blue Chip Stock Property Expert Evaluation Committee;
- Won listed company investor relations "Optimum TOP100 Prize" and "IR Innovation Prize" issued by Chinese Listed Company Investor Relations Management Research Center;
- Entitled "2009 Guangdong Shenzhen Property Credit TOP10" jointly evaluated by ICBC Shenzhen branch, Agricultutal Bank of China Shenzhen branch, Bank of China Shenzhen branch, China Construction Bank Shenzhen branch, People's Daily and www.people.com.cn, etc.
- Guangzhou Jinshan Valley Project developed by the Company won 2009 "Human Settlements Best Practices Award" (HBA) issued by UN-Habitat. This was the first time that UN-Habitat issues this award to an enterprise, and it was the only Chinese enterprise that won the

award in the year;

- China Real estate Chamber of Commerce issued The highest honor of 2009 Elite Science and Technology Prize, “Green Ecological Building Prize” Platinum Prize to Guangzhou Jinshan Valley Project developed by the Company;
- Foshan Yiyun Shangcheng Project developed by the Company won “Chinese International Garden Community” prize awarded by United Nations Environment Programme (UNEP) and IFPRA.

Ⅳ. Expectation to future development by the Company

(Ⅰ) Industry Trend Analysis

If we consider 2009 as a difficult year for China’s economy, then 2010 would be a even more troubled year. Complicated policy environment and uncertain policy expectations have created more uncertainties for the real estate market in 2010. Facing a complicated and volatile environment, the Company considers that the regulation from government would guide the integration of rela estate enterprise and structure adjustment of industry for the long run, consolidate the industry concentration, impel the real estate enterprise to construct product which conforms to market demand, and finally makes the real estate industry develop stably in a considerable long period.

The company considers that the sales backflow which exceeded expectation in 2009 brought sufficient cash flow to real estate enterprises, therefore, even though the industry policy was tightening, real estate enterprises could still face market changes with deliberation. Through many years of development, especially experiencing the fluctuated market in the recent years, most real estate enterprises have accumulated certain experiences and trained their teams well, formulating strong capacities in dealing with business cycles and risks.. Therefore, the Company considers that most real estate enterprises with strong strength can rapidly adjust the development and sales rhythm according to different industry forms. While “canceling of 70% preferential interest rate” and “enhancement of down payment proportion of two houses in some cities” increase the difficulty of house buyer mortgage, directly causing the increase of house purchase cost, and thus restraining a part of investment and speculative house purchase demand. Under the joint effect of the above two factors, in 2010, housing price will keep comparatively stable.

As is known to all, trend of the Chinese real estate market is closely related to the policy direction, therefore, complicated policy environment and uncertain policy expectation will bring more variables to the real estate market in 2010. But the Company considers that in the long run, regulation by the government will be good for realizing the integration of real estate enterprises and structure adjustment of the industry, strengthening industry concentration, leading the real estate development enterprises to construct the products needed by the market, and finally promoting stable and healthy development of the real estate market.

Urbanization process will support the real estate industry towards a good tendency in the long term. Urbanization will be an inevitable tendency in the future years. In China, multi-layer town system with big cities as the center, small and medium cities as the backbone and small towns as the

foundation will be formed. With the deepening of the adjustment of the Chinese economic structure, more country populations are entering the town life system. Absorbing the dividend of economic development undoubtedly brings more consumption potential; orderly promotion of the construction of fast communication network between the cities brings the intercity distance closer, links the dispersed cities between the regions, and provides convenience for the rapid flow of population. Acceleration of industrialization of the outer edge of cities, especially large cities makes the scale of cities enlarged continuously. While the local agricultural population is converted to urban population, more populations are attracted to transfer from the center of the city to the outer edge of the city. Multi-directional intersectional flow of the population from the countryside to the town, from the town to center city and from the city center to the satellite city will cause structural adjustment of the real estate market. There are demands for residence and demands for office and business, and all types of house demands form certain proportion. While the housing problem of the people is solved, the office, employment and consumption place problems are solved as well. Therefore, undoubtedly, cities will make the life more beautiful, and urbanization provides huge development space for the Chinese real estate industry.

For the current market environment, the Company will pay closer attention to the running of macro economy, actively cope with policy changes, accurately recognise market trends, take both offensive and defensive actions, adjust to changing circumstance, respond rapidly, so as to ensure that when market opportunities occur, it could grasp in time, and when the market faces adjustment, it could effectively control risks.

(Ⅱ) Main Responding Strategies

The market situation in 2010 is full of uncertainties, and it is necessary for the Company to make full preparation for all kinds of changes, seek development in the changes and seek opportunities in the uncertiainties. After 25 years of development and accumulation, the Company has laid good foundation in terms of strength, experience, business model and business scope, and the Company is confident to make great achievement in 2010.

In terms of core ability enhancement, the Company will further strengthen client service ability, sales ability, planning and design ability, engineering management ability and cost management ability, will determine the client service ability as one of the core abilities of the Company, continue to strive to construct service system, strengthen all staff whole process service, and make the service content and work mode more standardized and closer to the clients' demand. In addition, the Company will carefully plan marketing strategy, and enhance the contribution degree to the project profit by the sales ability through strengthening collection, analysis and control of marketing data and information. At the same time, balance the relation between rental price and rental rate, emphasize cash backflow management, and enhance the return on net assets of the Company.

In order to support the enhancement of the above abilities, the Company will be dedicated to constructing "learning enterprise", strengthen knowledge management, cultivate leaning culture, and continuously and actively learn knowledge in all aspects in the changes and development of the economic situation and industry. The Company will also construct strategic talents planning system,

and develop and enhance the overall fighting capacity of the team through the principle of combining internal cultivation and external introduction. At the same time, on the original foundation, optimize organization positioning and system process, further improve and perfect project assessment motivation mechanism and enhance the labor productivity of the Company.

In terms of land acquisition, the Company will adhere to a active, stable, continuous and even land acquisition principle, and adopt a multi-channel and flexible land taking model according to market change, time and locality. For top-tier cities, attach great importance to new opportunities brought by the old reform. In second-tier cities with many land acquisition opportunities and relatively high success rate, continue to capture new expansion opportunities. Depending on the support of the Group and big shareholders, and relying on the complete industry chain, actively strive for large areas of land resources. Strengthen interaction with cooperating parties, further perfect the cooperation development mode, and strive for more opportunities of cooperation land taking. Pay more attention to land acquisition opportunity of large areas of multi-use land, bring the advantage of park comprehensive development into full play, reasonably distribute business property and residence land, and realize interaction between residence and employment.

In terms of financing and fund management, the Company will continue to utilize the existing financing model, research and explore to utilize the new financing channels such as insurance fund and investment fund etc. to meet the fund demand for the Company scale expansion. And get to done allocation of financial resources, further optimize the Company borrowing structure, currency structure, period structure and credit structure, enhance the fund management efficiency, lower the fund cost, strictly monitor the key indexes such as debt and debt rate etc., and control the financial risks.

The Company will strive to intensify the promotion of green technology, and clarify green technology as a core ability of the Company to cultivate and enhance. The Company will strive to break through the application field of green concept, with design and production links as the main, and enlarge to all the links such as design, procurement, production, marketing and management etc. The Company will integrate “green property and low carbon life” concept into the enterprise behaviors systematically, and realize the span from developing green technology to comprehensively constructing “green company”.

(Ⅲ) Business Plan for 2010

In 2010, the Company will take “consolidate, enhance, break through and develop” as the guiding idea, consolidate the management foundation of the Company, enhance the abilities of sustainable development, break through the related bottleneck influencing the enhancement of Company management efficiency and management level, and continuously optimize and perfect, so as to enlarge the operation scale of the Company and strengthen the profiting ability of the Company.

In 2010, the Company will promote 39 projects in 14 cities simultaneously, and try to increase the gross floor area under construction to over 6 million sq m. The Company estimates that total sales area of commercial housing in the whole year will exceed 1.3 million sq m, and the Company would try to exceed overall operation target in 2009.

Ⅴ. Company Investment Condition

(Ⅰ) Proceeds Used to Invest in Projects, Project Progress and Profit Condition

The proceeds used by the Company in 2008 includes: proceeds from private placement of A-share in 2007; proceeds from public offering of A-share in 2008. Proceeds used to invest in major prokects, project progress and profit condition are as follows:

1. Proceeds from 2007 A-share private placement (Unit: RMB ’0000)

Total amount of proceeds	229,217		Funds used for investment during the year		16,439	
			Funds uses for investment accumulatively		221,166	
Promised project	If changing the project or not	Planned input amount	Actual input amount	If suiting the planned progress or not	Sum of estimated revenue	Sum of realized revenue
Purchase 5% stock right of Shenzhen China Merchants Property	Not	40,000	40,000	Yes	N/A	11,251
Purchase New Times Square Office Building	Not	88,000	88,000	Yes	16,491	5,302
Purchase the land use right of Meilun Apartment and develop and construct	Not	25,000	16,949	Explanation 3	6,793	-
Haiyue Huating	Not	33,000	33,000	Yes	14,733	15,137
Phase 1-2 of Nanjing Yiyun Xigu (original Xianlin project)	Not	43,217	43,217	Yes	16,116	21,350
Total		229,217	221,166			53,040
Explanation of whether reaching the planned progress and estimated revenue or not	1. The Company original fund raising explanation estimates that after 2007, the net profit of Shenzhen China Merchants Property can keep stable increase. The net profit realized in 2007 belonging to the parent company of Shenzhen China Merchants Property is RMB 914,730,000, it is RMB 578,760,000 in 2008, and it is RMB 1,174,870,000 in 2009. The net profit in 2009 is higher than that in 2008. 2. New Times Square Office Building realized RMB 6,590,000, RMB 22,260,000 and RMB 24,170,000 respectively in 2007, 2008 and 2009. As after purchasing the New Times Square, the Company adopted more stable depreciation policy, the annual depreciation amount of the building is RMB 7,820,000 higher than the annual depreciation amount related to the calculated profit in the listed company statement, and the tax rate used when calculating profit in the losted company statement is 15%, considering the change of the income tax rate applicable to the company, if calculating according to the depreciation and tax rate diameter in the listed company statement, in 2007, 2008 and 2009, realized revenue of the New Times Square basically reached the expected revenue level. 3. As the proceeds arrived later than expected, the use progress of raised fund of Meilun Apartment Project lags behind the expectation. Up till December 31, 2009, Meilun Apartment project is still in development, and no profit was generated. 4. Promised profit of Yiyun Xigu includes benefit of two phases of project, totaling RMB 161,160,000. Net profit of the first phase of Yiyun Xigu is RMB 49,450,000, and net profit of the second phase of Yiyun Xigu is RMB 111,710,000. Up till December 31, 2009, the accumulative carryover sale area ratio of the first phase of Yiyun Xigu is 98%, and the accumulative carryover sale area ratio of the second phase of Yiyun Xigu is 100%. The two phases altogether realized net profit of RMB 213,500,000, reaching the expected revenue level.					
Explanation of the change reasons and change procedures	No Change					
Purpose and destination of the raised fund not used	Up till December 31, 2009, proceeds not used by the Company is RMB 80,510,000, accounting for 3.51% of the total sum of the raised fund. The raised fund not used will be input into Meilun Apartment Project in succession in 2010.					

Deloitte Touche Tohmatsu checked the use condition of the raised fund of the privately issued stocks and provided DSB (He) Zi No. E0026 appraisal report. The appraisal opinion is: Report on the use condition of the raised fund of the Company has been prepared according to the provisions of

China Securities Regulatory Commission Securities Regulatory Issue Zi [2007] No.500 *Provisions on the Report on the Use Condition of the Fund Raised the Last Time*, in all the major aspects, it truly reflects the actual use condition of the raised fund of the privately issued stock of the Company.

2. 2008 publicly issued stock raised fund investment project, project progress and profit condition (Unit: RMB ’0000)

Sum of actually raised fund	577,722		Sum of raised fund already used in this year		140,889	
			Sum of raised fund used accumulatively		487,713	
Promised project	Whether change the project or not	Planned input amount	Actual input amount	Whether suiting the plan progress or not	Sum of estimated revenue	Sum of realized profit
Garden City Digital Mansion	Not	22,722	21,006	Yes	8.93%	-206
Fifth phase of Garden City	Not	22,000	22,000	Yes	8,830	N/A
Second phase of Science and Technology Mansion	Not	16,000	16,000	Yes	8.88%	N/A
Navigation Tower	Not	44,000	44,000	Yes	31,973	N/A
Vavigation Garden	Not	34,000	32,086	Yes	13,462	N/A
Yongjing Bay	Not	130,000	93,660	Yes	52,198	N/A
China Merchants Guan Garden	Not	40,000	21,815	Yes	50,523	N/A
China Merchants Lan Garden	Not	70,000	60,653	Yes	37,115	N/A
Tianjin Star City (original Weijin South Road)	Not	60,000	55,374	Yes	111,088	7,455
China Merchants River Bay City	Not	40,000	40,000	Yes	68,424	N/A
Third phase of Yiyun Water Bank	Not	26,000	20,406	Yes	15,088	7,610
China Merchants South Bridge Ya Yuan (original South Bridge project)	Not	35,000	30,740	Yes	18,653	N/A
China Merchants Yonghua Yuan (original Zhuan Bridge project)	Not	38,000	29,973	Yes	27,485	N/A
Total		577,722	487,713			
Explanation of the estimated revenue	1. Garden City Digital Mansion project is completely used for renting. The investment recovery period is about 14 years (including the construction period), and the promised internal rate of return is 8.93%. Beginning from November 2009, Garden City Digital Mansion has been rented out externally. Because the rental rate in the early stage of rental is low, in 2009, the expected return was not reached. 2. Science and Technology Mansion 2nd phase project is completely used for renting. The investment recovery period is about 14 years (including the construction period), and the promised internal rate of return is 8.88%. 3. Up till December 31, 2009, the accumulative carryover sale area ratio of Tianjin Star City project is 11%, net profit of RMB 74,550,000 had been realized, and it is estimated that in complete carryover, the expected return can be reached. 4. Up till December 31, 2009, the accumulative carryover sale area ratio of the third phase of Yiyun Water Bank is 100%, and net profit of RMB 76,100,000 had been realized. The third phase of Yiyun Water Bank was opened in August 2008. Because the annual economic situation in 2008 is contrary to the expectation, the expected return was not reached. 5. Up till December 31, 2009, except Garden City Digital Mansion project, Tianjin Star City project and Yiyun Water Bank third phase project, the other raised fund investment projects were still in development, and no profit was realized.						
Explanation of the change reasons and change procedures	No change					
Purpose and destination of the raised fund not used	Up till December 31, 2009, The raised fund not used of the Company is RMB 900,090,000, accounting for 15.58% of the sum of the raised fund. The raised fund not used will be input into the nine projects having no sufficient investment in 2010 in succession.					

Deloitte Touche Tohmatsu checked the use condition of the raised fund of the A stocks publicly issued by the Company in 2008 and provided DSB (He) Zi (10) No. E0024 appraisal report. The

appraisal opinion is: Report on the use condition of the raised fund of the Company has been prepared according to the provisions of China Securities Regulatory Commission Securities Regulatory Issue Zi [2007] No.500 *Provisions on the Report on the Use Condition of the Fund Raised the Last Time*, in all the major aspects, it truly reflects the actual use condition of the raised fund of A stocks publicly issued by the Company.

(Ⅱ) None raised fund investment major projects, project progress and profit condition

(Unit: RMB ’0000)

Project name	**Investment in 2009**	**Compared to the last year, the investment amount increases**	**Project progress**	**Profit condition in 2009**
Nanjing G67 Project	143,181	-	Early stage planning	
Tianjin Jingjiang Road Project	66,206	-	Early stage planning	
Zhangzhou Nanpaotai Project	63,269	-	Early stage planning	
Shenzhen Jiangang Hill Project	54,654	-	Early stage planning	
Foshan Yiyun Water Bank	49,057	42%	The first phase has been completed and entered partnership, and the main body of the second phase is in construction	Gross profit of RMB 67,620,000 was realized
Beijing Park·1872	37,338	27%	Building No.9 of the first phase has been completed and entered partnership, and the rest is still in construction	Gross profit of RMB 13,080,000 was realized
Beijing Xicheng Homestead	33,418	19%	Main body of the first phase has been roof sealed	
Suzhou Small Stone City	28,673	20%	The first phase has been completed and entered partnership; for the second and third phase, construction has begun	Gross profit of RMB 117,260,000 was realized
Guangzhou Jinshan Valley	28,483	27%	The first phase has been completed and entered partnership; for the second and third phase, construction has begun	Gross profit of RMB 165.100,000 was realized
Xicheng Second-Fifth Phase	28,379	9%	The second phase has been completed and entered partnership; for the third and fourth phase, construction has begun	Gross profit of RMB 544,250,000 was realized
Zhuhai China Merchants Garden City First Phase (A)	24,864	135%	Main body is in construction	
Shenzhen Xixiang Project	22,251	116%	Early stage planning	
Yishanjun	21,357	99%	Has been completed and entered partnership	Gross profit of RMB 147,530,000 was realized
Zhuhai China Merchants Garden City Second, Third Phase (B)	15,668	58%	Construction has begun	
China Merchants Bay Villa	13,312	23%	Construction has begun	
Shanghai Haide Garden Second to Fourth Phase	11,213	9%	The second phase and north zone of the third phase have been completed and entered partnership, and main body of the south zone of the	Gross profit of RMB 54,430,000 was realized

			third phase is in construction	
Foshan Yiyun Upper City	9,183	6%	Main body of the first phase is in construction	
Lanxi Valley Second Phase	7,513	12%	Has been completed	Gross profit of RMB 504,150,000 was realized
No.36, Xikang Road, Tianjin	6,555	20%	The villa has been completed and entered partnership, and the others are still in construction	Gross profit of RMB 92,420,000 was realized
Chongqing China Merchants Garden City	3,907	31%	Early stage planning	
Lanxi Valley Second Phase No.2 Land Block	3,176	20%	The main body has been roof sealed	

Note: For the above gross profit, sales tax, additional tax and increment tax on land value have been deducted.

Ⅵ. Daily Working of the Board of Directors

(Ⅰ) Meeting condition and resolution content of the Board of Directors during the report

Within this year, the Board of Directors held 19 meetings. Among them, nine meetings were held in the field form, while the other ten meetings were held adopting communication voting. The concrete conditions are as follows:

1. On January 20, 2009, the sixth board meeting held the first temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on Providing Guarantee for Foshan Xincheng Real Estate Co., Ltd. Borrowing Money from the Bank* and the *Bill on Holding Subsidiary Purchasing Beijing Baijiazhuang Hotel Project*, and the resolution announcement was disclosed externally on January 22, 2009.

2. On March 23, 2009, the sixth board meeting held the second temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on the Associated Parties such as Shekou Industrial Zone etc. Renting the New Times Square Offices*, The resolution was reported to Shenzhen Stock Exchange for record keeping on the day when the meeting was held.

3. On March 27, 2009, the sixth board meeting held the third meeting of the sixth board meeting in the form of field voting. The meeting passed *Annual Financial Report 2008, Annual Report and Annual Report Abstract 2008, Annual Profit Distribution Scheme 2008, Special Explanation on the Storage and Use Condition of the Annual Raised Fund 2008, Report on Internal Control and Self Evaluation, Report on Social Responsibilities, Annual Independent Director Work Report 2008, Bill on Renewing of Engagement of External Audit Institution, Bill on Modifying Company Regulations, Bill on Holding 2008 Annual Meeting of Shareholders*, and the resolution announcement was disclosed externally on March 31, 2008.

4. On March 28, 2009, the sixth board meeting held the third temporary meeting in 2009 in the form of communication meeting. The meeting passed *China Merchants Property Development Co., Ltd. Derivative Financial Instrument Transaction System*, and the resolution was reported to Shenzhen Stock Exchange for record keeping on the day when the meeting was held.

5. On April 13, 2009, the sixth board meeting held the fourth temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on Renewing Liability Insurance for the Directors, Supervisors and Senior Management Personnel*, and the resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

6. On April 20, 2009, the sixth board meeting held the fourth meeting of the sixth board meeting in 2009 in the form of communication voting. The meeting passed *Report of the First Quarter, 2009*, and the report was disclosed externally on April 21, 2009.

7. On May 14, 2009, the sixth board meeting held the fifth temporary meeting in 2009 in the form of communication voting. The meeting passed *China Merchants Property Development Co., Ltd. 2009 Bank Comprehensive Line of Credit Plan*, and the resolution was reported to Shenzhen Stock Exchange for record keeping on the day when the meeting was held.

8. On May 18, 2009, the sixth board meeting held the sixth temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on China Merchants Nanjing Providing Phased Mortgage Guarantee for the Third Phase of "Yiyun Xigu"*, and the resolution announcement was disclosed externally on May 19, 2009.

9. On July 21, 2009, the sixth board meeting held the seventh temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on Borrowing Money from New China Trust Co., Ltd.*, and the resolution announcement was disclosed externally on July 23, 2009.

10. On July 24, 2009, the sixth board meeting held the fifth meeting of the sixth board meeting in the form of field voting. The meeting passed the *Bill on the Company Meeting the Condition of Issuing Stocks Privately to Specific Objects, Bill of the Company Issuing Stocks Privately, Bill on The Report on the Use Condition of the Fund Raised the Last Time, Bill of the Company and Specific Objects Signing Share Purchase Agreement with Attached Conditions Valid, Bill on the Associated Transactions Involved by the Company Issuing Stocks Privately This Time, Report on the Feasibility of Use of Raised Fund of the Stocks Privately Issued by the Company This Time, Bill of Submitting to The Shareholder Meeting Authorizing the Board of Directors Full Right to Handle Concrete Matters of Privately Issuing Stocks This Time*, and the resolution announcement was disclosed externally on July 25, 2009.

11. On July 30, 2009, the sixth board meeting held the eighth temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on Holding the First Temporary Shareholders Meeting in 2009* and *Accounting Form Recruiting System of China Merchants Property Development Co., Ltd.*, and the resolution announcement was disclosed externally on July 31, 2009.

12. On August 17, 2009, the sixth board meeting held the sixth meeting of the sixth board meeting in the form of field voting. The meeting passed *Half Year Report and Abstract, Half Year Financial Statement 2009* and the *Bill on Appointing Security Matters Representative*, and the resolution announcement was disclosed externally on August 18, 2009.

13. On October 13, 2009, the sixth board meeting held the 9th temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill of Providing Guarantee for Zhuhai Yuanfeng Real Estate Co., Ltd. Borrowing Money from the Bank*, and the resolution announcement was disclosed externally on October 14, 2009.

14. On October 15, 2009, the sixth board meeting held the 10th temporary meeting in 2009 in the form of communication voting. The meeting passed the *Bill on Holding the Second Temporary Shareholders Meeting in 2009* and *Insider Registration System*, and the resolution announcement was disclosed on October 16, 2009.

15. On October 26, 2009, the sixth board meeting held the seventh meeting of the sixth board meeting in the form of field voting. The meeting passed *2009 Third Quarter Report*, and the report was disclosed externally on October 27, 2009.

16. On November 18, 2009, the sixth board meeting held the eighth meeting of the sixth board meeting in the form of field voting. The meeting passed the *Bill on Shenzhen China Merchants Construction Co., Ltd. Contracting the General Engineering of Front Bay Garden First and Second Phase Project of Shenzhen China Merchants Front Bay Property Co., Ltd.* and the *Bill on the Company Planning to Add 2.042 Billion Yuan Investment on the Affiliated Subsidiary Shenzhen China Merchants Property Development Co., Ltd.*, and the resolution was reported to Shenzhen Stock Exchange for record keeping on the day when the meeting was held.

17. On December 10, 2009, the sixth board meeting held the 9th meeting of the sixth board meeting in the form of field voting. The meeting passed the *Bill on the Company Planning to Provide Guarantee for the Wholly Owned Subsidiary Jiarui Investment Industrial Co., Ltd. Borrowing Money from the Bank* and the *Bill on Holding the Third Temporary Shareholders Meeting in 2009*, and the resolution announcement was disclosed externally on December 11, 2009.

18. On December 23, 2009, the sixth board meeting held the 10th meeting of the sixth board meeting in the form of field voting. The meeting passed the *Bill on the Wholly Owned Subsidiary of the Company Participating in the Auction of the land Use Right of Chongqing Danzishi Parcel Land*, and the resolution was reported to Shenzhen Stock Exchange for record keeping on the day when the meeting was held.

19. On December 28, 2009, the sixth board meeting held the 11th meeting of the sixth board meeting in the form of field voting. The meeting passed the *Bill on the Company Planning to Sign 35 Million USD Borrowing Renewal Contract with Nanyang Commercial Bank Co., Ltd. Shanghai Branch*, and the resolution was reported to Shenzhen Stock Exchange for record keeping on the day when the meeting was held.

The newspapers disclosing the above are *China Securities Journal*, *Securities Times* and *Hong Kong Wen Wei Po*.

(Ⅱ) Condition of Implementing the Resolutions of the Shareholders Meeting by the Board of Directors

During the report, the Board of Directors strictly implemented the resolutions of the shareholders meeting, mainly including:

1. Condition of implementing the Company 2008 annual profit distribution scheme by the Board of Directors

The 2008 annual shareholders meeting held on April 20, 2009 passed *2008 Annual Profit Distribution Scheme*. The profit distribution scheme is: Determine surplus public accumulation RMB 58,182,397 according to the extraction method of 10% of the net profit RMB 581,823,973 of the parent company; taking the year end shareholding equity 1,717,300,503 shares as the cardinal number, for each ten shares, allot RMB 1 cash (including tax); that is alloting cash dividend RMB 171,730,050; the remaining undistributed profit RMB 2,499,011,724 is retained till 2009. In 2008,

the Company did not conduct capital reserve presenting to the capital stock.

The Company released the *Announcement of Implementing Dividend Payment Scheme* in 2008 on June 8, 2009, determining the record date as June 15, 2009 and ex-dividend date as June 16, 2009. During the report, the Company had successfully finished the dividend payment work.

2. Condition of organizing implementation of privately issued stocks in 2009 of the Company by the Board of Directors

On August 17, 2009, the first temporary shareholders meeting of the Company in 2009 passed the bill on issuing stocks to specific objects. It is planned that quantity of the privately issued stocks does not exceed 0.2 billion. Besides Shekou Industrial Zone, the objects of privately issuing include security investment funds, security companies, trust investment companies, financial companies, insurance institution investors, qualified foreign investors and other legal investors whom the laws and regulations allow to purchase RMB common share stocks.

The privately isuing scheme this time has been reported to China Securities Regulatory Commission, and now it is in auditing process.

3. Implementation condition of the Board of Directors providing guarantee for the Company affiliated subsidiary.

On October 31, 2009, the second temporary shareholders meeting of the Company in 2009 passed the *Bill on Providing Guarantee to the Holding Subsidiary Zhuhai Yuanfeng Real Estate Co., Ltd.* On December 28, 2009, the third temporary shareholders meeting of the Company in 2009 passed the *Bill on Providing Guarantee for the Wholly Owned Subsidiary Jiarui Investment Industrial Co., Ltd. Borrowing Money from the Bank.*

Up till December 31, 2009, the Company had signed guarantee contract for the above subsidiary borrowing money from the bank and implemented guarantee responsibility according to the authorization of the shareholders meeting.

4. Implementation condition of the related industrial and commercial change registration work after the Board of Directors changed the *Company Regulations*.

The Company 2008 annual shareholders meeting passed *Company Regulations* modification bill. The Company modified the articles of registered capital, capital stock structure and profit distribution policy etc. During the report, the Company had finished the related industrial and commercial change registration work.

5. Implementation condition of the Board of Directors purchasing liability insurance for the directors, supervisors and senior management personnel

During the report, according to the authorization of the shareholders meeting, the board of directors and U.S. Chartis Insurance Company Shenzhen branch renewed directors, supervisors and senior management personnel liability insurance contract. The contract period is one year, the

insurance fee is RMB 160,000, and the liability limit is RMB 30,000,000.

(Ⅲ) Responsibility implementing condition of the three special Committees of the Board of Directors

1. Responsibility implementing condition of the Strategy Committee of the Board of Directors

During the report, Strategy Committee of the Board of Directors held two meetings. Facing the complicated and volatile market situation, the Company Strategy Committee actively researched the situation changes, and required the company to cope calmly and change according to the situation. While controlling the risks, the Company shall actively grasp the opportunities. It guided the company to make and succesfully implement a series of pointed financing, investment, sales and cost strategies, and the Company business scale and profiting level had oustanding achievement for this.

Aiming at the new economic situation and change of the financing environment, the committee determines the privately issuing scheme suiting the Company development and shareholders' interest at proper time. At the same time, the Company is required to fully utilize its own advantages and advantagerous financial environment to gain low interest rate financing and lower financial expenses. For land purchase, the committee clearly required the Company to calmly and stably control the land taking rhythm and cost, not to follow blindly, not to struggle forcibly， through diversified land taking mode such as procurement, cooperation and bidding in the auction, achieve expansion with quality and benefit, and guarantee sustainable development of the Company for many times.

2. Responsibility implementing condition of the Auditing Committee of the Board of Directors

During the report, the Auditing Committee held meetings for four times, and the field meeting voted and considered two matters. The responsibility was implemented effectively.

During the report, the main work developed by the Auditing Committee includes: Guide the arrangement of annual auditing work. During the annual auditing, communicate with the accountant in charge of annual auditing for three times to discuss the auditing plan and related problems in the auditing progress. According to the requirements of the supervision department, check the Company financial statement for two times and publish written checking opinion. Objectively evaluate the work of the accounting firm in charge of the annual auditing, and prepared the summary report about the auditing work. On the foundation of understanding and evaluating the work of the current accounting firm, brought forward suggestions for the Company renewing the accounting firm. Checked the storage and use condition of the raised fund, supervised if the storage and use of raised fund were in accordance with the laws and regulations related to the management of raised fund. Investigate the project company and listen to the cost management work report. Guided the internal auditing work, played an important role in perfecting the Company internal control system and continuously enhancing the Company management level.

3. Responsibility implementing condition of the Salary and Examination committee of the Board of Directors

During the report, the Salary and Examination Committee held professional committee meeting

and communication meeting twice, and the field meeting voted and considered one matter. Discussion and consideration were carried out for Company annual examination, salaries for the directors, supervisors and senior management personnel, and implementation of the project motivation scheme etc.

The Salary and Examination Committee considered *China Merchants Property Development Co., Ltd. Project Profit Assessment and Motivation Scheme* made in 2009, and it is considered that the scheme suits the current condition of the Company and the market situation, and that it is good for promoting the project profit maximization and enhancing the overall benefit of the Company to the greatest extent.

The Salary and Examination Committee guided the Company Human Resources Department to examine the making and implementation of the performance assessment standard of the directors and senior management personnel and supervised the scheme making and distribution of salary, so as to guarantee that the salary system for the directors and senior management personnel complies with the laws and regulations and operates effectively. Examination opinion of the committee to the condition of the Company directors, supervisors and senior management personnel taking salaries from the Company during the report planned to be disclosed in the annual report is as follows:

Salary scheme making, performance assessment and salary distribution for the Company directors, supervisors and senior management personnel in 2009 shall be implemented in strict accordance to the related laws and regulations, Company salary system and evaluation provisions. Salary condition of the Company directors, supervisors and senior management personnel planned to be disclosed in the annual report shall be true and accurate.

Ⅶ. Explanation to the Reasons and Influence of Company Accounting policy and Accounting Estimation Change by the Board of Directors

During the report, the Company changed the following main accounting policies according to *No.3 of Explanation to the Enterprise Accounting Standard* newly released in 2009 (hereinafter referred to as "*Explanation No.3*":

(Ⅰ) Long-term equity investment accounted adopting cost method

Explanation No.3 makes new provision for the long-term equity investment and the accounting disposal method of the investing enterprise getting the cash dividend or profit that the invested unit announces to issue, that is, besides getting the actually paid payment in investment or cash dividend or profit contained in the consideration, announced but not issued, the investing enterprise shall enjoy the cash dividend or profit confirmed investment benefit that the investing unit announces to issue, and whether being the net profit realized by the investing unit before the investment and after the investment is not divided. According to this, the Company modifies the accounting policy as: "When adopting cost method to account, the long-term equity investment is valuated according to initial investment cost. Besides getting the actually paid payment in investment or the cash dividend or profit contained in the consideration, announced but not issued, investment benefit in the current period is confirmed according to enjoying the cash dividend or profit that the invested unit announced to issue."

(Ⅱ) Segment information of the financial report

Explanation No.3 requires the enterprise to determine the operation segment with internal organization structure, management requirements and internal report system as the basis, determine the report segment with the operation segment as the foundation, and disclose the segment information according to the new provisions. The Company modifies the original disclosing mode of disclosing the segment information according to the business segment and region segment as: "Determine the operation segment with internal organization structure, management requirements and internal report system as the basis, and determine the report segment to disclose the segment information with operation segment as the foundation."

The Company adopts future applicable method for the above two accounting policies, and it has no impact on 2009 and previous anual statement.

VIII Profit Distribution of the Company

1. Preplans for Profit Distribution and for Increasing Capital Stock Transferred from Capital Reserve of 2009

As of the end of 2009, the audited undistributed profit of the parent company was RMB 3,654,676,783, the undistributed profit transferred into which as of the beginning of the year was RMB 2,670,741,774, the net profit of the year RMB 1,155,665,059, and the distributed profit of the last year RMB 171,730,050.

The Preplan for Profit Distribution in 2009 is as follows in accordance with relevant laws, rules and regulations, and the Articles of Association of the Company. The accrued statutory surplus reserve fund was RMB 115,566,506 based on 10% of the parent company's net profit of RMB 1,155,665,059. Taking the total capital stock of 1,717,300,503 shares as of the end of the year as a cardinal number, the dividend of RMB 1 (pre-tax) in cash per 10 shares was distributed, with the total dividend in cash of RMB 171,730,050.

The residual undistributed profit of RMB 3,367,380,227 was retained to the next report year.

The Company did not transfer capital reserve to increase its capital stock this year.

The distributable profit of the Company of 2009 is as follows: (Unit: RMB)

	Amount of the Company	Percentage (%) in net profit of the parent company this year
Net profit of 2009	1,155,665,059	70.29%
Accrued statutory surplus reserve	115,566,506	7.03%
Distributable profit at the beginning of the year	2,499, 011,724	
Distributed cash dividends of 2009	171,730,050	10.44%
Profit retained to later years	3,367,380,227	

2. Cash dividends in the past three years (Unit: RMB)

	Amount of cash dividends	Net profit attributable to shareholders of the listed company in the consolidated statement of the year	Percentage of net profit attributable to shareholders of the listed company in the consolidated statement	Distributable profit of the parent company of the year

			of the year	
2008	171,730,050	1,227,615,829	13.99%	1,218,730,199
2007	84,486,700	1,157,877,638	7.30%	2,600,834,763
2006	154,705,668	631,416,627	24.50%	2,728,924,171
Percentage of the cash dividends of the past three years in annual average net profit (%)			40.86%	

IX. The publications that the Company chosen for news disclosure for 2009 were *China Securities Journal, Securities Times and Hong Kong Wen Wei Po*.

Chapter 9. Report of the Supervisory Committee

I. Working of the Supervisory Committee

The Supervisory Committee performed its supervision duties and seriously carried out its work in accordance with the *Company Law, the Articles of Association and the Rules of Procedure of the Supervisory Committee* in 2009. Within the reporting period, members of the Supervisory Committee presented at all of the Board of Directors' and shareholders' meetings; audited regular financial reports of the Company; supervised the convening, holding and decision-making procedures of the Board of Directors' and shareholders' meetings, the implementation of solutions of shareholders' meetings by the Board of Directors, performance of the management and the implementation of the management system; and urged the Board of Directors and management of the Company to legally operate business and scientifically make decisions.

The Supervisory Committee thought that the Board of Directors seriously carried out solutions made by shareholders' meetings; that solutions of the Board of Directors comply with applicable rules and regulations and *the Articles of Association* without activities impairing benefits of the Company and its shareholders; and that the management strictly carried out solutions of the Board of Directors without any violations.

The Supervisory Committee held four meetings in total within the reporting period, with the details as follows:

No.	When	Who	Meeting Name	How	Topics for Discussion	Results
1	March 27, 2009	The 6th Supervisory Committee	The 3rd Meeting of the 6th Supervisory Committee	Live Meeting	The *Report on Work of Supervisors for 2008, The Annual Report of 2008 and The Review Report of Internal Control of the Company*, etc.	The announcement on solutions was disclosed on 31 March 2008.
2	April 20, 2009	The 6th Supervisory	The 4th Meeting of the 6th Supervisory	Conference Call	*The Report of the First Quarter of*	Approved

		Committee	Committee		*2009*	
3	August 17, 2009	The 6th Supervisory Committee	The 5th Meeting of the 6th Supervisory Committee	Conference Call	*The Report of the First Half of 2009*	The announcement on solutions was disclosed on August 18, 2008.
4	October 26, 2009	The 6th Supervisory Committee	The 6th Meeting of the 6th Supervisory Committee	Conference Call	*The Report of the Third Quarter of 2009*	Approved

The aforesaid information was disclosed on *China Securities Journal* and *Securities Times*.

II. The Supervisory Committee's Supervision and Opinions on the Following Issues

(I) Legal Operation

As the Company kept improving its internal control system within the reporting period, its governance and internal control levels have been further enhanced. The Shareholders' General Meeting, Board of Directors and management of the Company performed responsibilities based on their own decision-making authorities and procedures legally operating the Company. Directors and management personnel performed their duties as committed protecting benefits of the Company and all of its shareholders and not acting against laws, rules, the Articles of Association or the benefits of the Company.

(II). Checking financial position of the Company

The Company has been improving its financial system, with standardized accounting. Financial reports reflected the financial position and operational results of the Company in a true and correct manner.

(III). Acquisitions, asset sales and other Connected Transactions of the Company

Considered as the part of the Connected Transactions of the Company within the reporting period are that in which the Shenzhen Merchants Construction has been a general contractor of the Qianhaiwan Garden case of one subsidiary of the Shekou Industrial Zone; and those relating to house leasing; and those in which related parties provided the Company with loans or guarantee for bank loans. The Company has consulted with independent directors prior to all of the Connected Transactions. The Supervisory Committee thought that voting procedures during transactions were in compliance with laws and regulations; and that the transactions were fair and reasonable and met the requirements to develop its business, without any situations impairing benefits of the Company and any of its shareholders.

(IV). Storage and usage of the fund raised by the Company

The proceeds that the Company is using include those from the private issue of A-shares in 2007 and those from the public issue of shares in 2008. The Company established *Proceeds Management System*. The storage and usage of proceeds strictly complied with the regulatory laws, regulations and the management system associated with proceeds. The Audit Department of the Company carried out a regular supervision on the storage and usage of proceeds, without any situations that the

projects that proceeds actually invested changed.

(V). Self-Evaluation Report of Internal Control

The *Self-Evaluation Report of Internal Control* issued by the Board of Directors truly and completely reflected the actual status of internal control of the Company. The Company had established a sound internal control mechanism, which was basically complete, almost without any significant defect. The internal control mechanism has reasonable designs and its implementation was effective.

Chapter 10. Significant Events

I. Significant Lawsuit and Arbitration Events

In the reporting period, there was no significant lawsuit and arbitration of the Company.

II. Holding, purchase and sales of equity of other listed companies (Unit: RMB)

Stock Code	Short Name	Initial investment	Percentage of the Company's equity (shares)	Percentage of the Company's equity (%)	Book value at the end of the report period	Gain(Loss) of the reporting period	Changes in shareholders' equity within the reporting period	Accounting Item	Source of Shares
000004	ST Guonong	1,572,275	489,824	0.58%	4,898,240	-	2,457,054	Financial assets for sale	Shares of the founders

During the reporting period, the Company did not purchase or sell shares of other listed companies.

III. Investment of derivatives

Statement on risk analysis and control measures for position in derivatives within the reporting period (including but not limited to market, liquidity, credit, operational and law risks.)	Within the reporting period, the main market risk of positions in derivatives was the influence of the market quotation fluctuation of Non-Deliverable Forward (NDF) trades on the fair value change of open contracts. However, the fundamental purpose of the Company to carry out NDF trades is to lock up exchange rates avoiding the exchange rate risk caused by borrowing foreign currency loans. Therefore, with true foreign exchange loans as the base of trades, the amounts and times of trades matched foreign exchange loans, covering the open of risks. The risks are controllable as the forward exchange rates are indentified at the time when trades are happening. Being established by the Company, the trade-off system of financial derivatives restricts the types of financial derivatives whose trades the Company can participate in and clearly provides for the trade size, approval authorization, operating process, risk control and supervision, and information disclosure of such a trade, systematically ensuring the control of trade risks.
Changes in market price or fair value of invested derivatives within the reporting period; and the	As of December 31, 2009, the quotation of the one-year CNY/USD product in NDF market appreciated by

specific method and the set relevant assumptions and parameters that the Company used for analyzing fair values of derivatives shall be disclosed.	approximately 2.12%, comparing with that of the depreciation of 2.64% one year before. There are great changes in market price. The loss of NDF fair value resulting from price change in 2009 is RMB 103,660,000, with the investment return from the settled NDF contracts reaching RMB 75,290,000. The Company analyzed fair values of derivatives by using the approach of market value, with the adjustment of fair values at the end of each month.
Describe any significant change happening to the accounting policy and audit-specific principles of derivatives within the reporting period comparing with the last reporting period.	None.

Position of derivative investment as of the end of the reporting period

Unit: RMB'0000

Contract type	Contract amount at the beginning of the period	Contract amount at the end of the period	Gain/loss of the reporting period	Percentage of the contract amount at the end of the period in the net assets of the Company as of the end of the reporting period
Total	183,870	198,174	-2,837	12.17%

IV. M&A and Sale of Assets

(I). The acquisition of the land-use and project development rights of the Baijiazhuang Hotel Project owned by the Beijing Hengshi Huarong Properties Development Co., Ltd. (hereinafter referred to as Hengshi Huarong)

1. Overview of the Acquisition

As an affiliated company of and indirectly held by Hengshi Huarong (holding 24% of the stake), the Beijing Kanglade Properties Development Co., Ltd. (hereinafter referred to as Kanglade) is also a subsidiary of and indirectly controlled by the Company (holding 60% of the stake). The first temporary meeting of the 6th Board of Directors in 2009 discussed and approved the Proposal Concerning the Acquisition of the Baijiazhuang Hotel Project in Beijing by the Holding Subsidiary. Beijing Kanglade acquired the land-use and project development rights of the Baijiazhuang Hotel Project which is owned by Hengshi Huarong. Located in Xili, Baijiazhuang, Chaoyang District, Beijing, the Baijiazhuang Hotel Project has a planned building area of 57,000 sq.m., with its design planning having been approved by the Beijing Planning Committee. The consideration of the acquisition is identified at RMB 377,760,000 based on the value of the transferred subject as of December 31, 2008 that was evaluated by the Zhonglian Real Estate Valuation Co., Ltd. (Valuation Report No.: ZLREVR Letter [2009] No.001).

2. Influence of the Acquisition on the Company

The acquisition of the Beijing Baijiazhuang Hotel Project through its holding subsidiary –Beijing Kanglade-enhanced its management and control for the project.

The detailed information on this acquisition was disclosed on *China Securities Journal*, *Securities Times* and the *Announcement of Connected Transactions* of www.cninfo.com.cn on January 22, 2009.

(II). Acquisition of stake of Huizhou Taitong Properties Investment Co., Ltd.

1. Overview of the Acquisition

The Shenzhen CMRE Co., Ltd., a wholly-owned subsidiary of the Company, together with the TCL Group Company (TCL Group) and the Shenzhen TCL Real Estate Co., Ltd (TCL Real Estate), signed the Transfer Agreement of Stake of the Huizhou Taitong Properties Investment Co., Ltd., under which TCL Group transfers 50% of its own stake in the Huizhou Taitong Properties Investment Co., Ltd. (Taitong Properties) to TCL Real Estate and Shenzhen CMRE each at the same price of RMB 4,900,000. Taitong Properties has the national-land-use right of the lot JBN-07-03 in Neighbourhood 7, Central Area in the north of the Pearl River, Huizhou. The land has a total area of 37,759 sq.m., a calculation indicator-based area of 31,384 sq.m., a floor area ratio of 5.5, and a total building area of 172,610 sq.m. It can be developed into office, hotel/commercial, and residential projects. The land-use term is 40 years for commercial purpose and 70 years for residential purpose.

2. Influence of the Acquisition on the Company

The acquisition, as another measure of the Company expanding its own land resource through cooperative way again, will add the land resource for the development of the Company.
The detailed information on this acquisition was disclosed on China Securities Journal, Securities Times and the Announcement Concerning the Acquisition of Stake of Huizhou Taitong Properties Investment Co., Ltd. of www.cninfo.com.cn on November 28, 2009.

V. Significant Connected Transactions

(I). Transactions Relating Normal Operation

The Company had the following leasing transactions with the Shekou Industrial Zone in 2009.

The Company and some of its subsidiaries in Shenzhen leased the land-use right of the business sites to the Shekou Industrial Zone, with the annual rent of RMB 27,560,000.
Related companies such as the Shekou Industrial Zone leased part units from the Company, including the New Times Square and the Merchants Building, with the annual rent of RMB 21,930,000.
As the aforesaid transactions were the routine operational activities of the Company, independent directors were notified before those transactions happened, and thought that the fee standards for them were consistent internally and externally and that they are fair and reasonable not impairing the benefits of the Company and other shareholders, especially small-and middle-sized shareholders, after reviewing them. Please see details in the annotations of the Financial Report.

(II) Connected Transactions due to acquisition and sale of assets

There was no connected transaction due to acquisition and sale of assets in the Company within the reporting period.

(III). Changes of creditor's rights and guarantee of debts between the Company and related parties

1. The loan guarantee for the Company and its subsidiaries provided by related parties as of December 31, 2009 is described below: (Unit: RMB)

Name of related party	The party guaranteed	The amount guaranteed	
Guarantee of bank acceptance			
Shekou Industrial Zone	Shenzhen CMRE Co., Ltd.	RMB	257,896,108
Guarantee of payment guarantee			
Shekou Industrial Zone	Shenzhen CMRE Co., Ltd.	RMB	172,179,458
Guarantee of short-term loan			
Shekou Industrial Zone	China Merchants Power Supply Co., Ltd.	USD	28,306,000
Guarantee of long-term loan			
Shekou Industrial Zone	The Company	RMB	1,100,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	HKD	130,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	USD	197,000,000

The Top Chief Co., Ltd., which is wholly owned by the Shekou Industrial Zone, provided liquidation guarantee for long-term foreign exchange business of a subsidiary of the Company - the Hong Kong Ruijia Investment Industrial Co., Ltd. - engaged in the ING bank.

2. As at December 31, 2009, the checking accounts between the Company and related parties mainly included: (Unit: RMB)

Item	**Name of related party**	**Amount at the end of the year**
Other receivables	Shenzhen TCL Optic-Electronic Technology Co., Ltd.	187,851,513
Other receivables	Huizhou Taitong Properties Investment Co., Ltd.	121,207,000
Payables	Shekou Industrial Zone	5,338,724
Other payables	Top Chief Co., Ltd.	887,700,513
Other payables	China Merchants Zhangzhou Development Zone Co., Ltd.	420,821,115
Other payables	Tianjin Xinhai Real Estate Development Co., Ltd.	148,831,399
Other payables	Shenzhen Shekou Popular Line Investment Co., Ltd.	138,235,302
Other payables	Shenzhen China Merchants Financing Service Co., Ltd.	16,338,000
Other payables	China Merchants Guangming Science Park	1,067,447
Other payables	China Merchants Hanghua Science & Trade Center Co., Ltd.	1,051,707
Payable interests	Top Chief Co., Ltd.	1,288,737
Long-term payables	China Merchants Landmark Co., Ltd. (Shenzhen)	1,200,000

(IV) Other Related Transactions

Other transactions with related parties were disclosed in the annotations of the Financial Report in a detailed way.

VI. Significant contracts and their fulfillment

(I) Within the reporting period, there was no significant event of custody, contract, or leasing of assets from/to any other company.

(II). Significant Guarantees

1. The Company provided phased joint guarantee for buyers of commercial housing. The guarantee term was from the date of issuing loan from the mortgage bank to the date on which the bank completed handling *Certificate of Land Property* for buyers. If during the aforesaid period of guarantee, any buyer of a commercial house did not fulfill his/her liabilities as a loanee, the Company is entitled to recover the sold house, so the guarantee will not make any actual loss to the Company. As of the end of the report term, the total amount of the mortgage loans for which the Company provided guarantee was RMB 251,210,000.

2. In the reporting period, the Company provided a joint liability guarantee for the loans valued USD 30,000,000 (RMB 204,850,000) that the China Merchants Power Supply Co., Ltd, which is a wholly-owned subsidiary of the Company, applied with bank. The guarantee term was limited from the day in which the loan happened to the accomplished day in which all the liquidating obligations were fulfilled under the loan contract.

The Company provided a joint liability guarantee of bank loans for its holding subsidiary, namely the Zhuhai Yuanfeng Real Estate Co., Ltd. (Zhuhai Yuanfeng). As of November, 2009, the actually-happened guaranteed amount is RMB 61,200,000. The guarantee term began from the date when the gurantee contract came into effect to the date when two years passed after the expiration date of the fulfillment term of the liabilities under loan contracts. At that time, Zhuhai Yuanfeng was still under the phase of initial project development and did not have any operational revenue, with an asset-liability ratio of up to 70%. Therefore, the guarantee had been authorized and approved by the Shareholders' General Meeting.

As at December 31, 2009, the Company and its holding subsidiaries had a total guaranteed amount of RMB 266,050,000, accounting for 1.63% of the audited net assets of the company in the recent period that are attributable to the shareholders of the parent company (excluding the guarantee of sales mortgage loans provided by its subsidiaries for their customers). There was no overdue guaranteed amount, such guaranteed amount that is involving lawsuit and such loss amount that resulted from losing the lawsuit relating its guarantee.

The Company and its holding subsidiaries neither had any other guarantees for other parties, nor provided guarantee for their shareholders, actual controllers and related parties within the reporting period except for the above-mentioned guarantee events.

(III) The Company did not have any trust financing within the reporting period.

(IV) The Company did not have any other significant contract within the reporting period.

VII. Commitments

1. Commitments of Shareholders

Commitments	Made by	Contents of Commitment	Performance
Commitment for Share Reform	Shekou Industrial Zone	The Shekou Industrial Zone promised not to sell or transfer its own original non-outstanding shares within 24 months since the date when such shares obtained the right to be listed and traded (i.e. February 9, 2006); not to sell the total number of shares exceeding 5% of the total capital stock of the China Merchants Real Estate through the listed trades at Shenzhen Stock Exchange within 12 months after the expiration of the 24 months hereinabove; and not to sell the A-shares of the China Merchants Real Estate that it has at the price lower than 120% of the mean arithmetical value of closing prices for 30 trading days prior to the announcement of the Split-Share Reform Solution through listed trades at Shenzhen Stock Exchange within 36 months after the expiration of the above-mentioned 24 months. After the implementation of the split-share reform, the Shekou Industrial Zone promised to continuously provide assets with a good profitability such as land to support the development of the Company.	Within the reporting period, the Shekou Industrial Zone fulfilled the commitment strictly.
Commitment not to sell its shares of the Company within a certain period	Shekou Industrial Zone	The Shekou Industrial Zone promised not to transfer the Company's shares owned by it within 36 months since the completion of subscription of privately-issued shares of the Company on September 24, 2007.	Within the reporting period, the Shekou Industrial Zone fulfilled the commitment strictly.
Other commitments(including additional commitments)	Shekou Industrial Zone	The Shekou Industrial Zone promised to neither directly or indirectly conduct or develop the same or similar business or projects with that of the Company, nor found, develop, participate in, or assist any enterprise for Shekou Industrial Zone or on behalf of any related party or the third party to directly or indirectly compete with the Company; neither use the information obtained from the Company to conduct or participate in activities to compete with the Company, nor conduct any other competitive activity hurting or possibly hurting interests of the Company.	Within the reporting period, the Shekou Industrial Zone fulfilled the commitment strictly.

2. Commitments of the Company were disclosed in the annotations of the Financial Report.

VIII. Engaging or Dismissing of CPAs

The Company has engaged the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as its domestic audit institution since 2001. On April 20, 2009, the Shareholders' General Meeting of the Company 2008 approved a relevant proposal on Continuing Engaging the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as Its Own External Audit Institution for 2009.

As of the end of the reporting period, the Deloitte Touche Tohmatsu Certified Public Accountants

Ltd. has provided its audit services for the Company for consecutive 9 years.

The Company this year should pay RMB 3.15 million to the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. providing auditing service of the 2009 financial statements of the Company.

IX. In the reporting period, there was no criticism or condemnation received by the Company, the Board of Directors, or the Directors.

X. Table about investigation, communication and interview received by the Company during the reporting period

In the process of receiving investigation, communication and interview activities, the Company fairly treated each investor promoting the society to further aware and understand the Company. We demonstrated the operational position of the Company and current status of the projects that the Company is developing in an impersonal way by receiving investors who were invited for investigation or visit in 2009, maintaining the consistently good interactive relationship with investors.

Table of Investigations, Communications and Interviews Received by the Company during the Reporting period

Date	Location	Type	Meeting Party	Discussion Topic and Materials Provided
January 7	Shekou, Shenzhen	Investigation	Fortress, OCH-ZIFF and Goldman Sachs	① Introduction of the operational status of the Company; ② Discussion of development of the industry; ③ Provision of disclosed information and project-related brochures of the Company
January 8	Shekou, Shenzhen	Conference Call	Orient Securities Organization	
January 9	Shanghai	Strategy Conference	Everbright Securities Organization	
January 13	Shekou, Shenzhen	Investigation	China Life Investment Co., Ltd.	
January 14	Shekou, Shenzhen	Investigation	E Fund Management Co., Ltd.	
February 6	Shekou, Shenzhen	Investigation	Hong Kong Value Partners Limited	
February 10	Shekou, Shenzhen	Investigation	Changsheng Fund Management Co., Ltd.	
February 11	Shekou, Shenzhen	Group Investigation	Everbright Securities Organization	
February 12	Shekou, Shenzhen	Investigation	Hongta Securities Co., Ltd.	
February 19	Shekou, Shenzhen	Investigation	Tiger Asia Management L.L.C.	
February 19	Shekou, Shenzhen	Group Investigation	Guotai Jun'an Organization	
February 24	Shekou, Shenzhen	Investigation	Taikang Asset Management Co., Ltd.	
February 25	Shekou, Shenzhen	Group Investigation	CITIC Securities Organization	
February 27	Shekou, Shenzhen	Investigation	GE Asset Management	
March 31	Shekou, Shenzhen	On-line Communication Meeting	China Jianyin Investment Securities	
April 2	Shekou, Shenzhen	Investigation	HIGHBRIDGE	
April 10	Shekou, Shenzhen	Investigation	E Fund Management Co., Ltd.	
April 17	Shekou, Shenzhen	Annual Conference of Investors	Organization of the Company	
April 21	Shekou, Shenzhen	Conference Call	CITIC Securities Organization	

April 23	Shekou, Shenzhen	Investigation	Shenzhen Minsen Investment Co., Ltd.
April 27	Shekou, Shenzhen	Joint Investigation	Shenzhen SINOWISE Investment and Guangdong Zhongyi Investment Group
May 13	Shekou, Shenzhen	Conference Call	
May 14	Shekou, Shenzhen	Investigation	Nikko Asset Management Co., Ltd.
May 15	Shekou, Shenzhen	Group Investigation	Gaohua Organization Fullgoal Fund Management Co., Ltd. Jiashi Fund Hopu Investment Management CSC Holdings Preparation Team of Huaxia Bank Fund
May 19	Shekou, Shenzhen	Investigation	Preparation Team of Ping'an Dahua Fund
May 20	Shekou, Shenzhen	Investigation	Hamon Investment Group
May 21	Shekou, Shenzhen	Investigation	Taikang Asset Management Co., Ltd.
May 23	Shekou, Shenzhen	Strategy Conference	Mid-term Strategy Conference of BOCI Securities Limited
May 26	Shekou, Shenzhen	Investigation	CITIC Securities Co., Ltd.
May 28	Shekou, Shenzhen	Group Investigation	Greatwall Securities Co., Ltd. Organization Galaxy Fund Management Co.,Ltd., Essence Securities, Leader Investment Co., Ltd., First Capital, Founder Securities Limited, Mingyuan Investment, Dongwu Securities, First-trust Fund Management Co., Ltd., Yingda Securities, China Pacific Insurance
June 11	Shekou, Shenzhen	Investigation	Deutsche Bank
June 11	Beijing	Briefing	JP MORGAN Organization
June 12	Shekou, Shenzhen	Investigation	Qilu Securities
June 18	Shekou, Shenzhen	Strategy Conference	Mid-term Strategy Conference of CITIC Securities Co., Ltd.
June 23	Shekou, Shenzhen	Investigation	Guangzhou Securities
June 24	Shekou, Shenzhen	Briefing	Mid-term Strategy Conference of Ping'an Securities
June 25	Shekou, Shenzhen	Briefing	Mid-term Strategy Conference of China Merchants Securities
June 26	Shekou, Shenzhen	Investigation	E Fund Management Co., Ltd.
June 26	Shekou, Shenzhen	Investigation	Taikang Life Insurance Company
June 29	Shekou, Shenzhen	Briefing	UBS Organization
June 30	Shekou, Shenzhen	Investigation	Shanghai Chaos Asset Management Co., Ltd
July 2	Chongqing	Mid-Term Strategy Conference	Guosen Securities Organization
July 3	Shenzhen	Mid-Term Strategy Conference	China Jianyin Investment Securities Organization
July 8	Shekou	Investigation	CREDIT SUISSE

July 9	Shekou	Investigation	Mitsubishi UFJ Financial Group, Inc. (Hong Kong)
July 22	Shekou	Investigation	Cathay Life, Daiwa-Cathay Capital Markets Co., Ltd.
July 23	Shekou	Investigation	Shanghai Office of Taiwan Yuanta Securities
July 30	Shekou	Investigation	Robeco Hong Kong Limited
August 7	Shekou	Investigation	BREVAN HOWARD
August 10	Shekou	Investigation	Millennium Investment Company
August 11	Shekou	Investigation	Bank of China Investment Management
August 13	Shekou	Investigation	Taikang Life Insurance Company
August 13	Shekou	Investigation	Haifutong Fund Management Co., Ltd.
August 18	Shekou	Conference Call	China Jianyin Investment Securities Organization
August 20	Shekou	Investigation	Mizuho Securities Co., Ltd.
August 25	Shekou	Group Investigation	CITIC Securities Co., Ltd.
August 26	Shekou	Investigation	KGI Shanghai
August 28	Shenzhen	Real Estate Sector Forum	Guotai Jun'an Organization
September 1	Shekou	Investigation	COSMA Investment Management CO., LTD.
September 4	Qingdao	Sector Forum	Haitong Securities Organization
September 9	Beijing	Finance and Real Estate Forum	Nomura Securities Co., Ltd. Organization
September 10	Shanghai	Real Estate Sector Conference	Everbright Securities Organization
September 10	Shanghai	Investors' Information Exchange	CICC Organization
September 17	Shekou	Investigation	RESEARCH-WORKS
September 18	Shekou	Investigation	Ping'an Securities
October 16	Shekou	Investigation	ICBC Credit Suisse Asset Management Co., Ltd., Yinhua Fund Management Co., Ltd.
October 21	Shekou	Investigation	Shanghai Jinli Investment
October 23	Shekou	Investigation	RISING SECURITIES CO.,LTD.
October 28	Shekou	Investigation	Tiansun Investment Management
November 3	Beijing	Seminar	Gaohua Investment Forum
November 6	Shekou	Investigation	GLOBAL LINK ADVISERS
November 16	Shenzhen	Investigation	CREDIT SUISSE
November 26	Shenzhen	Annual Conference of Securities Brokers	Annual Conference of Industrial Securities
November 26	Shenzhen	Annual Conference of Securities Brokers	Annual Conference of Changjiang Securities
December 2	Shenzhen	Annual Conference of Securities Brokers	Annual Conference of Ping'an Securities
December 2	Hong Kong	Seminar	Greater China Real Estate Forum of Merrill Lynch
December 7	Sanya	Annual Conference of Securities Brokers	Annual Conference of Guotai Jun'an
December 9	Shenzhen	Annual Conference of Securities	Annual Conference of Guangfa Securities

		Brokers	
December 9	Shenzhen	Annual Conference of Securities Brokers	Annual Conference of Greatwall Securities
December 10	Kunming	Annual Conference of Securities Brokers	Annual Conference of CITIC Securities Co., Ltd.
December 14	Shenzhen	Annual Conference of Securities Brokers	Annual Conference of Guosen Securities
December 16	Shenzhen	Annual Conference of Securities Brokers	Annual Conference of Essence Securities
December 16	Shanghai	Annual Conference of Securities Brokers	Annual Conference of Haitong Securities
December 18	Sanya	Annual Conference of Securities Brokers	Annual Conference of China Merchants Securities Co., Ltd.

Auditor's Report

德师报(审)字(10)第 P0457 号

To the shareholders of **China Merchants Property Development Co., Ltd.**

We have audited the attached financial statements of CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD .(hereinafter referred to as "CMPD"), including the company and consolidated balance sheets issued on December 31, 2009, company and consolidated profit reports in 2009, company and consolidated cash flow statements, company and statements of consolidated changes in equity, and notes to the financial statements.

I. Executives' responsibilities on the Financial Statements

Preparing of the Financial Statements according to Enterprise Accounting Standard is the responsibility of the management of the Company. This responsibility is including: (1) Design, implement and maintain the internal control system related to producing of the Financial Statements, to prevent the Financial Statements from major false presentation due to cheating or error; (2) Select and use of appropriate accounting policies; (3) Make reasonable estimations.

II. Responsibilities of the CPA

Our responsibilities are to issue auditing opinions on the Financial Statements basing on the auditing works we've done on them. We carried out the auditing works with compliance to Chinese CPA Auditing Standard, which requires us to plan and implement our works with professional ethic standards, and obtain reasonable guarantee that the Financial Statements are free of major false statements.

Auditing works are involving in auditing practices to obtain evidences regarding the amounts and presentation of the Financial Statements. Selecting of auditing practices is based on the CPA's judgment, including evaluation on the risks of major false statements due to cheating or error. At evaluating of the risks, we've considered the relative internal control system related to the preparation of the Financial Statements. However we don't comment on the effectiveness of the internal control system. The auditing works also include evaluations on the felicitousness of accounting policy selecting, the rationality of accounting estimations, and the overall presentation of the Financial Statements as well.

We believe that the evidences we've obtained are appropriate and sufficient, which provided foundations to our issuing of auditing opinions.

III. Auditors' Opinions

We believe that the Company has been following with the Enterprise Accounting Standard in preparing of the Financial Statements. The Financial Statements is reflecting, in all important aspects, the financial situation of Fangda Group as of December 31, 2009, and the business performance and cash flow of year 2009, both of the Company and the consolidated.

Deloitte Touche Tohmatsu (Shanghai) CPA Ltd. CPA China

Shanghai China

CPA China

April 18, 2010

招商局地产控股股份有限公司

Year ended December 31, 2009

Consolidated Balance Sheet

In RMB

Items	Note	Balance at the end of term	Balance at the beginning of year	Items	Note	Balance at the end of term	Balance at the beginning of year
Current asset:				**Current liabilities**			
Cash and cash equivalents	(V)1	9,489,490,935	7,389,133,547	Short-term loans	(V)19	1,372,929,609	3,613,956,278
Settlement provision		-	-	Loan from Central Bank		-	-
Outgoing call loan		-	-	Deposit received and hold for others		-	-
Transactional financial assets	(V)2	6,437,479	97,331,980	Call loan received		-	-
Notes receivable		-	-	Trade off financial liabilities	(V)2	12,829,413	-
Account receivable	(V)3	118,962,896	107,177,879	Notes payable	(V)20	257,896,108	143,287,841
Prepayment	(V)5	8,747,313	28,316,856	Account payable	(V)21	2,705,521,285	1,863,688,472
Insurance receivable		-	-	Prepayment received	(V)22	9,498,461,291	2,731,472,693
Reinsurance receivable		-	-	Selling of repurchased financial assets		-	-
Provisions of Reinsurance contracts receivable		-	-	Fees and commissions receivable		-	-
Interest receivable		-	-	Employees' wage payable	(V)23	162,832,982	121,900,048
Dividend receivable		-	-	Tax payable	(V)24	589,859,453	270,545,613
Other account receivable	(V)4	1,926,509,243	778,506,128	Interest payable	(V)25	21,872,418	41,051,205
Repurchasing of financial assets		-	-	Dividend payable	(V)26	107,751,887	8,778,785
Inventories	(V)6	30,461,181,900	23,869,301,251	Other account payable	(V)27	5,835,329,987	3,154,569,035
Non-current asset due in 1 year		26,754	40,129	Reinsurance fee payable		-	-
Other current asset	(V)7	624,800,651	227,596,742	Insurance contract provision		-	-
Total of current asset		42,636,157,171	32,497,404,512	Entrusted trading of securities		-	-
Non-current assets				Entrusted selling of securities		-	-
Loans and payment on other's behalf disbursed		-	-	Non-current liability due in 1 year	(V)29	1,303,501,721	1,810,099,402
Sellable financial asset	(V)8	4,898,240	1,743,773	Other current liability	(V)30	1,843,563,001	459,072,398
Expired investment in possess		-	-	**Total of current liability**		23,712,349,155	14,218,421,770
Long-term receivable	(V)9	1,062,146,037	971,960,034	**Non-current liabilities**			
Long-term share equity investment	(V)10,11	616,512,618	771,232,269	Long-term borrowings	(V)31	5,720,303,012	6,807,315,907
Investment properties	(V)12	2,787,842,250	2,632,975,770	Bond payable		-	-
Fixed assets	(V)13	299,615,954	284,573,922	Long-term payable	(V)32	46,469,703	33,285,411
Construction in process	(V)14	19,254,007	39,614,982	Special payable		-	-
Engineering goods		-	-	Contingent liabilities	(V)28	108,052,194	90,466,298
Fixed asset disposal		-	-	Deferred income tax liability	(V)17	731,713	34,300
Production physical assets		-	-	Other non-recurring liabilities	(V)33	7,218,243	7,984,305
Gas & petrol		-	-	**Total of non-current liabilities**		5,882,774,865	6,939,086,221
Intangible assets	(V)15	54,121	94,212	**Total of liability**		29,595,124,020	21,157,507,991
R&D expense		-	-	**Shareholders' equity**			
Goodwill		-	-	Share capital	(V)34	1,717,300,503	1,717,300,503
Long-term deferred expenses	(V)16	180,194,127	196,539,294	Capital reserves	(V)35	8,487,926,904	8,548,544,784
Deferred income tax asset	(V)17	290,485,972	40,876,227	Less: Shares in stock		-	-
Other non-current asset		-	-	Special reserves		-	-
Total of non-current assets		5,261,003,326	4,939,610,483	Surplus reserves	(V)36	785,793,010	670,226,504

				Common risk provision		-	-
				Retained profit	(V)37	5,214,909,610	3,858,062,286
				Difference of foreign currency translation		72,806,727	68,612,288
				Total of shareholders' equity attributable to the parent company		16,278,736,754	14,862,746,365
				Minor shareholders' equity		2,023,299,723	1,416,760,639
				Total of shareholders' equity		18,302,036,477	16,279,507,004
Total of assets		47,897,160,497	37,437,014,995	**Total of owners' equity and liabilities**		47,897,160,497	37,437,014,995

The Notes to the Financial Statements are essential parts of the Financial Statements

The financial statements from Page 2 to Page 109 are signed by the followings:

_____	_____	_____
Legal representative	Financial superior	Head of accounting dept.

招商局地产控股股份有限公司

Year ended December 31, 2009

Balance Sheet (Parent Company)

In RMB

Items	Note	Balance at the end of term	Balance at the beginning of year	Items	Note	Balance at the end of term	Balance at the beginning of year
Current asset:				**Current liabilities**			
Cash and cash equivalents		6,268,540,842	4,728,619,945	Short-term loans	(XII)3	630,397,000	2,806,081,100
Transactional financial assets		-	-	Trade off financial liabilities		-	-
Notes receivable		-	-	Notes payable		-	-
Account receivable		-	-	Account payable		-	-
Prepayment		-	-	Prepayment received		-	-
Interest receivable		-	-	Employees' wage payable		6,052,306	4,237,517
Dividend receivable		1,090,720,147	3,030,848,071	Tax payable		4,514,867	291,820
Other account receivable	(XII)1	12,504,314,805	14,588,369,018	Interest payable		9,898,520	36,025,186
Inventories		-	-	Dividend payable		-	-
Non-current asset due in 1 year		-	-	Other account payable		3,928,393,230	2,688,993,082
Other current asset		-	-	Non-current liability due in 1 year	(XII)4	650,000,000	1,550,000,000
Total of current asset		19,863,575,794	22,347,837,034	Other current liability		77,559	77,559
Non-current assets				**Total of current liability**		5,229,333,482	7,085,706,264
Sellable financial asset		4,898,240	1,743,773	**Non-current liabilities**			
Expired investment in possess		-	-	Long-term borrowings	(XII)5	4,123,128,000	3,610,000,000
Long-term receivable		924,366,671	838,808,511	Bond payable		-	-
Long-term share equity investment	(XII)2	3,481,655,301	1,442,068,686	Long-term payable		-	-
Investment properties		-	-	Special payable		-	-
Fixed assets		318,634	320,838	Contingent liabilities		-	-
Construction in process		-	-	Deffered income tax liability		731,713	34,300
Engineering goods		-	-	Other non-recurring liabilities		-	-
Fixed asset disposal		-	-	**Total of non-current liabilities**		4,123,859,713	3,610,034,300
Production physical assets		-	-	**Total of liability**		9,353,193,195	10,695,740,564
Gas & petrol		-	-	Shareholders' equity			
Intangible assets		-	-	Share capital		1,717,300,503	1,717,300,503
R&D expense		-	-	Capital reserves		8,930,527,676	8,928,070,622
Goodwill		-	-	Less: Shares in stock		-	-
Long-term deferred expenses		158,628	349,732	Special reserves		-	-
Deferred income tax asset		-	-	Surplus reserves		734,841,617	619,275,111
Other non-current asset		-	-	Common risk provision		-	-
Total of non-current assets		4,411,397,474	2,283,291,540	Retained profit		3,539,110,277	2,670,741,774
				Total of shareholders' equity		14,921,780,073	13,935,388,010
Total of assets		24,274,973,268	24,631,128,574	**Total of owners' equity and liabilities**		24,274,973,268	24,631,128,574

招商局地产控股股份有限公司

Year ended December 31, 2009

Consolidated Income Statement

In RMB

Items	Note	Amount of the Current Term	Amount of the Previous Term
I. Total revenue	(V)38	10,137,701,049	3,573,184,200
Incl. Business income		10,137,701,049	3,573,184,200
Interest income		-	-
Insurance fee earned		-	-
Fee and commission received		-	-
II. Total business cost		8,063,966,990	3,231,260,734
Incl. Business cost	(V)38	5,961,738,151	2,097,773,113
Interest expense		-	-
Fee and commission paid		-	-
Insurance discharge payment		-	-
Net claim amount paid		-	-
Net insurance policy reserves provided		-	-
Insurance policy dividend paid		-	-
Reinsurance expenses		-	-
Business tax and surcharge	(V)39	1,623,223,320	264,980,117
Sales expense		285,334,726	226,715,702
Administrative expense		208,542,650	203,223,524
Financial expenses	(V)40	(15,356,044)	30,913,643
Asset impairment loss	(V)44	484,187	407,654,635
Plus: Income from change of fair value	(V)42	(103,663,503)	145,469,305
Investment income	(V)43	304,569,607	802,815,289
Incl. Investment gains from affiliates		176,731,790	176,812,461
Exchange gains		-	-
III. Business profit		2,274,640,163	1,290,208,060
Plus: Non business income	(V)45	29,522,960	24,173,367
Less: Non-business expenses	(V)46	30,433,088	12,516,456
Incl. Loss from disposal of non-current assets		631,517	2,111,390
IV. Gross profit		2,273,730,035	1,301,864,971
Less: Income tax expenses	(V)47	519,264,184	209,864,866
V. Net profit		1,754,465,851	1,092,000,105
Net profit attributable to the owners of parent co.		1,644,143,880	1,227,615,829
Minor shareholders' equity		110,321,971	(135,615,724)
VI. Earning per share			
(I) Basic earnings per share	(V)48	0.9574	0.9408
(II) Diluted earnings per share	(V)48	0.9574	0.9408
VII. Other misc. incomes	(V)49	7,844,407	93,109,318
VIII. Total of misc. incomes		1,762,310,258	1,185,109,423
Total misc gains attributable to the parent company		1,650,795,373	1,287,992,475
Total misc gains attributable to the minor shareholders		111,514,885	(102,883,052)

招商局地产控股股份有限公司

Year ended December 31, 2009

Income Statement (Parent Company)

In RMB

Items	Note	Amount of the Current Term	Amount of the Previous Term
I. Turnover		-	-
Less: Operation cost		-	-
Business tax and surcharge		-	-
Sales expense		-	-
Administrative expense		26,278,259	21,892,381
Financial expenses		(51,224,137)	(11,988,550)
Asset impairment loss		-	-
Plus: Income from change of fair value		-	-
Investment income	(XII)6	1,132,430,032	594,263,908
Incl. Investment gains from affiliates		(4,413,385)	(6,766,935)
II. Operation profit		1,157,375,910	584,360,077
Plus: Non business income		-	-
Less: Non-business expenses		-	113,962
Incl. Loss from disposal of non-current assets		-	-
III. Total of profit		1,157,375,910	584,246,115
Less: Income tax expenses		1,710,851	2,422,142
IV. Net profit		1,155,665,059	581,823,973
V. Earnings per share			
(I) Basic earnings per share		Not applicable	Not applicable
(II) Diluted earnings per share		Not applicable	Not applicable
VI. Other misc gains		2,457,054	(1,630,975)
VII. Total of integrated income		1,158,122,113	580,192,998

招商局地产控股股份有限公司

Year ended December 31, 2009

Consolidated Cash Flow Statement

In RMB

Items	Note	Amount of the Current Term	Amount of the Previous Term
I. Net cash flow from business operation			
Cash received from sales of products and providing of services		15,926,683,850	6,195,335,331
Net increase of customer deposits and capital kept for brother company		-	-
Net increase of loans from central bank		-	-
Net increase of inter-bank loans from other financial bodies		-	-
Cash received against original insurance contract		-	-
Net cash received from reinsurance business		-	-
Net increase of client deposit and investment		-	-
Net increase of trade financial asset disposal		-	-
Cash received as interest, processing fee, and commission		-	-
Net increase of inter-bank fund received		-	-
Net increase of repurchasing business		-	-
Tax returned		598,706	25,520,015
Other cash received from business operation	(V)50(1)	3,542,739,117	887,926,560
Sub-total of cash inflow from business activities		19,470,021,673	7,108,781,906
Cash paid for purchasing of merchandise and services		8,370,247,406	9,374,818,057
Net increase of client trade and advance		-	-
Net increase of savings in central bank and brother company		-	-
Cash paid for original contract claim		-	-
Cash paid for interest, processing fee and commission		-	-
Cash paid for policy dividend		-	-
Cash paid to staffs or paid for staffs		561,496,643	515,097,597
Taxes paid		1,426,342,512	802,008,011
Other cash paid for business activities	(V)50(2)	2,057,203,779	336,701,916
Sub-total of cash outflow from business activities		12,415,290,340	11,028,625,581
Cash flow generated by business operation, net		7,054,731,333	(3,919,843,675)
II. Cash flow generated by investing			
Cash received from investment retrieving		-	40,702,142
Cash received as investment gains		413,971	12,870,616
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		251,567	2,772,549
Net cash received from disposal of subsidiaries or other operational units		13,304,811	681,912,273
Other investment-related cash received	(V)50(3)	485,915,710	-
Sub-total of cash inflow due to investment activities		499,886,059	738,257,580
Cash paid for construction of fixed assets, intangible assets and other long-term assets		75,630,570	83,837,658
Cash paid as investment		870,044,567	1,013,522,765
Net increase of loan against pledge		-	-
Net cash received from subsidiaries and other operational units		-	5,252,240
Other cash paid for investment activities	(V)50(4)	-	54,886,338
Sub-total of cash outflow due to investment activities		945,675,137	1,157,499,001
Net cash flow generated by investment		(445,789,078)	(419,241,421)

III. Cash flow generated by financing			
Cash received as investment		338,613,350	6,444,200,352
Incl. Cash received as investment from minor shareholders		338,613,350	666,979,796
Cash received as loans		5,612,106,753	8,943,642,350
Cash received from bond placing		-	-
Other financing-related cash received		-	-
Subtotal of cash inflow from financing activities		5,950,720,103	15,387,842,702
Cash to repay debts		10,044,491,466	6,329,137,678
Cash paid as dividend, profit, or interests		1,095,366,405	894,253,290
Incl. Dividend and profit paid by subsidiaries to minor shareholders		303,678,404	24,025,535
Other cash paid for financing activities		-	-
Subtotal of cash outflow due to financing activities		11,139,857,871	7,223,390,968
Net cash flow generated by financing		(5,189,137,768)	8,164,451,734
IV. Influence of exchange rate alternation on cash and cash equivalents		(2,200,526)	(12,294,446)
V. Net increase of cash and cash equivalents		1,417,603,961	3,813,072,192
Plus: Balance of cash and cash equivalents at the beginning of term	(V)51(1)	7,358,057,106	3,544,984,914
VI. Balance of cash and cash equivalents at the end of term	(V)51(1)	8,775,661,067	7,358,057,106

招商局地产控股股份有限公司

Year ended December 31, 2009

Cash Flow Statement (Parent Company)

In RMB

Items	Note	Amount of the Current Term	Amount of the Previous Term
I. Net cash flow from business operation			
Cash received from sales of products and providing of services		-	-
Tax returned		-	-
Other cash received from business operation		8,814,126,899	943,871,952
Sub-total of cash inflow from business activities		8,814,126,899	943,871,952
Cash paid for purchasing of merchandise and services		-	624,189,311
Cash paid to staffs or paid for staffs		9,826,191	15,779,484
Taxes paid		7,147,905	27,209,416
Other cash paid for business activities		5,079,383,478	4,175,180,346
Sub-total of cash outflow from business activities		5,096,357,574	4,842,358,557
Cash flow generated by business operation, net		3,717,769,325	(3,898,486,605)
II. Cash flow generated by investing			
Cash received from investment retrieving		-	40,702,142
Cash received as investment gains		3,036,248,070	23,508,529
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		-	-
Net cash received from disposal of subsidiaries or other operational units		13,304,811	-
Other investment-related cash received		-	-
Sub-total of cash inflow due to investment activities		3,049,552,881	64,210,671
Cash paid for construction of fixed assets, intangible assets and other long-term assets		-	-
Cash paid as investment		2,102,000,000	928,808,511
Net cash received from subsidiaries and other operational units		-	-
Other cash paid for investment activities		-	-
Sub-total of cash outflow due to investment activities		2,102,000,000	928,808,511
Net cash flow generated by investment		947,552,881	(864,597,840)
III. Cash flow generated by financing			
Cash received as investment		-	5,777,220,556
Cash received as loans		4,298,282,000	4,795,316,600
Other financing-related cash received		-	-
Subtotal of cash inflow from financing activities		4,298,282,000	10,572,537,156
Cash to repay debts		6,860,011,500	3,025,102,100
Cash paid as dividend, profit, or interests		573,523,519	508,865,040
Other cash paid for financing activities		-	-
Subtotal of cash outflow due to financing activities		7,433,535,019	3,533,967,140
Net cash flow generated by financing		(3,135,253,019)	7,038,570,016
IV. Influence of exchange rate alternation on cash and cash equivalents		(148,291)	(889,668)
V. Net increase of cash and cash equivalents		1,529,920,896	2,274,595,903
Plus: Balance of cash and cash equivalents at the beginning of term		4,728,619,945	2,454,024,042
VI. Balance of cash and cash equivalents at the end of term		6,258,540,841	4,728,619,945

招商局地产控股股份有限公司

Year ended December 31, 2009

Consolidated Statement of Change in Shareholders' Equity

In RMB

Items	Amount of the Current Term							Amount of Last Year						
	Shareholders' equity attributable to the parent company					Minor shareholders' equity	Total of shareholders' equity	Shareholders' equity attributable to the parent company					Minor shareholders' equity	Total of shareholders' equity
	Share capital	Capital reserves	Surplus reserves	Retained profit	Others			Share capital	Capital reserves	Surplus reserves	Retained profit	Others		
I. Balance at the end of last year	1,717,300,503	8,548,544,784	670,226,504	3,858,062,286	68,612,288	1,416,760,639	16,279,507,004	844,867,002	3,413,857,995	612,044,107	3,026,575,655	5,575,696	1,241,824,273	9,144,744,728
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	1,717,300,503	8,548,544,784	670,226,504	3,858,062,286	68,612,288	1,416,760,639	16,279,507,004	844,867,002	3,413,857,995	612,044,107	3,026,575,655	5,575,696	1,241,824,273	9,144,744,728
III. Changed in current term	-	(60,617,880)	115,566,506	1,356,847,324	4,194,439	606,539,084	2,022,529,473	872,433,501	5,134,686,789	58,182,397	831,486,631	63,036,592	174,936,366	7,134,762,276
(I) Net profit	-	-	-	1,644,143,880	-	110,321,971	1,754,465,851	-	-	-	1,227,615,829	-	(135,615,724)	1,092,000,105
(II) Other integrated income	-	2,457,054	-	-	4,194,439	1,192,914	7,844,407	-	(2,659,946)	-	-	63,036,592	32,732,672	93,109,318
Total of (I) and (II)	-	2,457,054	-	1,644,143,880	4,194,439	111,514,885	1,762,310,258	-	(2,659,946)	-	1,227,615,829	63,036,592	(102,883,052)	1,185,109,423
(III) Shareholder input and withdraw of share capital	-	(63,074,934)	-	-	-	795,570,007	732,495,073	450,000,000	5,306,320,135	-	-	-	291,078,092	6,047,398,227
1. Capital input by shareholders	-	-	-	-	-	338,613,691	338,613,691	450,000,000	5,327,220,556	-	-	-	291,078,092	6,068,298,648
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	(63,074,934)	-	-	-	456,956,316	393,881,382	-	(20,900,421)	-	-	-	-	(20,900,421)
(IV) Profit distribution	-	-	115,566,506	(287,296,556)	-	(300,545,808)	(472,275,858)	253,460,101	-	58,182,397	(396,129,198)	-	(13,258,674)	(97,745,374)
1. Providing of surplus reserves	-	-	115,566,506	(115,566,506)	-	-	-	-	-	58,182,397	(58,182,397)	-	-	-
2. Common risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	(171,730,050)	-	(300,545,808)	(472,275,858)	253,460,101	-	-	(337,946,801)	-	(13,258,674)	(97,745,374)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal settlement of shareholders' equity	-	-	-	-	-	-	-	168,973,400	(168,973,400)	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	168,973,400	(168,973,400)	-	-	-	-	-
2. Suplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Making up losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of this term	1,717,300,503	8,487,926,904	785,793,010	5,214,909,610	72,806,727	2,023,299,723	18,302,036,477	1,717,300,503	8,548,544,784	670,226,504	3,858,062,286	68,612,288	1,416,760,639	16,279,507,004

Statement of Change in Shareholders' Equity (Parent Company)

In RMB

Items	Amount of the Current Term					Amount of Last Year				
	Share capital	Capital reserves	Surplus reserves	Retained profit	Total of shareholders' equity	Share capital	Capital reserves	Surplus reserves	Retained profit	Total of shareholders' equity
I. Balance at the end of last year	1,717,300,503	8,928,070,622	619,275,111	2,670,741,774	13,935,388,010	844,867,002	3,771,454,441	561,092,714	2,485,046,999	7,662,461,156
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	1,717,300,503	8,928,070,622	619,275,111	2,670,741,774	13,935,388,010	844,867,002	3,771,454,441	561,092,714	2,485,046,999	7,662,461,156
III. Changed in current term	-	2,457,054	115,566,506	868,368,503	986,392,063	872,433,501	5,156,616,181	58,182,397	185,694,775	6,272,926,854
(I) Net profit	-	-	-	1,155,665,059	1,155,665,059	-	-	-	581,823,973	581,823,973
(II) Other integrated income	-	2,457,054	-	-	2,457,054	-	(1,630,975)	-	-	(1,630,975)
Total of (I) and (II)	-	2,457,054	-	1,155,665,059	1,158,122,113	-	(1,630,975)	-	581,823,973	580,192,998
(III) Shareholder input and withdraw of share capital	-	-	-	-	-	450,000,000	5,327,220,556	-	-	5,777,220,556
1. Capital input by shareholders	-	-	-	-	-	450,000,000	5,327,220,556	-	-	5,777,220,556
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	115,566,506	(287,296,556)	(171,730,050)	253,460,101	-	58,182,397	(396,129,198)	(84,486,700)
1. Providing of surplus reserves	-	-	115,566,506	(115,566,506)	-	-	-	58,182,397	(58,182,397)	-
2. Providing of common risk provisions	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	(171,730,050)	(171,730,050)	253,460,101	-	-	(337,946,801)	(84,486,700)
4. Others	-	-	-	-	-	-	-	-	-	-
(V) Internal settlement of shareholders' equity	-	-	-	-	-	168,973,400	(168,973,400)	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	168,973,400	(168,973,400)	-	-	-
2. Suplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-
3. Making up losses by surplus reserves	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of this term	1,717,300,503	8,930,527,676	734,841,617	3,539,110,277	14,921,780,073	1,717,300,503	8,928,070,622	619,275,111	2,670,741,774	13,935,388,010

A. (I) Company Profiles

China Merchants Property Development Co., Ltd. (the Company), originally China Merchants Shekou Shareholding Co., Ltd., is a sino-foreign joint venture established on the base of Shenkou China Merchants Port Service Co., Ltd. by China Merchants Sekou Industrial Zone Co., Ltd. (Shekou Industrial Zone). The Company was incorporated in Shenzhen China in September 1990.

On February 23 1993, the Company raised finance by issuing 27,000,000 A shares to the domestic investors, and 50,000,000 B shares to foreign investors. Upon issuing of these shares, the Company's capital shares increased to 210,000,000 shares. The A shares and B shares were listed at Shenzhen Stock Exchange in June 1993.

In July 1995, part of B shares were listed in Singapore Stock Exchange by means of SDR (Singapore Depository Receipts, "新加坡托管收据" in Chinese).

In June 2004, the Company changed its name to "China Merchants Property Development Co., Ltd.". After dividend distributions and rights issues implemented during 1994-2004, the Company's total number of shares had increased to 618,822,672 shares up to December 31, 2004.

On January 18, 2006, the shareholders' meeting approved an A share relocation plan that shareholders of every 10 tradable A shares received 2 A shares and RMB3.14 from the shareholders of non-tradable A shares. The total number of capital shares remained unchanged after completion of the relocation plan.

As approved by Document [2006]67 issued by China Securities Regulatory Commission, the Company made full right issue of 15,100,000 convertible corporate bonds to original A shareholders on August 30, 2006, and the part of right issue waived by the original A shareholders was placed offline to institution investors. The bonds are with face value of RMB100 each, and were listed in Shenzhen Stock Exchange since September 11, 2006 with a ticker of "CM Convertible Bond" and its conversion date was March 1, 2007.

On May 25, 2007, CM Convertible Bond was terminated from trading and converting. All of the bonds not converted yet were repurchased by the Company. Till then, there were totally 15,093,841 bonds (with total face value of RMB1,509,384,100) converted into 115,307,691 shares. The remained 6,159 convertible bonds (with face value of RMB615,900) were repurchased by the Company. Thus the capital shares of the Company had increased up to 734,130,363 shares.

As approved by document Zheng-Jian-Fa-Xing-Zi [2007]299 issued by China Securities Regulatory Commission, the company has placed 110,736,639 shares privately to China Merchants Shekou Industrial Zone Co., Ltd. on September 19, 2007. The Company's capital shares increased up to 844,867,002 shares since then.

On March 17, 2008, the plan for profit distribution and capitalizing of common reserves for year 2007 was passed by the Shareholders' General Meeting 2007, which was, on the basis of total capital share of 844,867,002 as at December 31, 2007, 3 bonus shares were to distributed to each 10 shares, and 2 new shares were to converted to each 10 shares from the common reserves. Since then, the total capital shares of the Company increased to 1,267,300,503 shares.

B. (I) Company Profiles – cont.

Under "Approval for issuing of new shares by China Merchants Property Development Co., Ltd." (Zheng-Jian-Xu-Ke[2008]989) issued by China Securities Regulatory Commission, the Company issued 450,000,000 shares to existing A-share holders on November 26, 2008, among which 279,349,288 shares were subscribed by China Merchants Shekou Industrial Zone Co., Ltd. – one of the shareholders of the Company. The total capital shares of the Company increased up to 1,717,300,503 shares since then.

The headquarter of the Company is located in Shenzhen, Guangdong. The Company and its subsidiaries (referred to as "the Group") are mainly engaged in the business of property development, public utilities (water and power supply), and property management.

China Merchants Shekou Industrial Zone Co., Ltd. is the parent company of the Company, and China Merchants Group Ltd. is the ultimate holding shareholder.

C. (II) Main Accounting Policies, Estimations and Retrospecting of Previous Accounting Errors

1、 Basis of the Financial Statements

Basis of Presentation and Principle of Pricing

The accounting basis of the Group is the accrual system. Except that some financial tools are accounted according to fair value, the financial statements take the historical cost as the accounting basis. If assets impair, account the corresponding provisions for impairment in accordance with the relevant provisions.

2. Statement of compliance to the Enterprise Accounting Standard

The financial statements prepared by the Company comply with the requirement of New Accounting Standards, and are truly and completely reflecting the financial situations as of December 31, 2009 of both the company and consolidated, as well as the operation results and cash flow in the year of 2009 of the Company and consolidated as well.

3. Accounting period

The fiscal year of the Group is the solar calendar year, that is from January 1 to December 31.

4. Standard currency for bookkeeping

RMB is the primary currency in main economic environments, thus the Company and its domestic subsidiaries adopt RMB as the standard currency for bookkeeping. The business of the subsidiaries of the Group in Hong Kong, Singapore shall be accounted in Hong Kong Dollar. Standard currency used in this financial statement is RMB.

(II) Main Accounting Policies, Estimations and Retrospecting of Previous Accounting Errors – Cont.

5. Accounting treatment of the merging entities under common control and different control

Merger of companies refers to those trade or event that merges over two individual companies into one report subject. Merger of companies is divided into merger of enterprises under common control and merger of enterprises under different control.

Assets and liabilities acquired from merger of enterprises are recognized at consolidation day or purchasing day. Consolidation day or purchasing day is the date when the controlling power over the target enterprise are practically obtained, namely the date when the net asset or controlling power of business operation decision-making is transferred to the Company.

5.1 Merger of entities under common control

Both before and after the merger, the enterprises are under common control of sole party or several parties, and the controlling power is by no means temporary, it is regarded as merger of enterprises under common control. The party which obtained the controlling power over other parties participated in the merger at the merger day is referred to as the merging party, where the other parties are referred to as the merged party.

Assets and liabilities obtained by the merging party are calculated at their book value with the merged parties at the merger day. The differences between the book value of net assets and the book value of consideration price (or the total of face value of share issued) are adjusted to the share capital premium under the capital reserves. If the share capital premium is not enough to neutralize the difference, it will be adjusted to the retained gains.

Direct expenses occurred to the merging party for the merger are accounted into current gain/loss account when occurred.

5.2 Merger of entities under different control and goodwill

When the enterprises participated in the merger are not under controlling of the same party or group of parties, either before or after the merger, the merger is regarded as merger of enterprises under different control. At merging of enterprises under different control, the party which obtains power of control over other participants is regarded as the buying party, and the other parties are regarded as the bought parties.

For merger of enterprises under common control, the merger cost is the fair value of capital paid, liability occurred or undertaken, or equity instrument issued thereof, on the day of purchasing to obtain power of control over the bought party, and those expenses directly related to the merger. For merger done through multiple trades, the overall cost is the sum of cost of each single trade. If the merger contract provided faith on future events that may influence the merger cost, and the event has great possibility to happen, and its influence may be reliably measured, then it will be accounted into merger cost.

Recognizable assets, liabilities, and contingent liabilities obtained in merger of enterprises under different control, are measured at their fair value on the purchase day.

When the merger cost is greater than the share of fair value of recognizable net asset of the bought enterprise, the balance is recognized as goodwill. When the merger cost is lower than the share of fair value of recognizable net asset of the bought enterprise, revising will firstly be done on the merger cost and fair value of each recognizable assets, liabilities, and contingent liabilities of the bought party, and if the merger cost is still lower than the share of fair value of recognizable net asset of the bought enterprise, the balance will be accounted into current gain/loss account.

Goodwill and intangible assets formed by merger of enterprises, shall be verified annually for impairment. Verifying of goodwill is performed along with the asset group or combination of asset groups to which the goodwill is related. I.e. the book value of goodwill shall be reasonably amortized to the related asset group since the day acquired. Those can hardly be amortized to the related asset group shall be amortized to the combination of asset groups. Impairment loss is recognized when the retrievable value of the asset group or combination of asset groups including the goodwill is lower than its book value. Impairment losses shall be firstly amortized to the book value of goodwill of the asset group or combination of asset groups, then amortized to other assets in the group or combination of groups at their relative portions.

Retrievable value is the higher one of the net amount of fair value less disposal expenses and the current value of expected future cash flow the asset may cause. Fair value is determined according to a fair trade contract; for those without trade contract but has an active market, the fair value is determined at the price offered by the buyer; for those without trade contract and active market, the fair value can be determined according to the best information obtained. Disposal expenses include those legal expenses, taxes, truckage, and other direct expenses occurred in purpose of make the asset usable.

Current value of expected future cash flow of asset is decided according to the discounted amount at appropriate rate chosen according to expected future cash flow in the process of using till disposed finally.
Goodwill impairment will not be written back in subsequent fiscal periods as soon as it was recognized.

6. Preparing method of consolidated financial statements

Consolidation range is determined on the basis of control power for the consolidated financial statements. Control power means the Company has the ability to decide the financial and operation issues of another firm and can obtain profit from the firm’s business operation.

The Company adopts the date of gaining or losing power of control over the subsidiaries as the date of purchasing or disposal. For subsidiaries being disposed, their business result and cash flow before the disposal day have been appropriately demonstrated in the consolidated income statement and cash flow statement. For subsidiaries disposed in the current term, the initial amount of the consolidated balance sheet will not be adjusted. Subsidiaries added as merger of enterprises under different control, their operation results and cash flow after the purchase day have been appropriately demonstrated in the consolidated income statement and cash flow statement. The initial amount and comparison amount of the consolidated financial statement will not be adjusted. Subsidiaries added as merger of enterprises under common control, their operation results and cash flow from the beginning of current term to the merger day have been appropriately demonstrated in the consolidated income statement and consolidated cash flow

statement. And the comparison amount in the consolidated financial statement shall be adjusted accordingly.

The accounting policies and accounting periods of the subsidiaries are decided accord with the Company's accounting policies and accounting periods.

Trades and major accounts between the Company and subsidiary or any two subsidiaries shall be neutralized when consolidated.

Those share of owners' equity in the subsidiaries not attributable to the parent company are treated as minor shareholders' equity, and demonstrated as "minor shareholders' equity" under the shareholders' equity items in the consolidated balance sheet. The shares of minor shareholders' equity in net income of current term are demonstrated under "minor shareholders' gain/loss" under the net profit items in the consolidated income statement. When the share of losses attributable to the minor shareholders has exceeded their shares in the shareholders' equity at the beginning of term, if the Articles of Association of the Company has decided beforehand that the minor shareholders has the responsibility to undertake the losses and have the power to make up them, the shareholders' equity shall be deducted thereof. If not so, it will be deducted from the shareholders' equity attributable to the parent company of the Company. Profits produced by the subsidiary in subsequent periods are attributable to the shareholders' equity of the parent company of the Company before making up of the losses attributed to the minor shareholders but undertaken by the parent company of the Company.

7. Recognition basis of cash and cash equivalents

Cash refers to in-stock cash and bank savings which are available for payment whenever needed. Cash equivalent refers to the investment held by the Company with short term, strong liquidity and low risk of value fluctuation that is easy to be converted into cash of known amount.

8. Translation of businesses and accounts in foreign currency

8.1 Foreign currency businesses

Foreign currency transactions at initial confirmation shall be translated with the approximate exchange rate on the exchange date, the exchange rates which are approximate to the exchange rate on the exchange date shall be determined according to the spot exchange rate of the current month of the transaction.

At the balance sheet day, foreign currencies are translated to Renminbi at the instant exchange rate of that day, the exchange difference caused by difference of the instant rate at that day and the rate adopted in initial recognition, or the exchange rate adopted in previous balance sheet, are accounted into current gain/loss account, except for: (1) The exchange difference of special foreign currency borrowing satisfying the conditions of capitalization, which is capitalized and accounted into cost of related asset; (2) Exchange difference of hedge instruments for purpose of avoiding exchange risks is treated by the way of accounting on hedge instruments;(3) Exchange differences caused by sellable non-monetary items (shares for instance), and exchange differences caused by fluctuation of other book balance other than retained cost of sellable monetary items, are accounted into current income account.

Non-monetary items in foreign currency and measured with historical costs are still measured at standard currency with exchange rate of the day when the transaction is happened. Non-monetary foreign currency items in fair value are translated at the rate when the fair value is determined. Differences between the standard currency and original currency is handled as fair value fluctuation and accounted under current gain/loss account or other integrated income and recorded into capital reserves.

8.2 Translation of foreign currency accounts

When preparing of consolidated financial statements is involving in overseas business operation, if it is a foreign currency item practically formed net investment in overseas business, the difference caused by exchange rate fluctuation will be accounted under "difference of foreign currency translation" of shareholders' equity. When the overseas business is disposed of, it will be accounted into current gain/loss.

Foreign currency financial statements prepared for the Company's overseas businesses are translated by the following methods: All asset and liability items in the balance sheet are translated at the exchange rate of the balance sheet date; shareholders' equity items except for "retained profit" are translated at the exchange rate of the day when they happened; all items in the income statement and items reflecting the amount of profit distribution are translated at the similar exchange rate of the date when the trades happened; undistributed profit at the beginning of year is the undistributed profit translated at the end of previous year; undistributed profit at the end of year are demonstrated according to the calculation of profit distribution items after translated; the differences between the translated asset items and liability items and total amount of shareholders' equity items are demonstrated separately as difference of foreign currency statement translation under shareholders' equity items in the balance sheet.

When disposing of overseas businesses, those foreign currency statement translation differences displayed under shareholders' equity in balance sheet and related to the overseas businesses are fully or at the portion of the business transferred over to current gain/loss account regarding disposal.

Foreign currency cash flow and overseas subsidiaries' cash flow are translated on the similar exchange rate of the day when the cash flow was happened. Influences of exchange rate movement on cash and cash equivalents are regarded as adjustment items and demonstrated under "influence of exchange rates on cash and cash equivalents" in the cash flow statement.

The initial amount at the beginning of year and the practical amount of last year are presented according to the translated amount of the financial statements of last year.

9. Financial instruments

9.1 Deciding of fair value of financial assets and financial liabilities

Fair value is the amount in a fair trade decided mutually by the both parties doing the trade or debt clearance voluntarily and who are familiar with the situation. When there is an active market for the financial instrument, the value quoted at the active market is adopted by the Company as the fair value. Value quoted at the active market refers to the amount can be easily obtained from the exchange, brokers, industrial associations, or pricing institutions, and is representing the price practically used in market transactions. When there isn't any active market, fair value will be

recognized by evaluation techniques. Evaluation techniques include referencing to the prices adopted in latest voluntary transaction between parties with full understanding of the situation, referencing to the current fair value of other substantially similar financial instruments, discounted cash flow analysis, and future option pricing model.

(II) Main Accounting Policies, Estimations and Retrospection of Previous Accounting Errors – Cont.

9. Financial instruments – cont.

9.2 Categorizing, recognition and measuring of financial assets

Transactions of financial assets in common ways are recognized and terminated according to the accounting of the trading day. At initial recognition, financial assets are divided into financial assets measured at fair value that accounted into current gain/loss account by its variations, investment in possession till expiration, loans and receivables, and disposable financial assets. Fair values are adopted in initial recognitions of financial assets. For those financial assets measured by fair value and with variations accounted into current gain/loss account, the relative transaction expenses are accounted into current gain/loss account directly, while the transaction expenses of other categories are accounted into initial recognition amounts.

9.2.1 Financial assets measured by fair value and fluctuation accounted into current income account

Including transactional financial assets and financial assets measured by fair value and with variations accounted into current gain/loss account

Transactional financial assets are those satisfying one of the followings:(1) The purpose of acquiring the assets is to sell or repurchase them in a recent time;(2) It is part of the distinguishable financial instrument portfolio under collective management, and there is practical evidence showing that the Company is managing this portfolio by way of short term gain;(3) Belongs to derivative financial instrument, however except for those be recognized as effective hedging instruments, derivative instruments belongs to financial guarantee contract, connected to option instruments without quotation in active market and cannot be reliably measured for their fair value and can only be settled by delivery of this option instrument.

Financial assets satisfying one of the following conditions can be recognized as financial assets measured by fair value and with variations accounted into current gain/loss account:
(1) This recognition may eliminate or obviously reduce the divorce of gain or loss caused by adopting of different measuring basis of the particular financial asset;
(2) It has been stipulated by the official document regarding risk management or investment strategies, that the portfolio of financial assets or portfolio of financial assets and liabilities should be managed, evaluated and reported to key managements on basis of fair value.

Fair value basis is adopted in successive measurement of financial assets measured by fair value and with variations accounted into current gain/loss account. Gains or losses caused by variation of fair value and the dividend or interest related to the financial assets is accounted into current gain/loss account as well.

9.2.2 Investment held till due date

Refers to those non-derivate financial assets which has fixed expiration date, retrievable amount, and the Company has definite intention and ability to hold under its possession.

Accounting of investment hold till expiration is on actual interest rate basis, and successive measurement will upon retained cost after amortization, where the gains and losses occurred at termination recognition, impairment, or amortization, are accounted into current gain/loss account.

Actual interest rate basis refers to the method of calculating the amortized costs and every due interests at actual interest rate of financial assets or liabilities (including a group of financial assets or liabilities). Actual interest rate refers to the interest rates used in discounting of future cash flow of particular financial asset or liability during its existing period or applicable shorter time to the current book value.

9.2.2 Investment held till due date – cont.

At calculating of the actual interest rate, the Company predicts future cash flow with considering the financial assets or liabilities on the basis of all contract clauses (without considering future credit loss), as well as the costs, expenses, discounts or premiums paid between the parties of above contracts regarding the financial assets or liabilities of which can be regarded as part of the actual interest rates.

9.2.3 Loans and receivable accounts

They are referring to those non-derivate financial assets without quotation in the active market, but with fixed retrievable amount. Financial assets categorized under loans and receivables include notes receivable, account receivable, interest receivable, dividend receivable and other receivable.

Accounting of loan and receivable is on actual interest rate basis, and successive measurement will upon retained cost after amortization, where the gains and losses occurred at termination recognition, impairment, or amortization, are accounted into current gain/loss account.

9.2.4 Disposable financial assets

Includes those non-derivate financial assets recognized as disposable at initial recognition, and financial assets other than those accounted at fair value and variations accounted into current gain/loss, loans and receivable, and investment in possession till due.

Successive measurement of disposable financial assets is on fair value basis, gains or losses from variation of fair values, except for impairment loss and exchange difference of foreign currency financial assets related to retained costs, are accounted directly into shareholders' equity, and transferred over to current gain/loss at termination of such financial assets.

Interests obtained during the period of holding the disposable financial assets and cash dividend announced by the debtor are accounted into investment gains.

9.3 Impairment of financial assets

Except for financial assets accounted at fair value and variation accounted into current gain/loss account, the Company undertake inspection on the book value of other financial assets at each balance sheet day, whenever practical evidence showing that impairment occurred with them,

impairment provisions are provided.

Practical evidences on impairment of financial assets are the followings:

(1) The issuer or the debtor is in serious financial difficulty;
(2) The debtor has broken the conditions of contract, for instance default or overdue of payment for interest or principal;
(3) With consideration of economic or legal factors, the Company decided to give way to the debtor who is in financial difficulty;
(4) There is great possibility that the debtor will bankrupt or use other debt reorganizing process;
(5) Financial asset is not able to be traded in the active market because the issuer is in significant financial difficulty;

(6) It is hard to tell whether the cash flow of a particular asset in a portfolio has been declining, whereas upon overall evaluation, the Company discovered that the predicted cash flow of the portfolio has practically decreased since the initial recognition, and the decrease is quantifiable, including:
- The debtor of the portfolio is becoming worse in ability of making payments;
- Particular situation happened with the country or area where the debtor is located, which may cause obstructions for payment of the financial asset;
(7) Major negative change occurred with the technical, market, economical, or legal environment of the debtors business territory, which may cause obstructions for the investor to retrieve the investment;
(8) The fair value of right investment instrument is significantly decreasing or non-contemporarily decreasing;
(9) Other practical evidence showing that impairment has happened with the financial asset.

The Company performs impairment test separately on individual financial assets with major amounts; for financial assets without major amounts, the Company performs impairment test separately or inclusively in a group of financial assets with similar characteristics of risks. Those financial assets (individual financial assets with or without major amounts) tested separately with no impairment found shall be tested again along with the group of financial assets with similar risk characteristics. Financial assets confirmed for impairment individually shall not be tested along with the group of financial assets with similar risk characteristics.

- Impairment of investment in possession till expiration, loans, an receivables

Financial assets measured at cost or retained cost after amortization are written down to the current value of predicted future cash flow, the reduced amount is recognized as impairment loss and accounted into current gain/loss account. Upon recognized for impairment losses, if practical evidence showing that a particular financial asset has recovered in value, and practically related to the issues occurred after recognition of the loss, the recognized impairment loss is restored, the book value of the particular financial asset after the restoring of impairment loss shall not greater than the amortized cost at the day of restoring as if no impairment loss has ever been provided.

- Impairment of sellable financial assets

When impairment occurred with a sellable financial asset, the accumulated losses caused by decreasing of fair value which have originally been written into capital reserves shall be carried over to current gain/loss account, the accumulated loss carried over is the balance of initial cost

after deducting of retrieved principal, amortized amount, current fair value, and impairment originally accounted into gain/loss account.

If practical evidence showing that the value of a particular financial asset has recovered in value after a impairment loss has been recognized and practically related to the issues occurred after recognition of the loss, the impairment loss recognized shall be restored. Impairment loss of disposable equity investment instrument will be restored to other miscellaneous income, and the same of disposable liability instrument will be restored to current gain/loss account.

Impairment losses of right investment instrument without quotation in an active market and can't be reliably measured for its fair value, or derivative financial assets which must be settled by delivering of such right investment instrument shall not be restored.

9.4 Basis of recognition and accounting of financial asset transferring

Recognition will be terminated when a financial asset satisfies one of the following conditions:
(1) The rights setout by the contract by which the cash flow of the financial asset is collected have been terminated;
(2) The financial asset has been transferred to other parties along with almost all of the risks and rewards attached to the financial asset;
(3) The financial asset has been transferred to other parties, although neither transferred nor reserved the most risks and rewards attached to the financial asset, the Company gave away its controlling power over it.

If the firm neither transferred nor reserved almost all of the risks and rewards attached to the financial asset, and did not give away the control over the financial asset, then the relative financial asset is recognized to the extent of continuous involving in the financial asset, and relative liabilities as well. Continuous involving refers to the risk level of value fluctuation risk the financial asset may confront the firm.

When the overall transferring of particular financial asset has satisfied the conditions of termination, the difference between "the book value and offer in transferring" and "accumulation of fair value fluctuation which has been accounted into miscellaneous income" shall be accounted into current income account.

When partial transferring of particular financial asset has satisfied conditions of termination, the book value of transferred financial asset shall be amortized between the terminated part and un-terminated part according their corresponding fair value, and the difference between "the total of the offer received in transferring and the accumulative of fair value fluctuation originally accounted into other misc. income amortizable to termination part" and "amortizable aforesaid book value" shall be accounted into current income account.

9.5 Categorizing and measuring of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities measured by fair value with changes counted into current income account and other financial liabilities. Initial recognition of financial liabilities is on fair value basis. For financial liabilities measured by fair value with changes accounted into current income account, the related transaction expenses are accounted into current income account directly, as for other financial liabilities, the related transaction expenses are accounted into initially recognized amount.

9.5.1 Financial liabilities accounted at fair value and fluctuation accounted into current gain/loss

account

Recognition conditions of transactional financial liabilities and those being assigned to financial liabilities measured by fair value with changes counted into current income account are similar with those conditions of transactional financial assets and those being assigned to financial assets measured by fair value with changes counted into current income account.

Successive measurements of financial liabilities measured by fair value with changes counted into current income account are on fair value basis. Gains or losses due to change of fair value and dividend or interest payment related to the financial asset are counted into current income account.

9.5.2 Other financial liabilities

Derivative financial liabilities bonded to those equity instruments without quotation in an active market and cannot be reliably measured for fair value, and can only be settled by giving of the equity instrument, are measured on cost basis in successive measurement. Accounting of other financial liabilities is on practical interest basis; successive measurements are on amortized balance of cost; gains or losses due to termination recognition or amortizing are accounted into current income account.

9.5.3 Financial guarantee contracts

Financial guarantee contracts that cannot be classified to financial liabilities assigned to be calculated by fair value with changes accounted into current income account, are initially recognized at fair value. Successive measurement will be on the greater one between the amount recognized according to “Enterprise Accounting Standard No.13 – Contingent Issues” and the balance of initially recognized amount less accumulative amortization decided according to “Enterprise Accounting Standard No. 14 – Income”

9.6 Termination of financial liabilities

When the current liabilities of particular financial liability have been wholly or partially relieved, recognition of the financial asset or part of it can only be terminated. When the Group (the debtor) has entered an agreement with the creditor, by which the current financial liability is replaced by accepting of new financial liabilities, and the contract conditions are substantially different between the new and old contract, recognition of the financial liability is terminated, and the new financial liability is recognized at the meantime.

When a financial liability is wholly or partially terminated, the difference between the book value of the terminated part and offered value (including non-monetary asset transferred out or new financial liabilities accepted) shall be accounted into current income account.

9.7 Derivative financial instruments and embedded derivative instruments

Derivative instruments are initially measured on fair value basis at the day when the contracts are signed, and successive measurements are on fair value as well. Change of fair value of derivative instruments are accounted into current income account.

For combined instruments with embedded derivative instruments, in case they are not assigned as

financial assets or liabilities on fair value basis and changes accounted into current income account, there is no close relationship between the embedded derivative instruments and the main contract regarding financial and risk characteristics, and with same conditions, and the individual instrument is satisfying the definition of derivative instrument, the embedded derivative instrument shall be separated from the combined instrument and treated as if it is an individual derivative instrument. In case individual measurement is not able to be carried out on the embedded instrument at acquisition day or successive period, then the combined instrument is assigned to financial asset or liability accounted on fair value basis with changes accounted into current income account.

9.7.1 Convertible bonds

Convertible bonds containing liabilities and converting options issued by the Company are split and recognized separately at initial recognition. Where converting options settled by fixed amount of cash or exchanging of other financial assets for fixed amount of self equity instrument, are accounted as equity.

At initial recognition, the fair value of the liability part is determined with reference to the current market price of similar bonds without converting option. Balance of the whole issuing price of the convertible bonds less the fair value of the liability part is recognized as the price of converting option by which the holders may convert the bonds into equity instruments, and shall be accounted under “Capital reserves – other capital reserves (share converting option)”

9.8 Neutralizing of financial assets and financial liabilities

The Company is legally empowered to neutralize the recognized financial assets and financial liabilities. The power is currently executable. At the meantime, if the Company is about to liquidate by net amount or cash in the financial assets and discharge the financial liabilities simultaneously, the neutralized amounts of financial assets and liabilities are demonstrated in the Balance Sheet. Except for the above, financial assets and liabilities are demonstrated separately and shall not be neutralized by each other.

9.9 Equity instruments

Equity instruments are those contracts which can prove the retained equities in the asset the Group holds after deduction of all liabilities. The balance of equity instrument offer received at issuing less subscription expense is added to shareholders’ equity.

Interest allocations (exclude share dividend) to the equity instruments are deducted from shareholders’ equity. The Group don’t recognize fair value fluctuation amount of equity instruments.

10. Account receivable

10.1 Recognition and provision of bad debt provision on receivable accounts with large amount

Recognition criteria of bad debt provision on receivable accounts with large amount	The Group recognizes receivable accounts over RMB10 million as receivable accounts with large amount
Provision of bad debt provision on receivable accounts with large amount	The Company performs impairment test separately on individual financial assets with large amounts; those financial assets tested

	separately with no impairment found shall be tested again along with the group of financial assets with similar risk characteristics. Financial assets confirmed for impairment shall not be tested along with the group of financial assets with similar risk characteristics.

(II) Main Accounting Policies, Estimations and Retrospection of Previous Accounting Errors – Cont.

10. Account receivable – cont.

10.2 Recognition and providing of bad debt provisions on receivable accounts with minor amount but with greater risk after combined in the group with similar characteristics

Recognition basis of credit risk groups	Receivable accounts with minor amount individually and those with large amount but tested no impairment, are grouped according to their credit risks. These credit risks are usually reflecting the ability of repaying according to the contract of the debtor, and related to testing of future cash flow of the receivable account. Receivable accounts overdue for over 3 years are classified as minor amount but with greater risks after combining with risk group.
Providing method decided on the group of similar risks	When impairment testing by way of risk grouping, amount of bad debt provision is decided according to historical experiences and current economical situation and evaluated loss already exists with the groups.

10.3 Rate of bad debt provisions provided on account age basis

Age analysis method		
Age	Rate for receivables (%)	Rate for other receivables (%)
within 3 months (include)	1%	1%
3-6 months	2%	2%
6-9 months	3%	3%
9-12 months	5%	5%
1-2 years	10%	10%
2-3 years	30%	30%
3-4 years	50%	50%
4-5 years	80%	80%
over 5 yrs	100%	100%

11. Inventories

11.1 Categorizing and pricing of inventory delivered

The inventories shall measured according to the initial cost. Inventories are divided into real estate development products, raw materials, finished products and stocks, low-value and consumable products and others.

The real estate development products are the real estate development products under construction, development products which have been completed, the lands to be developed, etc. The actual costs of real estate development products include the land transfer amount, infrastructure expenses, and expenditures on construction and installation works, the borrowing costs before the completion of the development projects and other related costs. When the inventories are sent out, determine the actual cost by the individual valuation method.

(II) Main Accounting Policies, Estimations and Retrospecting of Previous Accounting Errors – Cont.

11. Inventories – cont.

11.1 Categorizing and pricing of inventory delivered – cont.

The actual costs of inventories include the purchase price, transportation cost, and insurance premium, taxes and other related costs for the expenses of making inventories reach the current site and state. When send out the inventories, determine its actual costs according to the method of weighted average.

Construction contracts are measured at actual costs, including related direct and indirect expenses occurred from signing to completion of the contract. Accumulated actual costs and accumulated recognized gross profit (loss) and settled prices are demonstrated at net value in the balance sheet after neutralization. The balance of "total of accumulated actual cost and accumulated recognized gross profit (loss)" over the "settled price" is demonstrated as inventory. The balance of "settled price" over "total of accumulated actual cost and accumulated recognized gross profit (loss)" is demonstrated as account received in advance.

Expenses such as travelling expenses and bidding expenses related to construction contract are accounted into contract cost when they can be distinguished and measured reliably, and the contract is possibly been engaged. Otherwise are accounted into current income account.

11.2 Recognition basis of realizable net value of inventory and providing basis of inventory impairment provision

On the balance sheet date, inventories are accounted depending on which is lower between the cost and the net realizable value. When its net realizable value is lower than the cost, provisions for impairment of inventories shall be drawn. Provisions for impairment of inventories shall be accounted according to the difference between the cost of individual inventory items and the net realizable value.

After providing of inventory impairment provision, if the impacting factors that caused impairment of inventory were eliminated, and the realizable value of the inventory becomes higher than the book value, the inventory impairment provision formerly provided shall be restored into current income account.

Realizable net value is, in daily transaction, the amount of predicted sales price less predicted cost at completion of construction, less predicted sales expense and tax. Recognition of realizable net value of inventory shall base on confirmed evidence obtained, with reference to the purpose to hold the inventory, and influence of post balance sheet issues.

11.3 Inventory system

Inventory system is the perpetual inventory system.

11.4 Amortizing basis of low-value consumable materials

Low-value consumables are amortized on one-off basis.

(II) Main Accounting Policies, Estimations and Retrospection of Previous Accounting Errors – Cont.

12. Long-term equity investment

12.1 Recognition of initial investment cost

For the long-term equity investment formed by corporate merger, if it is the long-term equity investment obtained from the corporate merger under the same control, the share of book value of owner's equity on the merger date shall be taken as the initial investment cost. The long-term equity investment obtained through the corporate merger under different control shall be taken as the initial investment cost of long-term equity investment. The other long-term investment besides the long-term equity investment formed by corporate merger shall conduct initial measurement according to its cost.

12.2 Successive measurement and recognition of gain/loss

For the long-term equity investments that have no joint control or significant influence and have no price in active market and the fair value can not be reliably measured, shall adopt the the cost accounting method; for the long-term equity investments that have joint control or significant influence, shall adopt the method of equity to account. For those without controlling, joint control or significant influence, and can be measured reliably for their fair values, they are accounted as sellable financial assets.

Meanwhile, the Company apply cost basis in accounting of long-term equity investment with substantial control.

12.2.1 Long-term equity investment on cost basis

When cost basis is adopted, long-term equity investments are measured at initial cost. Investment gains are recognized as the cash dividend or profit announced and distributed, except for those cash dividend or profit which have already included in the actual payment of offer when the investment was made.

12.2.2 Long-term equity investment on equity basis

When equity basis is adopted, if the initial cost of the long-term equity investment is greater than the share of fair value of the receiver's recognizable net asset, the initial investment cost of the long-term equity investment will not be adjusted; if the initial cost of the long-term equity investment is less than the share of fair value of the receiver's recognizable net asset, the balance shall be counted into current income account, and the cost of long-term equity investment shall be adjusted.

When equity basis is adopted, investment gain/loss of the current term is the share of net gains or losses of the investment receiver of the current year. Recognition of the share of net gains or losses of the investment receiver shall be on the basis of fair value of recognizable asset of the receiver when the investment was made, and recognized after adjustment on the net profit of the receiver in accordance with the Company's accounting policies and accounting period. For the gain/loss due to unrealised internal trade between the Company and co-operations, the share of the Company in this gain/loss shall be neutralized, and investment gains shall be recognized upon them. But the losses from unrealised trade between the Company and investment receivers which are regarded as losses from asset transferring according to "Enterprise Accounting Standard No.8 – Asset impairment" shall not be neutralized. Change of equities of the investment receiver other than net gains or losses shall be counted into shareholders' equity, and the book value of

long-term equity investment shall be adjusted correspondingly and recognized as other miscellaneous income and recorded in capital reserves.

Recognition of the share of net loss by the investment receiver shall be limited to when the book value of long-term equity investment and other long-term equity forms substantial net investment has been reduced to zero. Beside, if the Company is responsible for other losses of the investment receiver, predicted liability shall be recognized upon the prediction of responsibilities and recorded into current investment loss account. If the receiver realized net profit in the period thereafter, the share of gains is recovered after making up of share of losses which has not been recognized.

12.2.3 Purchasing of minority share equity

At preparing of consolidated financial statements, the difference between the newly added long-term equity investment due to purchasing of minority share equity and share of net asset calculated upon the new share portion from the date of acquisition (or date of consolidation) in continuous way, shall be adjusted in capital reserves, and when the capital reserves is not enough to be neutralized, the balance will be adjusted from the retained gains.

12.2.4 Disposal of long-term equity investment

In the consolidated financial statement, when the parent company partially disposes the long-term equity investment in the subsidiary without losing controlling power over it, the difference between the disposing price and the share of net asset corresponding to the disposed long-term equity investment is accounted into shareholders' equity. Disposal of long-term equity investment in other conditions, the difference between the book value and actual price received shall be accounted into current income account. For long-term equity investment accounted on equity basis, the part originally accounted into shareholders' equity is carried over to current income account at corresponding rate when disposed.

12.3 Basis of deciding the common control and major influence on the invested firm

Controlling power means the power over the firm's financial and operational decision-making, and can obtain profit from the operation of such firm. Mutual control means the controlling power on particular activity hold together with others against particular contract, and shall only take effect when all of the investment parties has collective affirmative opinions on the major financial or operational issues. Major influence means the power to participate in decision-making but cannot control or collectively control the same. At considering of substantial control or major influence of a firm, the potential voting right factors such as current convertible bonds or executable subscription options have been considered.

12.4 Impairment testing and basis of impairment provision

Impairment testing is performed on the long-term equity investment at each balance sheet date. In case of there is evidence showing impairment has occurred, the recoverable amount shall be assessed. If the recoverable amount is lower than the book value, the impairment provision shall be provided at the difference and accounted into current income account.

Once the impairment loss of a long-term equity investment is recognized, it shall not be written back in subsequent fiscal periods.

13. Investment property

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings. Furthermore, as for the idle estates hold by the Company and ready for rent, if the Board has made written resolutions to use them for rent and shall remain unchanged, they will be reported under investment real estate.

Investment real estate is measured according to the initial cost. The follow-up expenses that are related to investment real estate, if the economic interests related to the assets are is likely to inflow cost and its costs can be reliably measured, shall be included in the cost of investment real estate. The other follow-up expense shall be included in the current loss.

The Group adopts the cost model to have follow-up measurements of the investment real estate, and to conduct depreciation or amortization according to the policies that are in consistent with the land use rights.

Impairment testing is performed on investment property at each balance sheet day. When evidence showing that impairment has occurred, the recoverable value shall be assessed. Assessment of recoverable value is based on individual asset. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to. If the recoverable value of an asset is lower than its book value, the balance shall be provided for impairment provision and accounted into current income account.

Once impairment of investment property was recognized, it will not be written back in the subsequent fiscal periods.

Real estates for self use or inventories converted into investment real estate or investment real estate converted into real estate for self use, the book value before the conversion shall be taken as the recorded value after the conversion.

The difference of the income from the sale, transfer, dispose of the investment real estate deducting the book value and relevant taxes shall be included in the gains and losses in the current period.

14. Fixed assets

14.1 Recognition of fixed assets

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life.

14.2 Depreciation of various fixed assets

Initial measurement shall be conducted on fixed assets according to the actual cost when obtain them and also considering the expected costs for disposal. From the next month since reaching the intended use state, depreciations on fixed assets shall be accounted by using the method of average life length. The service life of fixed assets, expected net residual value and the year depreciation rate are as follows:

Categories	Depreciation age (yrs)	Salvage value rate %	Annual depreciation ratio (%)
Houses & buildings	10-50 yrs	5%-10%	1.8%-9.5%
Equipment & machinery	10–20 yrs	5%-10%	4.5%-9.5%
Electronics, furniture, appliances	5-10 yrs	5%	9.5%-19%
Transportation equipment	5-10 yrs	5%	9.5%-19%

Estimated salvage value refers to the amount of value retrieved after deducting of predicted disposal expense when the expected using life of a fixed asset has expired and in the expected state of termination.

14.3 Impairment test on fixed asset and providing of impairment provision

Impairment testing is performed on fixed asset at each balance sheet day. When evidence showing that impairment has occurred, the recoverable value shall be assessed. Assessment of recoverable value is based on individual asset. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to. If the recoverable value of an asset is lower than its book value, the balance shall be provided for impairment provision and accounted into current income account.

Once fixed asset impairment is recognized, it shall not be written back in subsequent fiscal periods.

14.4 Other remarks

Subsequent expenses related to particular fixed asses, if the financial benefit attached to the fixed asset is possibly inflowing and the cost can be measured reliably, are accounted into fixed asset cost, and the book value of the replaced part is recognized termination. Subsequent expense other than these are accounted into current income account when occurred.

The Company revises, at least once at the end of year, the useful life, estimated salvage value, and depreciation policies of the fixed assets. If any change happened, it will be treated as changing of accounting estimations.

Income from treatment of fixed asset disposing, transferring, discarding or damage, the balance after deducting of book value and relative taxes is recorded into current income account.

15. Construction-in-progress

Cost of construction in process is determined at practical construction expenditures, including all expenses during the construction, capitalized loan expenses before the construction reaches useful status, and other relative expenses. It is transferred to fixed asset as soon as the construction reaches the useful status.

Impairment testing is performed on construction in process at each balance sheet day. When evidence showing that impairment has occurred, the recoverable value shall be assessed. Assessment of recoverable value is based on individual asset. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to. If the

recoverable value of an asset is lower than its book value, the balance shall be provided for impairment provision and accounted into current income account.

Once impairment of construction impairment is recognized, it shall not be written back in subsequent fiscal periods.

16. Borrowing expenses

Borrowing expenses include borrowing interests, amortizing of discount or premium, auxiliary expenses, and exchange balances due to borrowings in foreign currencies. Borrowing expenses that can be attributed for purchasing or construction of assets that are complying with capitalizing conditions start to be capitalized when the payment of asset and borrowing expenses have already occurred, and the purchasing or production activities in purpose of make the asset usable have started; Capitalizing will be terminated as soon as the asset that complying with capitalizing conditions has reached its usable or saleable status. The other borrowing expenses are recognized as expenses when occurred.

Interest expenses practically occurred at the current term of a special borrowing are capitalized after deducting of the bank saving interest of unused borrowed fund or provisional investment gains; Capitalization amounts of common borrowings are decided by the weighted average of exceeding part of accumulated asset expenses over the special borrowing assets multiply the capitalizing rate of common borrowings adopted. Capitalization rates are decided by the weighted average of common borrowings.

In the capitalization period, all of the exchange differences of special borrowings in foreign currencies are capitalized; exchange differences of common borrowings in foreign currencies are accounted into current income account.

Assets satisfying the conditions of capitalization are those fixed assets, investment assets or inventories which need a long period of time to purchase, construct, or manufacturing before becoming usable.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization is suspended abnormally for over 3 months, capitalizing of borrowing expenses shall be suspended until the purchasing, construction, or manufacturing process is resumed.

17. Intangible assets

Intangible assets are those recognizable non-monetary assets without physical shape under the Company’s possess or control.

Intangible assets are measured by their costs. Those costs related to intangible assets, if the financial benefits are likely to inflow to the Company and can be reliably measured, then counted into intangible asset costs. Other expenditures related to intangible items are counted into current income account when occurred.

Land use rights purchased or by way of land using right payment for the Company’s own use are accounted as intangible assets; land use rights purchased or by way of land using right payment for developing of merchandise properties are accounted into property developing costs. For those

houses or buildings purchased from outside, the related payments are allocated between land use rights and buildings. Those which can hardly be allocated are treated as fixed assets collectively.

Those intangible assets with limited useful life are evenly amortized on straight basis from the date when they become useable to the end of expected useful life.

At end of report term, revising will be performed on the useful life of intangible assets with limited useful life and the methods of amortizing. If any change happened, it will be treated as changing of accounting estimations.

Impairment testing is performed on intangible assets at each balance sheet day. When evidence showing that impairment has occurred, the recoverable value shall be assessed. Assessment of recoverable value is based on individual asset. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to. If the recoverable value of an asset is lower than its book value, the balance shall be provided for impairment provision and accounted into current income account.
Once intangible asset impairment loss was recognized, shall not be written back in subsequent fiscal periods.

18. Long-term expenses to be amortized

Long-term amortizable expenses are those already occurred and amortizable to the current term and successive terms for over one year. Long-term amortizable expenses are evenly amortized to the benefit period.

19. Predicted liabilities

Responsibilities connected to contingent issues and satisfied all of the following conditions are recognized as predictive liabilities: (1) The responsibility is a current responsibility undertaken by the Company; (2) Fulfilling of the responsibility may lead to financial benefit outflow; (3) The responsibility can be measured reliably for its value.

At balance sheet day, with reference to the risks, uncertainty and periodic value of currency that connected to the contingent issues, the predicted liabilities are measured according to the best estimation on the payment to fulfil the current responsibility.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognized separated as asset. Though the compensated amount shall not greater than the book value of the predictive liability.

20. Turnover

20.1 Income from sales of goods

When main risks and rewards attached to the ownership of goods have been transferred to the buyer, reserved neither continuous management power nor effective control over the goods, incoming payment can be measured reliably, relative financial benefit possibly inflow to the company, cost occurred or will occur can be reliably measured, sales income of goods is recognized.

If the buyer of the property can stipulate the main structural factors of the design prior to starting

of construction, or can decide main structural alternation during the construction, and the construction agreement satisfies the definition of construction contract, the relative income and expenses are recognized according to "Enterprise Accounting Standard No.15 – construction contracts"; If the buyer of the property has limited ability to alter the design of property (for instance can only make minor alternation on the design), property sales income is recognized upon completion and acceptance of the property and the handover procedures were completed.

The sales income from power supply and water supply shall be recognized when the electricity and water have been provided and have received the right to collect the money.

20.2 Income from construction contracts

When the results of construct contracts can be reliably estimated, income and costs are recognized at the percentage of completion at the balance sheet day. Percentage of completion of the construction contracts are decided by estimation of completed work and other whole work.

Reliable estimation of construction results means satisfying of all of these conditions: (1) Overall income of the contract can be measured reliably; (2) Financial benefit attached to the contract is possibly inflow to the company; (3) Actual costs of the contract are distinguishable and can be reliably measured; (4) Progress of the work and expected costs can be reliably recognized.

If the results of construction contract are not able to reliably estimated, but the costs can be recovered, income shall be recognized at the cost actually recovered, contract costs are recognized as contract expenses at current term; if the costs are not recoverable, they are recognized instantly as contract cost rather than contract income. When the uncertain factors, which caused the results cannot be reliably estimated, were eliminated, income and expenses of the construction contract are recognized on completion percentage basis.

When the contract cost is predicted greater than the income, the predicted loss is recognized as current expenses.

20.3 Rental income

Rental income from operational rental properties are recognized as rental income toward periods within the contracted rental period on straight basis.

20.4 Income from property management fee

When the property management services have been provided and the income from property management will flow into the company and the relevant income and cost can be reliably measured, the property management income shall be recognized.

20.5 Interest income

Shall be determined and calculated according to the time of monetary capital and the actual rate.

(II) Main Accounting Policies, Estimations and Retrospection of Previous Accounting Errors – Cont.

21. Government allowance

Government subsidies are those monetary and/or non-monetary assets obtained from the government by free, but not include those capital input by the government by way of ownership. Government subsidies are classified to asset-related government subsidies and income-related government subsidies.

Monetary government subsidies are measured at the amount received or receivable. Non-monetary government subsidies are measured at fair value. If no fair value is available, nominal amount will be adopted. Government subsidies measured at nominal amount are accounted into current income account directly.

Asset-related government subsidies are recognized as differed income and accounted into current income evenly upon their useful life. Those income-related government subsidies used to neutralize relative expenses and losses of successive periods are recognized as differed income and accounted into current income at the period when the expenses are recognized; those used to neutralize relative expenses and losses which have already occurred are accounted into current income directly.

When a recognized government subsidy needs to be returned, if there is balance of relative deferred income, the booked balance of relative deferred income shall be neutralized, the exceeding part shall be accounted into current income account; if there is no relative deferred income, it will be accounted into current income account.

22. Differed income tax assets/ differed income tax liabilities

22.1 Income tax of current term

At the balance sheet date, the income tax liabilities (or assets) formed at current term or previous terms are measured by the predicted income tax payable according to the tax law. The taxable amount of income used in calculating of income tax expenses of current term is the result of adjusted accounting profit before tax of the current year according to the relative tax laws.

22.2 Deferred income tax asset and deferred income tax liabilities

The differences between the book values and taxable basis of certain assets and liability items, and provisional differences occurred between the book value and taxable basis which are not recognized as assets and liabilities, but may be recognized for taxable basis according to the law, are recognized as deferred income tax asset and deferred income tax liabilities on liability basis of the balance sheet.

Those taxable provisional differences, which are related to initial recognition of goodwill, and neither enterprise merger, nor initial recognition of assets or liabilities generated by trades make no influence on the accounting profit and taxable income (or deductible losses), are not recognized as relative differed income tax liabilities. Meanwhile, those taxable provisional differences related to investments in subsidiaries, joint businesses, and cooperative businesses, if the Company is able to control the writing back time of the provisional differences, and these provisional differences may neither be written back in an expectable future, are not recognized as relative differed income tax liabilities. Beside the above exemptions, all of the other taxable provisional differences are recognized as differed income tax liabilities.

Those deductible provisional differences, which are neither enterprise merger, nor initial recognition of assets or liabilities generated by trades make no influence on the accounting profit and taxable income (or deductible losses), are not recognized as relative differed income tax assets. Meanwhile, those deductible provisional differences related to investments in subsidiaries, joint businesses, and cooperative businesses, if these provisional differences may neither be written back in an expectable future, or may not possibly obtain taxable income used to deduct the provisional difference, are not recognized as relative differed income tax assets. Beside the above exemptions, to the extend of the amount of taxable income used to deduct the provisional difference which can possibly be obtained, all of the other taxable provisional differences are recognized as differed income tax assets.

Those tax deductions which can be used to deduct losses and can be carried on to future years, to the extend of the amount of taxable income used to deduct the deductible losses and deductible tax which can possibly be obtained, are recognized as corresponding differed income tax assets.

At the balance sheet day, those differed income tax assets and income tax liabilities, according to the tax law, calculation will be on tax rate applicable to retrieving period of assets or clearing of liabilities.

At the balance sheet day, verification will be performed on the book value of differed income tax assets. If it is not possible to obtain enough taxable income to neutralize the benefit of differed income tax assets, then the book value of the differed income tax assets shall be reduced. Whenever obtaining of taxable income became possible, the reduced amount shall be restored.

22.3 Income tax expense

Income tax expenditures include current income tax and differed income tax.

Except for those current income taxes and differed income taxes related to trades which are directly accounted into shareholders' equity are accounted into shareholders' equity, and differed income tax generated by merger of businesses are adjusted in the book value of goodwill, all other current income taxes and differed income taxes expenditures or incomes are accounted into current gain/loss account.

22.4 Neutralizing of income tax

When accounting with net amount is a stipulated rights, and tending to account with net amount or acquire of asset and clearing of debts are performed simultaneously, the income tax asset and liabilities of the current term are accounted at net amount after neutralization.

When accounting of income tax asset and liabilities of current term with net amount is the stipulated rights, and the income tax asset and liabilities are related to the same subject recognized by the same taxation authority, or to the different subjects but within each period of writing back the differed income tax asset and liabilities with great importance, and tending to account with net amount or acquire of asset and clearing of debts are performed simultaneously, the income tax asset and liabilities of the current term are accounted at net amount after neutralization.

23. Operational leasing and financial leasing

Financial leases are those which all of the risks and rewards attached to the assets have been substantially transferred, regardless its ultimate ownership will be transferred or not. Leases other than this are regarded as operational lease.

23.1 Recording of operational lease businesses in which the Company is the undertaker

Rentals paid for operational lease are amortized to relative asset cost or current gain/loss account on straight basis to each term covered by the rental period. Initial direct expenses accounted into current gain/loss account. Contingent rentals are accounted into current gain/loss account as soon as happened.

23.2 Recording of operational lease businesses in which the Company is a lender

Rental income from operational rental property are recognized as current gain/loss at straight basis to periods in the rental period. Initial direct expenses with large amount are capitalized as occurred, and accounted into current income account at the same base periods same as recognition of rental income to the whole rental period. Initial direct expense with minor amount are accounted into current income account at occurring. Contingent rental is accounted into current income account as occurring.

24. Employee wages

In the accounting period when the employees served the Company, the remunerations payable to the employees are recognized as liabilities.

According to the regulations, the Company has participated in the social security system setup by the government, including endowment insurance, medical insurance, housing reserves, and other social security policies. Corresponding expenses are accounted into relative asset cost or current income account.

When a employee is dismissed before expiring of the employment contract, or proposed compensation for voluntary disengaging, if the Group has produced an official disengagement scheme or voluntary disengaging proposal and will implement them, and these scheme or proposal are irrevocable, predicted liability shall be recognized and accounted into current income account.

25. Change of main accounting policies

In the report term, according to the requirement of "Interpreting Enterprise Accounting Standard No. 3" issued by Department of Finance in 2009, the Company changed the following accounting policies:

Changes on the accounting policy and reason	Approval procedures	Subjects of the account influenced	Amount of influence
Before January 1, 2009, the long-term equity investment accounted on cost basis, the investment equity is limited to the share of accumulative net profit of the invested firm since accepting of the investment, the part of profit or cash dividend announced by the firm over the above amount, are treated as retrieving of investment cost, and offset from the book value of long-term investment. According to the "Interpreting Enterprise Accounting Standard No.3", since January 1, 2009, the accounting policy on long-term equity investment on cost basis adopted by the Group is described in Note (II)12. Calculating of the change of accounting policy will be on future applying basis.	Approved at the 13th meeting of the 6th term of Board held on April 18, 2010	Equity investment as of December 31, 2009 and investment gains of 2009	-
Originally the Group discloses business segment information by industries and territories, and now business segments are decided by the internal structure, administration requirements, and internal reporting system, and information disclosure is on the new business segment. For better understanding of the reader of the financial statement, we provided comparison data of previous year for reference. See Note (X) for details.	Approved at the 13th meeting of the 6th term of Board held on April 18, 2010	Segment report	-

(III) Taxation

1、Main categories and rates of taxes

Class of tax	Tax basis	Tax rate
Enterprise income tax	Amount of income taxable	(Note 1)
Business tax	Income from sales or leasing of property	5%
VAT	Income from sales of goods (Note 2)	17%
	Income from power supply (Note 2)	17%
	Income from water supply	6%
Land VAT	Income from property sales – amount of deducted items	on ultra-progressive tax rate of 30%-60%
Contract tax	Amount received for land use rights and estates	3%
Property tax	70% of the original value of estates (Note 3)	1.2%
City maintenance and construction tax	Operational tax (or VAT paid)	1%-3%
Education surtax	Operational tax (or VAT paid)	3%

Note 1: Except for businesses in the following areas, the income tax rate for other subsidiaries of the Company is 25%.

	Tax rate	Note
Shenzhen and Zhuhai	20%	(1)
Hong Kong	16.5%	(2)

(1) Shenzhen and Zhuhai are special economical zones. According to document Guo-Fa (2007)39 issued by National Government, since January 1, 2008, enterprises originally enjoy preferential tax rates will shift to statutory rates gradually in five years upon implementing of the new Tax Law. In which enterprises enjoys 15% of corporation tax will be subject to 20% of corporation tax in 2009. Therefore the subsidiaries of the Company located in Shenzhen and Zhuhi are subject to 20% of corporation tax.

(2) According to "Taxation Act" of Hong Kong, enterprises located in Hong Kong are subject to 16.5% of corporation tax.

Note 2: VAT is the balance of output tax less deductible input tax. Output tax is calculated according to the sales income and taxable rate set forth by the relative taxation laws.

Note 3: The fixed assets of buildings and rental properties are subject to the payment of property tax upon 70% of their original book value and stipulated tax rate. In which the newly constructed buildings are exempted from property taxes in 3 years since documented by the tax bureau.

2. Preferential tax and approving documents

As approved by the Ministry of Finance and National Tax Bureau General with document 财关

税[2009]21 号, in the period from January 1, 2009 to December 31, 2009, the electric power imported by Shenzhen China Merchants Power Supply Co., Ltd. from Hong Kong is on the basic amount of 560 million Kwh. The VAT on the amount lower than the basic amount will be refunded at 30%, where the amount beyond the basic amount is subject to the import VAT according to the regulations.

(IV) Merger of enterprises and consolidated financial statements

1. Particulars of the subsidiaries

(1) Subsidiaries acquired through incorporation or investment

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Ruijia Investment Industrial Ltd.	Ltd. liability	HK	Investment	HKD20,000	Investment	19,919	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen Taige Apartment Management Co., Ltd.	Ltd. liability	Shenzhen	Hotel service	RMB1,000	Indoor golf court, Property rental, restaurant, shopping mall, sales of water supply facilities	1,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen Maitesi Civil Engineering Co., Ltd.	Ltd. liability	Shenzhen	Engineering	RMB9,000	Water supply pipe engineering	8,100	-	90%	90%	Yes	573,800	326,200	-
Shekou Xinghua Industrial Holdings Co., Ltd.	Ltd. liability	Shenzhen	Property development	HKD47,420	Real-estate and other properties	38,065	-	65.07%	65.07%	Yes	37,433,704	-	-
Shekou Zhaofa Property Co., Ltd.	Ltd. liability	Shenzhen	Property	RMB36,000	Building of commercial houses and auxiliary facilities	36,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Guangzhou Wende Property Management Co., Ltd.	Ltd. liability	Guangzhou	Property	RMB600	Property management	600	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen CM Property Consultancy Ltd.	Ltd. liability	Shenzhen	Property agency	RMB2,000	Real-estate operation, information & consulting	2,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shanghai China Merchants Properties Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development and sales of construction materials	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Guangzhou China Merchants Real-estate Co., Ltd.	Ltd. liability	Guangzhou	Property development	RMB50,000	Specialized property development, leasing and sales	50,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(IV)Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
CM Property (Beijing) Ltd.	Ltd. liability	Beijing	Property development	RMB20,000	Property development and sales	20,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
China Merchants (Suzhou) Co., Ltd.	Ltd. liability	Suzhou	Property development	RMB30,000	Property development, operation and sales	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
CM (Chongqing) Ltd.	Ltd. liability	Chongqing	Property development	RMB30,000	Property development, leasing of self-owned properties	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen City Main Plaza Investment Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB10,000	Industry and domestic commerce	10,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shanghai China Merchants Real-estates Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
CM (Nanjing) Ltd.	Ltd. liability	Nanjin	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Tianjin China Merchants Properties Co., Ltd.	Ltd. liability	Tianjin	Property development	RMB40,000	Property development, sales, and services	30,000	-	75%	75%	Yes	12,675,545	-	-

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Shenzhen China Merchants Xin'an Properties Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB25,000	Leasing of self-owned properties	36,803	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Beijing CM Property Management Co., Ltd.	Ltd. liability	Beijing	Property	RMB5,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	4,000	-	80%	80%	Yes	4,734,444	-	-
Nanjing CM Property Management Co., Ltd.	Ltd. liability	Nanjin	Property	RMB5,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shanghai CM Property Management Co., Ltd.	Ltd. liability	Shanghai	Property	USD 620	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,130	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Wuhan CM Property Management Co., Ltd.	Ltd. liability	Wuhan	Property	RMB5,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
CM Property Management (HK) Ltd.	Ltd. liability	HK	Property	HKD 10	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	11	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen China Merchants Property Management Co., Ltd.	Ltd. liability	Shenzhen	Property	RMB11,200	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	11,200	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Zhangzhou CM Property Management Ltd.	Ltd. liability	Zhangzhou	Property	RMB500	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	500	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen CM Qile Property Management Ltd.	Ltd. liability	Shenzhen	Property	RMB2,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	1,200	-	60%	60%	Yes	(981,629)	800,000	-
Zhangzhou CM Honglong Property Ltd.	Ltd. liability	Zhangzhou	Property development	RMB40,000	Property development and sales	38,448	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Foshan Xincheng Property Co., Ltd. (Note 1)	Ltd. liability	Foshan	Property development	USD127,000	Property development, sales, and services	478,690	-	50%	60%	Yes	488,733,343	-	-
Huipeng Property Development Co., Ltd. (Note 1)	Ltd. liability	HK	Property development	HKD 10	Property development, sales, and services	5	-	50%	60%	Yes	(55,486,841)	5,000	-
Suzhou Shuanghu Property Co., Ltd. (Note 1)	Ltd. liability	Suzhou	Property development	USD 244,000	Property development, sales, and services	746,105	-	50%	60%	Yes	688,347,927	57,757,073	-
Tianjing Zhaosheng Property Co., Ltd.	Ltd. liability	Tianjin	Property development	RMB 30,000	Property development, sales, and services	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Suzhou CM Nanshan Property Co., Ltd.	Ltd. liability	Suzhou	Property development	RMB 100,000	Property development, sales, and services	60,000	-	60%	60%	Yes	82,645,197	-	-
Shenzhen CM Anye Investment Development Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB 10,000	Industrial investment, domestic commerce	5,100	-	51%	51%	Yes	4,243,268	656,732	-
Shanghai CM Minsheng Property Ltd.	Ltd. liability	Shanghai	Property development	RMB 30,000	Property development, interior decoration, construction material sales	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shanghai CM Fengsheng Property Ltd.	Ltd. liability	Shanghai	Property development	RMB 30,000	Property development, interior decoration, construction material sales	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen CM Construction Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB 50,000	Construction engineering, decoration, elevator, air conditioner maintaining, sales of construction materials	50,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Guangzhou Qidi Tech & Science Investment Co., Ltd.	Ltd. liability	Guangzhou	Property development	RMB30,000	Ventual Investment	21,777	-	72.59%	72.59%	Yes	6,966,564	1,256,436	-
Foshan Xinjie Property Co., Ltd. (Note 1)	Ltd. liability	Foshan	Property development	USD 219,800	Property development, sales, and services	1,511,578	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Heighten Holdings Limited	BVI (British Virgin Island)	British Virgin Island	Investment	USD 0.002	Investment	11	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Converage Holdings Limited	BVI	British Virgin Island	Investment	USD 0.002	Investment	11	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
China Merchants Properties (Chongqing) Co., Ltd.	Ltd. liability	Chongqing	Property development	RMB 30,000	Property development, interior decoration, sales of construction material	30,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
China Merchants Jiaming (Beijing) Property Development Co., Ltd.	Ltd. liability	Beijing	Property development	RMB 350,000	Property development, interior decoration, sales of construction material	175,000	-	50%	60%	Yes	174,859,966	140,034	-
Shenzhen CM Commercial Development Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB 51,000	Developing of commercial property, operation, management, leasing, investment in industry	51,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Beijing Kanglade Property Development Co., Ltd.	Ltd. liability	Beijing	Property development	RMB 30,000	Property development, sales of its products, hotel development, import & export of goods and technologies	18,000	-	60%	60%	Yes	11,280,322	719,678	-

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Chongqing China Merchants Property Development Co., Ltd. (Note 3)	Ltd. liability	Chongqing	Property development	USD 99,990	Developing, leasing, sales and management of property	682,781	-	100%	100%	Yes (Note 3)	Not applicable	Not applicable	Not applicable
Chengdu China Merchants Beihu Property Co., Ltd. (Note 4)	Ltd. liability	Chengdu	Property development	RMB 50,000	Property development, project investment, property agency, and management service	50,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Tianjin Gangwei Property Development Co., Ltd. (Note 5)	Ltd. liability	Tianjin	Property development	RMB 15,000	Property development, sales, leasing, management and information service	15,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen China Merchants OCT Investment Co., Ltd. (Note 6)	Ltd. liability	Shenzhen	Property development	RMB 100,000	Property development, management, agency, and decoration	50,000	-	50%	57%	Yes	279,628,031	-	-
Shenzhen China Merchants Electric Power Measurement Co., Ltd. (Note 7)	Ltd. liability	Shenzhen	Power supply	RMB 1,500	Special measurement technologies authorized by Shenzhen Quality and Technical Supervisory Bureau	1,500	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(1) Subsidiaries acquired through incorporation or investment – cont.

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Pride Oasis Limited(Note 3)	BVI	British Virgin Island	Investment	USD 0.002	Investment	USD 0.05	-	50%	60%	Yes	341	-	-
Cosmo City Limited(Note 3)	Ltd. liability	HK	Investment	USD 0.002	Investment	USD 0.05	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
China Merchants Garden City (Beijing) Property Development Co., Ltd. (Note 8)	Ltd. liability	Beijing	Property development	RMB 20,000	Property development, sales, and services	-	-	100%	100%	No (Note 8)	Not applicable	Not applicable	Not applicable
Chengdu China Merchants Property Co., Ltd.	Ltd. liability	Chengdu	Property development	RMB 50,000	Property development, sales, and services	-	-	60%	60%	No (Note 9)	Not applicable	Not applicable	Not applicable

(2) Subsidiaries acquired through merger of entities under common control

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Shenzhen China Merchants Property Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB 500,000	Property development and sales	3,492,312	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen CM Power Supply Co., Ltd.	Ltd. liability	Shenzhen	Power supply	RMB 57,000	Power supply and sales	592,978	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Shenzhen CM Water Supply Co., Ltd.	Ltd. liability	Shenzhen	Water supply	RMB 43,000	Water supply and installations	70,766	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Zhangzhou China Merchants Properties Co., Ltd.	Ltd. liability	Zhangzhou	Property development	RMB 50,000	Property development and sales	25,500	-	51%	51%	Yes	49,927,658	-	-

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

(2) Subsidiaries acquired through merger of entities under common control

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
China Merchants Property Management Co., Ltd.	Ltd. liability	Shenzhen	Property	RMB25,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	169,200	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(3) Subsidiaries merged under different control

Full name of the subsidiary	Ownership of the subsidiary	Reg. Add.	Business property	Registered capital (x 1000)	Business Scope	Actual capital input as of end of term (RMB'000)	Balance of other items actually formed net investment in the subsidiaries	Share proportion %	Voting power %	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders	Balance of owners' equity of the parent company after deducting of the share of loss of current term by minor shareholder over the share of owners' equity in the subsidiary at beginning of term
Shanghai CM Fengrui Property Ltd.	Ltd. liability	Shanghai	Property development	RMB 10,000	Property development, interior decoration, sales of construction material	10,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Zhuhai China Merchants Property Co., Ltd. (original Zhuhai Huifeng Property Co., Ltd.)	Ltd. liability	Zhuhai	Property development	RMB 8,000	Property development and sales	8,000	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable
Zhuhai Yuanfeng Property	Ltd. liability	Zhuhai	Property	RMB	Property	4,080	-	51%	51%	Yes	(413,722)	3,920,000	-

Co., Ltd.			development	8,000	development and sales								
Shanghai Fengyang Property Development Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB 30,000	Property development and sales	353,250	-	60%	60%	Yes	238,131,805	-	-
Shenzhen Meiyue Properties Consultants Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB 1,000	Property consultancy, planning and brokerage	82,666	-	100%	100%	Yes	Not applicable	Not applicable	Not applicable

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

Note 1: Through its subsidiary Ruijia Investment & Industry Co., Ltd., the Company indirectly holds 50% of the voting capital of Foshan Xincheng Real Estate Co., Ltd., Huipeng Real Estate Co., Ltd., and Suzhou Shuanghu Real Estate Co., Ltd. respectively. Because the Company holds the majority amount of voting capital in these companies, and hence substantially controls over the financial and business operations of these companies. Thus the Company includes them in the consolidate range of the consolidated financial statements. Since Huipeng Real Estate Co., Ltd. is holding 100% of the equity capital of Foshan Xinjie Real Estate Co., Ltd., Foshan Xinjie Real Estate Co., Ltd. is included in the consolidation range.

Note 2: China Merchants Jianming (Beijing) Property Co., Ltd. was founded jointly by Shenzhen CM Property Co., Ltd. and Jianming Investment Co., Ltd., in which Shenzhen CM Real-Estate invested RMB100 million and take 50% of capital shares. For the Company is holding major voting rights in the board of the company through Shenzhen CM Property, thus take control over the financial and business decisions. Therefore it was included in the consolidation range.

Note 3: In December 2009, Converage Holdings Limited – one of the subsidiaries of the Company, subscribed 50 shares of Pride Oasis Limited (face value USD1.00) with USD50. After the subscription, the Company holds 50% of the voting rights of Pride Oasis Limited. For the Company holds the majority voting rights in Pride Oasis Limited and holds control over the financial and operational decisions, Pride Oasis Limited is included in the consolidated financial statements. Since Pride Oasis Limited holds 100% of the equity of Cosmo City Limited, Cosmo City limited is included in the consolidated financial statements too.

Upon completion of the above acquisition, Cosmo City Limited invested to establish Chongqing China Merchants Property Development Co., Ltd. in December 2009 and holds 100% of its share and voting rights. Thus Chongqing China Merchants Property Development Co., Ltd. is included in the consolidated financial statements.

Note 4: In November 2009, the Company invested RMB50 million to establish Chengdu China Merchants Beihu Property Co., Ltd. and holds 100% of its share equity. It is included in the consolidated financial statements.

Note 5: In October 2009, Suzhou Shuanghu Property Co., Ltd.- a subsidiary of the Company invested RMB15 million to establish Tianjin Gangwei Property Development Co., Ltd. and held 100% of its share equity. It is included in the consolidated financial statements.

Note 6: Shenzhen China Merchants OCT Investment Co., Ltd. was established jointly by Shenzhen China Merchants Real-estate Co., Ltd. – a subsidiary of the Company and Shenzhen OCT Real-estate Co., Ltd. on 50-50 basis of shares and voting rights. In October 2009, as approved by the shareholders' meeting, Shenzhen China Merchants Real-estate Co., Ltd. assigned one more director to Shenzhen China Merchants OCT Investment Co., Ltd., leading to the Company's substantial control over the finance and operation decisions of Shenzhen China Merchants OCT Investment Co., Ltd. Therefore it has been

consolidated since October 1, 2009.

(IV) Merger of enterprises and consolidated financial statements – cont.

1. Particulars of the subsidiaries – cont.

Note 7: In July 2009, the Shenzhen China Merchants Power Supply Co., Ltd. – one of the Company's subsidiaries, invested RMB1.5 million to establish Shenzhen China Merchants Electric Power Measurement Co., Ltd. and holds 100% of the share equity. It is included in the consolidated financial statements.

Note 8: China Merchants Garden City (Beijing) Property Development Co., Ltd. – one of the subsidiaries of the Company was closed in August 2009, and has been excluded from the consolidated financial statements since September 1, 2009.

Note 9: Chengdu China Merchants Property Co., Ltd. – one of the subsidiaries of the Company, was closed in December 2009, and has been excluded from the consolidated financial statements since December 31, 2009.

(4) Voting rights of the Group on above companies are decided by the voting rights in each board of directors of the companies.

2. Entities newly consolidated and excluded

(1) Subsidiaries newly consolidated

In RMB

Name	Net asset at end of term	Net profit of the current term (loss)
Chongqing China Merchants Property Development Co., Ltd.	682,781,715	-
Shenzhen China Merchants OCT Investment Co., Ltd.	559,256,063	413,257,655
Chengdu China Merchants Beihu Property Co., Ltd.	49,630,263	(369,737)
Tianjin Gangwei Property Development Co., Ltd.	14,801,391	(198,608)
Shenzhen China Merchants Electric Power Measurement Co., Ltd.	1,435,125	(64,874.94)
Pride Oasis Limited	682.85	-
Cosmo City Limited	(443.52)	-

(2) Subsidiaries excluded

In RMB

Name	Net asset at day of disposal	Net profit from beginning of term to the date of disposal (loss)
CM Garden City (Beijing) Property Development Co., Ltd.	13,508,149	(30,915)
Chengdu CM Property Ltd.	48,189,773	(34,084)

Note: The above companies have been deregistered and were not included in the consolidated financial statements.

3. Exchange rate of main accounts of overseas businesses

In RMB

Currency	Balance Sheet	Income Statement
HKD	0.8805	0.8813

(V) Notes to the consolidated financial statements

1. Cash and cash equivalents

In RMB

Items	Ending balance			Beginning balance		
	Original currency	Exchange rate	Amount RMB	Original currency	Exchange rate	Amount RMB
Cash:						
RMB	37,271	1.00	37,271	50,001	1.00	50,001
HKD	6,519	0.88	5,740	20,276	0.88	17,836
Bank account:						
RMB	8,524,304,914	1.00	8,524,304,914	6,884,738,331	1.00	6,884,738,331
USD	36,388,061	6.83	248,474,062	68,154,853	6.83	465,827,107
HKD	3,224,701	0.88	2,839,080	8,388,656	0.88	7,393,460
Other cash and cash equivalents (Note)						
USD	102,892,290	6.83	702,599,868	2,690,200	6.83	18,386,441
RMB	11,230,000	1.00	11,230,000	12,720,371	1.00	12,720,371
Total			9,489,490,935			7,389,133,547

Note: Balance of other cash and cash equivalents is mainly the capital verification accounts, future foreign currency contracts, and deposit for project guarantee letters.

2. Transactional financial assets / liabilities

(1) Details:

In RMB

Items	Ending balance of fair value	Beginning balance of fair value
Transactional financial assets:		
1. Transactional bond investment	-	-
2. Transactional equity instruments	-	-
3. Financial assets defined to measured at fair value and fluctuation accounted into current gain/loss account	-	-
4. Derivate financial assets	6,437,479(Note)	97,331,980
5. Others	-	-
Total	6,437,479	97,331,980
Transactional financial liabilities:		
1. Transactional bond investment	-	-
2. Transactional equity instruments	-	-
3. Financial liabilities defined to measured at fair value and fluctuation accounted into current gain/loss account	-	-
4. Derivate financial liabilities	12,829,413(Note)	-
5. Others	-	-
Total	12,829,413	-

Note: This was the fair value at year end of non-deliverable forwards by Ruijia Investment Industrial Co., Ltd. and ING Bank N.V., Hong Kong Branch. As of December 31, 2009, the nominal principal amounted to USD290,229,000. Such contracts will expire during the period from February 3, 2010 to November 26, 2010.

3. Account receivable

(1) Account receivable disclosed by category

In RMB

Categories	Ending balance				Beginning balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
Single receivable account with mass amount (Note 1)	-	-	-	-	-	-	-	-
No major amount individually but with great risk after combined with others with similar credit risk	4,869,129	4%	2,998,082	56%	4,700,950	4%	2,793,814	54
Other non-material receivables	119,402,874	96%	2,311,025	44%	107,640,526	96%	2,369,783	46
Total	124,272,003	100%	5,309,107	100%	112,341,476	100%	5,163,597	100

Note: Single receivable account with mass amount is defined to account over RMB10 million.

Aging of account receivable:

In RMB

Age	Ending balance				Beginning balance			
	Amount	Proportion %	Bad debt provision	Book value	Amount	Proportion %	Bad debt provision	Book value
within 1 yr	114,517,835	92%	2,176,502	112,341,333	106,050,263	94%	2,312,665	103,737,598
1-2 years	4,360,465	4%	120,106	4,240,359	1,420,716	1%	25,136	1,395,580
2-3 years	524,574	-	14,417	510,157	169,547	1%	31,982	137,565
Over 3 yrs	4,869,129	4%	2,998,082	1,871,047	4,700,950	4%	2,793,814	1,907,136
Total	124,272,003	100%	5,309,107	118,962,896	112,341,476	100%	5,163,597	107,177,879

(2) During the reporting period there is no amount due from shareholders with 5% or above of interest in the Company.

(3) Top 5 account receivables

In RMB

Name of the companies	Relation with the Company	Amount	Aging	Percentage of total account receivables
Yiyunxigu Phase I, House No.1	Customer	8,050,000	within 1 yr	7%
Juxin Technologies Co., Ltd.	Customer	6,755,953	within 1 yr	5%
Yiyunxigu Phase II, Block 9, Flat 102	Customer	5,100,000	within 1 yr	4%
Shenzhen Rainbow Shopping Mall Co., Ltd.	Customer	3,314,533	within 1 yr	3%
Shenzhen Shengdi Investment Development Co., Ltd.	Customer	1,800,000	within 1 yr	1%
Total		25,020,486		20%

(4) The balance of account receivable does not include any amount due from any related parties.

(V) Notes to the consolidated financial statements – cont.

4. Other account receivable.

(1) Other account receivable disclosed by category

In RMB

Categories	Ending balance				Beginning balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
Other receivable with major individual amount (Note)	1,852,727,261	96%	-	-	819,625,246	92%	108,033,906	98%
No major amount individually but with great risk after combined with others with similar credit risk	3,839,254	-	1,745,947	75%	3,171,213	-	1,721,148	2%
Other minor other receivables	72,276,842	4%	588,167	25%	65,754,811	8%	290,088	-
Total	1,928,843,357	100%	2,334,114	100%	888,551,270	100%	110,045,142	100%

Note: Note: Single other receivable account with mass amount is defined to account over RMB10 million.

Aging of other account receivable:

In RMB

Age	End of term				Beginning of term			
	Amount	Proportion %	Bad debt provision	Book value	Amount	Proportion %	Bad debt provision	Book value
within 1 yr	1,849,097,605	96	40,196	1,849,057,409	625,184,871	71	59,823	625,125,048
1-2 years	73,203,703	4	534,946	72,668,757	258,550,646	29	108,049,251	150,501,395
2-3 years	2,702,795	-	13,025	2,689,770	1,644,540	-	214,920	1,429,620
Over 3 yrs	3,839,254	-	1,745,947	2,093,307	3,171,213	-	1,721,148	1,450,065
Total	1,928,843,357	100	2,334,114	1,926,509,243	888,551,270	100	110,045,142	778,506,128

(2) Other receivable accounts written off in the reporting period

In RMB

Name of the companies	Nature	Amount written off	Reason	In relating to related party transaction?
Nanjing State Land Resource Bureau	Deposite for land bidding	107,862,404	(Note)	No
Total		107,862,404		

Note: In December 2007, Ruijia Investment & Industrial Co., Ltd. – a subsidiary of the Company, and Shichuang Investment Co., Ltd. – a subsidiary of The Wharf (Holdings) Limited (Hong Kong), won the bid for the land use rights of Land G82 located in Xianlinhu, Qixia, Nanjing. Ruijia Investment & Industrial Co., Ltd. undertook and paid 50% of the bidding deposit amounting to HKD22,501,310 (RMB107,862,404). For failing to pay the down payment for the land use rights, the Group has provided impairment provision on the deposit of HKD122,501,310 (RMB108,033,906) in 2008. On December 16, 2009, Nanjing National Land Resource Bureau confirmed disqualifying Ruijia Investment & Industrial Co., Ltd. and Shichuang Investment Co., Ltd. the winners of the land, and the deposit was non-refundable.

As approved by the Board, the impairment provision of the deposit provided in full amount in 2008 was written off correspondingly in 2009.

(3) During the reporting period there is no amount due from shareholders with 5% or above of interest in the Company.

(4) Top 5 other receivable accounts

In RMB

Name of the companies	Relation with the Company	Amount	Ages	Portion in total other receivables (%)
Chongqing Land and Mining Rights Trade Center (Note)	Non-related	1,365,754,365	within 1 yr	71%
Shenzhen TCL Optical-Electronics Technologies Ltd.	Affiliate of the Company	187,851,513	within 1 yr	10%
Huizhou Taitong Property Investment Co., Ltd.	Joint venture of the Company	121,257,000	within 1 yr	6%
Jiasen International Co., Ltd.	Shareholder of subsidiary	79,574,894	within 1 yr	4%
Chengdu Beijiao Scenery Area Administrative Committee	Non-related	50,000,000	within 1 yr	3%
Total		1,804,437,772		94%

Note: This was a bid deposit paid by Cosmo City Limited for the land use rights of G section of Chongqing Nan'an Dazishi District.

(5) Receivables from related parties

In RMB

Name of the companies	Relation with the Company	Amount	Percentage of total other receivables (%)
Shenzhen TCL Optical-Electronics Technologies Ltd.	Affiliate of the Company	187,851,513	10%
Huizhou Taitong Property Investment Co., Ltd.	Joint venture of the Company	121,257,000	6%
Total		309,108,513	16%

5. Prepayment

(1) Prepayments presented by ages

In RMB

Age	Ending		Beginning balance	
	Amount	Proportion %	Amount	Proportion %
within 1 year	3,222,296	37%	26,822,305	95%
1-2 years	5,190,617	59%	1,444,551	5%
2-3 years	334,400	4%	50,000	-
Over 3 years	-	-	-	-
Total	8,747,313	100%	28,316,856	100%

(2) No prepayment due from shareholders with 5% or over of shares of the Company.

(V) Notes to the consolidated financial statements – cont.

5. Prepayment – cont.

(3) Prepayments disclosed by category

In RMB

Categories	End of term	Beginning of term
Single prepayment with large amount (Note)	-	13,616,507
Single prepayment with minor amount but with great risk after combined into group with similar credit risk	-	-
Other minor prepayments	8,747,313	14,700,349
Total	8,747,313	28,316,856

Note: Single prepayment account with mass amount is defined to account over RMB10 million.

6. Inventories

(1) Categories of inventories

In RMB

Items	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Property development costs	29,767,117,792	296,210,000	29,470,907,792	22,931,730,833	296,210,000	22,635,520,833
Property products	931,435,216	-	931,435,216	1,227,864,442	-	1,227,864,442
Raw materials	4,276,489	-	4,276,489	4,450,453	-	4,450,453
Consumables and others	1,925,385	162,982	1,762,403	1,628,505	162,982	1,465,523
Sub-total	30,704,754,882	296,372,982	30,408,381,900	24,165,674,233	296,372,982	23,869,301,251
Inventory formed by construction contract						
Completed but not settled (Note)	52,800,000	-	52,800,000	-	-	-
Sub-total	52,800,000	-	52,800,000	-	-	-
Total	30,757,554,882	296,372,982	30,461,181,900	24,165,674,233	296,372,982	23,869,301,251

Note: This is the “Contract for Construction of Low Rental Apartments” entered by China Merchants Jiaming (Beijing) Property Development Co., Ltd. and Beijing Construction Committee.

(V) Notes to the consolidated financial statements – cont.

6. Inventories – cont.

(1) Categories of inventory – cont.

Property development costs:

Projects	Start date	Planned completion date	Expected total investment RMB0'000	Beginning balance RMB	Ending balance RMB
Development costs of real estate under construction:					
Xicheng Jiayuan Beijing (Note 1)	2008.10	2013.05	434,899	1,769,857,158	2,104,036,652
Beijing Park 1872	2006.10	2012.12	378,198	1,332,885,813	1,706,269,205
Foshan Yiyun Shangcheng	2008.08	2012.04	282,598	1,609,776,610	1,701,606,478
Foshan Yiyunshui'an	2008.04	2011.05	324,049	1,171,678,450	1,453,565,179
Xingcheng Tianjin (original Tianjin Weinan project)	2007.10	2012.08	394,315	1,579,060,949	1,363,422,177
Suzhou Xiaoshicheng	2008.04	2016.12	431,063	1,469,354,406	1,312,808,406
Shenzhen CM Lanyuan	2008.03	2010.10	155,498	984,596,333	1,267,193,998
Shenzhen CM Guanyuan	2008.08	2010.10	195,073	936,723,035	993,833,761
Jinshan Valley, Guangzhou	2008.02	2019.11	482,973	1,053,695,705	981,712,186
Chongqing China Merchants Jiangwan City	2007.10	2012.09	179,892	681,509,730	955,503,667
Shenzhen Yongjinwan	2009.07	2011.12	203,935	-	948,094,905
Shanghai CM Yonghua Garden (original Shanghai Zhuanqiao Project)	2008.07	2011.05	132,539	701,560,844	929,129,714
Shanghai CM Nanqiao Yayuan (originally Shanghai Nanqiao)	2008.03	2010.01	84,502	495,818,192	735,111,814
Shanghai CM Haiwan Garden	2008.10	2013.12	163,139	574,159,384	707,281,733
Shanghai Haide Garden phase II and IV	2006.05	2013.08	150,842	1,252,815,691	846,939,463
Zhangzhou CM Garden City Phase I	2008.12	2010.12	72,484	184,743,841	433,381,447
Zhuhai CM Garden City Phase II and III (Zhuhai CM Garden City B)	2009.12	2012.12	135,332	-	427,163,839
Shenzhen Xicheng Phase III	2008.09	2010.03	99,922	-	387,164,158
Beijing Kanglade Hotel	2009.12	2011.12	120,419	-	417,452,769
Phase V. Garden City	2008.03	2010.08	38,833	202,669,933	237,499,898
Shenzhen Technical Building Phase II	2009.03	2010.02	29,360	-	233,518,941
Zhangzhou CM Garden City	2008.07	2011.03	63,701	286,338,846	220,224,406
Shenzhen Meilun Apartment	2008.03	2010.07	29,467	158,172,763	185,309,528
Shenzhen Lanxigu Phase II, land II	2008.08	2010.08	30,890	101,016,614	132,780,136
36 Xikang Road Tianjin	2007.03	2010.04	55,672	128,614,510	75,295,066
Nanjin Yuyun Xigu Phase II, IV	2006.12	2010.10	100,524	481,672,906	65,861,754
Shenzhen Haiyue Huating	2007.02	2009.09	45,020	328,987,065	-
Suzhou Yiyunshui'an Phase III	2007.12	2009.06	40,573	279,549,890	-
Shenzhen Yishanjun phase II, III	2007.12	2009.10	42,863	215,500,993	-
Shenzhen Garden City Digital Building	2007.09	2009.09	25,421	187,526,695	-
Others	-	-	-	79,142,656	84,282,252
Sub-total				18,247,429,012	20,906,443,532

(V) Notes to the consolidated financial statements – cont.

6. Inventories – cont.

(1) Categories of inventory – cont.

Property development costs:

Projects	Start date	Planned finish date	Planned total investment RMB'000	Balance at the beginning of	Balance at the end of term RMB Yuan
Land to be developed:					
Shenzhen Xicheng phase IV,	2010.01	2012.10	347,173	-	1,934,265,191
Nanjing G67 project	2010.08	TBD	TBD	-	1,431,811,856
Chongqing CM Garden City	2010.07	2013.05	361,338	1,284,527,080	1,323,592,687
Suzhou Weiting	2010.08	2014.12	170,818	1,022,094,091	1,026,362,838
Tianjin Jingjiang Road Project	2010.03	2012.05	129,031	-	662,061,943
Zhangzhou Nanpaotai Project	2010.05	2020.05	329,234	-	632,686,541
Shenzhen Jiangangshan	2010.05	2011.08	82,814	-	546,539,397
Shenzhen CM Plaza	2010.05	2012.11	150,226	438,047,925	473,230,882
Shenzhen CM Guoling Garden (original Shenzhen Xixiang	2010.05	2012.10	109,274	191,832,850	414,341,737
Shenzhen Wuzi Apartment	2010.05	2012.08	83,691	311,251,663	323,568,922
Zhangzhou Holiday 365	2010.06	2015.05	42,534	85,609,693	92,212,266
Shenzhen Yongjinwan	2009.07	2011.12	203,935	934,910,249	-
Zhuhai CM Garden City	2009.12	2012.12	135,332	270,483,988	-
Shenzhen Technical Building	2009.03	2010.02	29,360	145,544,282	-
Sub-total				4,684,301,821	8,860,674,260
Total				22,931,730,833	29,767,117,792(N2)

Property development products:

In RMB

Projects	Date of finish	Balance at the	Increased this	Decreased this term	Balance at the end
Nanjing Yiyunxigu phase I - III	2009.12	65,210,305	618,324,542	436,367,112	247,167,735
Shenzhen Lanxigu Phase II.	2007.06	643,425,198	93,396,859	537,344,022	199,478,035
Shanghai Haide Garden I,II,and III	2009.06	3,387,258	518,010,470	324,304,074	197,093,654
Shenzhen Yishanjun Phase III	2009.10	-	414,449,145	322,802,407	91,646,738
Tianjin 36 Xikang Road	2008.12	193,310,549	27,200,567	134,613,729	85,897,387
Shenzhen Haiyue Huating	2009.09	-	454,711,646	414,155,894	40,555,752
Shenzhen Yishanjun Phase II	2008.06	39,876,101	105,831	26,984,252	12,997,680
Zhangzhou CM Jianzhu	2007.12	20,650,757	-	9,560,648	11,090,109
Zhangzhou Sun Garden Phase I	2006.06	11,855,101	-	375,679	11,479,422
Zhangzhou CM Garden City Phase I	2009.12	-	132,383,963	123,901,785	8,482,178
Beijing Park 1872 Phase I	2008.12	44,473,904	-	38,187,963	6,285,941
Zhangzhou Yinshanhai Phase II	2007.12	7,614,117	-	2,374,121	5,239,996
Tianjin 36 Xikang Road apartment	2009.11	-	91,666,962	88,073,083	3,593,879
Zhangzhou Jinshanjiao Apartment	2004.12	1,439,657	-	-	1,439,657
Shanghai Yiyunjun Phase II	2008.12	137,060,979	51,091,607	188,152,586	-
Suzhou Yiyunshui'an Phase II	2007.12	46,689,405	-	46,689,405	-

(V) Notes to the consolidated financial statements – cont.

6. Inventories – cont.

(1) Categories of inventories – cont.

Property development products:

In RMB

Projects	Date of finish	Balance at the	Increased this	Decreased this term	Balance at the
Shanghai Yiyuntjun Phase I	2007.06	5,295,477	-	5,295,477	-
Shenzhen Xicheng phase II	2008.12	-	487,498,137	487,498,137	-
Tianjin Xincheng phase I	2009.04	-	498,917,008	498,917,008	-
Suzhou Xiaoshicheng Phase I	2009.12	-	443,278,649	443,278,649	-
Foshan Yiyunshui'an Phase I	2009.09	-	208,683,096	208,683,096	-
Guangzhou Jinshangu Phase I	2009.06	-	356,809,558	356,809,558	-
Suzhou Yiyunshui'an Phase III	2009.06	-	347,153,382	347,153,382	-
Others		7,575,634	1,820,288	408,869	8,987,053
Total		1,227,864,442	4,745,501,710	5,041,930,936	931,435,216

Note 1: As of December 31, 2009, China Merchants Jiaming (Beijing) Property Development Co., Ltd. – one of the subsidiaries of the Company, entered into a pledge contract with China Merchants Bank Beijing Sanhuan Branch, by which the 106,700 square meters of land of Beijing Xicheng Jiayuan (Land CY09 in Changping) was pledged to the bank for the loan of RMB218,000,000. Except for this, there is no inventory under pledge, guarantee, suspension, or abandoned.

Note 2: As of December 31, 2009, the land use contracts for Land 2009G67 Nanjing, Land No.2 Haide Garden Shanghai, Chongqing Garden City, Shenzhen Bao'an Xicheng B, and Tianjin Jinjiang Road project, the area of which totalling to 442,811 square meters, has been obtained, but the land using certificate is under process.

Interest expense capitalized this year amounted to RMB522,627,599 (2008: RMB679,850,396).

(2) Inventory impairment provision

In RMB

Categories	Beginning balance of book value	Provided this term	Decreased this term		Ending balance of book value
			Written	Transferred	
Property development costs	296,210,000	-	-	-	296,210,000
Consumables and others	162,982	-	-	-	162,982
Total	296,372,982	-	-	-	296,372,982

Note: Inventory impairment provision was provided at the balance of realizable value lower than the book value of the inventory, namely RMB296,372,982.

(V) Notes to the consolidated financial statements – cont.

7. Other current assets

In RMB

Items	Ending balance	Beginning balance
Operation tax and surcharges prepaid	334,952,908	86,302,838
Prepaid income tax	112,458,907	35,052,099
Prepaid land VAT (Note)	160,046,409	88,259,891
Prepaid rent	8,968,112	8,968,112
Others	8,374,315	9,013,802
Total	624,800,651	227,596,742

Note: For the property sales income collected prior to the completion of construction, the Company pays Land VAT at legal portion and account them into other current asset. Upon finishing of the construction, the actual Land VAT is calculated upon the income from sales of property less the legal deductive items, and is accounted into other current liabilities after deducting of prepaid amount.

8. Disposable financial asset

In RMB

Items	Fair value at end of term	Fair value at beginning of term
Sellable equity instruments	4,898,240	1,743,773
Incl. Guonong Tech shares	4,898,240	1,743,773
Others	-	-
Total	4,898,240	1,743,773

9. Long-term receivables

In RMB

Items	End of term	Beginning of term
Entrusted loan (Note 1)	924,366,673	838,808,511
Balance of share equity transfer (Note 2)	137,779,364	133,151,523
Total	1,062,146,037	971,960,034

Note 1: In November 2008, the Company entered the Entrusted Loan Contract with China Agriculture Bank Nanshan Branch ("Agriculture Bank Nanshan" hereafter) for a loan facility of RMB900,000,000, which was provided to Nanjing Fucheng Property Development Co., (Nanjing Fucheng). Nanjing Fucheng put the property of 100,189 square meters located at floor 1-6 and 8-51 into pledge.

As of December 31, 2009, the principal of entrusted loan amounted to RMB875,830,063, and its interest receivable was RMB48,536,610.

Note 2: According to a Share Sale and Purchase Agreement with ADF Phoenix IV Limited, Heighten Holdings Limited – one of the Company's subsidiaries transferred its shares with an unpaid amount of consideration due from Elite Trade Investment Limited, amounting to RMB152,906,973, which is due in two to three years. The Company calculated unrealized financing income of RMB15,127,609 with reference to bank loan rates during the same period, and such amount was deducted from the balance of long-term receivables accordingly.

(V) Notes to the consolidated financial statements – cont.

10. Investment in affiliates and joint ventures

List of joint ventures and affiliates and their major financial information

Name of the Companies	Ownership type	Reg. Add.	Legal representative	Business property	Registered capital RMB000	Shares held by the Company %	Voting power of the Company in the entity %	Total asset at end of term (RMB)	Total debt at end of term (RMB)	Net asset at end of term (RMB)	Turnover of current term (RMB)	Net profit of current term (RMB)
I. Joint ventures												
Guangzhou Panyu Innovation Technology Garden Co., Ltd.	Ltd. liability	Guangzhou	Hu Jianxin	Property leasing and management	150,000	70%	50%	639,725,937	33,174,320	606,551,617	-	(6,557,792)
Shenzhen China Merchants OCT Investment Co., Ltd.	Ltd. liability	Shenzhen	Lin Shaobin	Property management	5,000	50%	50%	8,698,613	2,842,427	5,856,186	9,927,079	521,114
Huizhou Taitong Property Investment Co., Ltd.	Ltd. liability	Huizhou	Wang Quanlin	Property development	8,000	50%	50%	250,297,683	242,414,006	7,883,677	-	(120,476)
II. Affiliates												
Beijing Tianping Property Management Co., Ltd.	Ltd. liability	Beijing	Wang Guanghui	Property management	1,000	49%	49%	4,614,323	1,544,867	3,069,456	9,730,422	659,601
China Merchants Guangming Technologies Garden Ltd.	Ltd. liability	Shenzhen	Yang Tianping	Property development and management	200,000	49%	49%	261,471,801	85,939,376	175,532,425	1,620,000	(9,006,909)
Shenzhen Haitao Hotel Co., Ltd.	Ltd. liability	Shenzhen	He Jianya	Hotel management	6,000	45%	45%	14,628,055	1,896,129	12,732,926	8,562,250	889,121
Tianjin Xinhai real Estate Development Co., Ltd.	Ltd. liability	Tianjin	He Jianya	Property development	15,000	45%	45%	341,010,633	66,033,032	274,977,601	425,926,101	80,982,393
Shenzhen TCL Optical-Electronics Technologies Ltd.	Ltd. liability	Shenzhen	Bo Lianming	Leasing and management of self-owned property	200,000	40%	40%	507,780,818	418,669,183	89,111,635	-	(4,096,746)

(V) Notes to the consolidated financial statements – cont.

11. Long-term equity investment

(1) Details of long-term equity investment

In RMB

Company invested in		Calculating basis	Initial costs	Balance at the beginning of term	Changed by	Balance at the end of term	Percentage of share in the firm %	Voting power in the firm %	Statement on differences between the shareholding and voting rights	Impairment provision	Impairment provision provided this term	Cash dividend of the current term
Guangzhou Panyu Innovation Technology Garden Co., Ltd.	Note 1	Equity basis	350,000,000	200,000,000	145,409,546	345,409,546	70%	50%	(Note 1)	-	-	-
Tianjin Xinhai real Estate Development Co., Ltd.		Equity basis	6,750,000	80,296,355	36,442,077	116,738,432	45%	45%	-	-	-	-
China Merchants Guangming Technologies Garden Ltd.		Equity basis	98,000,000	90,424,274	(4,413,385)	86,010,889	49%	49%	-	-	-	-
Shenzhen TCL Optical-Electronics Technologies Ltd.		Equity basis	42,010,652	39,701,620	371,954	40,073,574	40%	40%	-	-	-	-
Shenzhen Haitao Hotel Co., Ltd.		Equity basis	4,996,675	5,743,233	(13,867)	5,729,366	45%	45%	-	-	-	413,971
Huizhou Taitong Property Investment Co., Ltd.	Note 2	Equity basis	4,900,000	-	4,881,510	4,881,510	50%	50%	-	-	-	-
Shenzhen China Merchants OCT Investment Co., Ltd.		Equity basis	2,500,000	2,776,594	260,557	3,037,151	50%	50%	-	-	-	-
Beijing Tianping Property Management Co., Ltd.		Equity basis	490,000	1,211,050	323,205	1,534,255	49%	49%	-	-	-	-
Shenzhen China Merchants OCT Investment Co., Ltd.	Note 3	Equity basis	50,000,000	337,847,737	(337,847,737)	-	50%	50%	-	-	-	-
Beijing Hengshihuarong Real-estate Development Co., Ltd.	Note 4	Cost basis	14,532,541	13,131,406	(133,511)	12,997,895	12%	12%	-	-	-	-
Shenzhen China Merchants Engineering Co., Ltd.		Cost basis	100,000	100,000	-	100,000	5%	5%	-	-	-	-
Shenzhen Fisherman's Warf Restaurant Co., Ltd.	Note 5	Cost basis	100,000	100,000	-	100,000	-	-	-	100,000	-	-
Total			572,369,216	771,332,269	(154,719,651)	616,612,618				100,000		413,971
Less: Impairment provision				100,000		100,000						
Long-term equity investment (net)				771,232,269		616,512,618						

Note1: Guangzhou Qidi Technologies Garden Investment Co., Ltd. – one of the Company's subsidiaries, holds 70% shares of Guangzhou Panyu Innovative Technologies Garden Co., Ltd. According to the Articles of Association of Guangzhou Panyu Innovative Technologies Garden Co., Ltd., each financial and operational decision made should be discussed among and agreed by all shareholders, thus Guangzhou Qidi Technologies Garden Investment Co., Ltd. has no controlling over Guangzhou Panyu Innovative Technologies Garden Co., Ltd.. Thus it was not included in the consolidation range.

Note 2: On November 19, 2009, Shenzhen China Merchant Property Co., Ltd. entered into a share transfer agreement with Shenzhen TCL Group Co., Ltd. to acquire 50% of the share of Huizhou Taitong Property Investment Co., Ltd. for a consideration of RMB4,900,000. As of December 31, 2009, the relevant procedures of the share transfer have been completed.

(V) Notes to the consolidated financial statements – cont.

11. Long-term equity investment – cont.

Note 3: For details please refer to Note (IV)1.

Note 4: In June 2009, new sharesholders of Beijing Hengshi Huarong Property Development Co., Ltd. Injected RMB 50,000,000 to the company, and the company's registered capital increased from RMB50,000,000 to RMB100,000,000. Thus the Company's shareholding in Hengshi Huarong decreased from 24% to 12% and no longer has significant influence on the company. Therefore the applied accounting method of the long-term equity changed from equity method to cost method.

Note 5: Shenzhen Fisherman Port Restaurant Co., Ltd. was established in 2001 by Shenzhen Taige Apartment Management Co., Ltd, a subsidiary of the Company. Currently it is closed due to poor operation. Shenzhen Taige Apartment Management Co., Ltd fully accounted provision for impairment on its long-term investment.

(2) The Company's long-term equity investment receivers as of December 31, 2009 were not limited in ability to transfer capital to the Company.

12. Investment property

In RMB

Items	Beginning balance of book value	Additions	Disposals/ write off	Ending balance of book value
I. Total of original book value	3,289,222,345	286,043,527	5,268,138	3,569,997,734
1. House and buildings	2,245,831,068	148,223,491	5,268,138	2,388,786,421
2. Land use rights	1,043,391,277	137,820,036	-	1,181,211,313
II. Total of accumulated depreciation and amortizin	656,246,575	126,593,356	684,447	782,155,484
1. House and buildings	584,344,355	100,013,519	684,447	683,673,427
2. Land use rights	71,902,220	26,579,837	-	98,482,057
III. Total of net book value of investment property	2,632,975,770			2,787,842,250
1. House and buildings	1,661,486,713			1,705,112,994
2. Land use rights	971,489,057			1,082,729,256
IV. Total of impairment provision	-	-	-	-
1. House and buildings	-	-	-	-
2. Land use rights	-	-	-	-
V. Total of book value of investment property	2,632,975,770			2,787,842,250
1. House and buildings	1,661,486,713			1,705,112,994
2. Land use rights	971,489,057			1,082,729,256

Note 1: Depreciation and amortization totaled to RMB126,593,356 during the reporting period.

Note 2: As of December 31, 2009 none of the Company's investment properties is on pledge.

Note 3: As of December 31, 2009, the Company still has investment properties of RMB520,493,130 without property certificates. They are Garden City Digital Building, Beike Building, Technologies Building, Jinshan Houses, Jinshan Apartments, Shuiwan Building, Bitao Houses, and Haibing Apartment, among which, Garden City Digital Building was an investment property completed and transferred this year, and the property certificate of which is under process. The others were constructed a long time ago, and since their original documents are inadequate under current filling requirement, their property certificates are unobtainable at present.

(五)Notes to the consolidated financial statements – cont.

13. Fixed assets

(1) Details of fixed assets

In RMB

Items	Beginning balance of book value	Additions	Disposals/ Write off	Ending balance of book value
I. Total of original book value	661,586,744	53,229,350	6,807,276	708,008,818
Incl. House & Buildings	198,330,643	29,730,734	-	228,061,377
Equipment & machinery	353,161,844	16,301,315	4,011,416	365,451,743
Transportation equipment	51,596,324	3,945,194	1,376,253	54,165,265
Electronics, furniture, appliances	58,497,933	3,252,107	1,419,607	60,330,433
II. Total of accumulative depreciation	377,012,822	37,324,758	5,944,716	408,392,864
Incl. House & Buildings	85,350,479	9,832,051	-	95,182,530
Equipment & machinery	226,470,023	13,273,022	3,425,196	236,317,849
Transportation equipment	28,538,856	7,237,210	1,248,784	34,527,282
Electronics, furniture, appliances	36,653,464	6,982,475	1,270,736	42,365,203
III. Total of net book value of fixed assets	284,573,922			299,615,954
Incl. House & Buildings	112,980,164			132,878,847
Equipment & machinery	126,691,821			129,133,894
Transportation equipment	23,057,468			19,637,983
Electronics, furniture, appliances	21,844,469			17,965,230

IV. Total of impairment provisions	-	-	-	-
Incl. House & Buildings	-	-	-	-
Equipment & machinery	-	-	-	-
Transportation equipment	-	-	-	-
Electronics, furniture, appliances	-	-	-	-
V. Total of fixed asset book value	284,573,922			299,615,954
Incl. House & Buildings	112,980,164			132,878,847
Equipment & machinery	126,691,821			129,133,894
Transportation equipment	23,057,468			19,637,983
Electronics, furniture, appliances	21,844,469			17,965,230

Note 1: The depreciation for the reporting period was RMB37,324,758

Note 2: The original value of fixed assets increased RMB33,288,474 due to the transfer of construction-in-process.

Note 3: As of December 31, 2009, the Company still has houses and buildings of RMB44,331,442 which are not granted property certifications. For these properties were constructed a long time ago, and since their original materials are inadequate under current filling requirement, their property certificates are unobtainable at present.

(V) Notes to the consolidated financial statements – cont.

14. Construction-in-progress

(1) Details of construction in process:

In RMB

Items	Ending balance			Beginning balance		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Construction project	2,936,043	-	2,936,043	2,876,543	-	2,876,543
Transformer Station	13,719,271	-	13,719,271	32,800,543	-	32,800,543
Water supply project	2,598,693	-	2,598,693	3,937,896	-	3,937,896
Total	19,254,007	-	19,254,007	39,614,982	-	39,614,982

15. Intangible assets

(1) Details of intangible assets

In RMB

Items	Beginning Balance of book value at beginning of term	Additions	Disposals/ Write off	Ending balance of book value
I. Total of original book value	222,580	4,500	-	227,080
Incl. Softwares	222,580	4,500	-	227,080
II. Total of accumulative amortizing	128,368	44,591	-	172,959
Incl. Softwares	128,368	44,591	-	172,959
III. Total of book net value of intangible assets	94,212			54,121
Incl. Softwares	94,212			54,121
IV. Total of impairment provisions	-	-	-	-
Incl. Softwares	-	-	-	-
Total of book value of intangible assets	94,212			54,121
Incl. Softwares	94,212			54,121

Amortized this term was RMB44,591.

16. Long-term deferred expenses

In RMB

Items	Beginning balance	Additions	Amortization	Other deduction	Ending balance	Reasons for other deduction
Renewing of fixed assets for rent	183,911,501	6,176,500	14,608,836	566,356	174,912,809	Adjustment of settlement amount
Outdoor advertisement facilities	6,957,351	-	2,633,575	1,588,600	2,735,176	Expense decreased
Golf club membership	349,732	-	191,104	-	158,628	
Others	5,320,710	1,042,200	1,443,958	2,531,438	2,387,514	
Total	196,539,294	7,218,700	18,877,473	4,686,394	180,194,127	

(V) Notes to the consolidated financial statements – cont.

17. Deferred income tax assets/ deferred income tax liabilities

(1) Deferred income tax assets and defered income tax liabilities recognized

In RMB

Items	Ending balance	Beginning balance
Defered income tax assets:		
Land VAT drawn in advance	282,716,985	38,519,585
Expected liabilities	6,118,200	1,650,382
Amortizing of other long-term assets	817,109	388,566
Bad debt provision on receivables	558,091	85,377
Bad debt provision on other receivables	220,991	126,029
Inventory impairment provision	32,596	32,596
Long-term equity investment impairment provision	22,000	20,000
Depreciation of fixed assets	-	53,692
Sub-total	290,485,972	40,876,227
Defered income tax liabilities:		
Fluctuation of fair value of disposable financial assets accounted into capital reserves	731,713	34,300
Sub-total	731,713	34,300

(2) Details of unrecognized deferred income tax assets

In RMB

Items	End of term	Beginning of term
Deductible provisional differences	867,140,392	586,835,400
Neutralizable losses	325,619,889	118,142,824
Total	1,192,760,281	704,978,224

Deductible losses from unrecognized defered income tax assets shall due not later than 2014.

(V) Notes to the consolidated financial statements – cont.

17. Deferred income tax assets/ deferred income tax liabilities – cont.

(3) Temporary differences caused by recognized defferred income tax assets/ defferred income tax liabilities

In RMB

Items	Amount of temporary differences
End of term:	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	1,259,319,813
Expected liabilities	27,810,000
Depreciation of investment property	3,268,434
Bad debt provision on receivables	2,561,678
Bad debt provision on other receivables	1,101,342
Inventory impairment provision	162,982
Long-term equity investment impairment provision	100,000
Sub-total	1,294,324,249
Taxable provisional difference:	
Fluctuation of fair value of disposable financial assets accounted into capital reserves	3,325,965
Sub-total	3,325,965
Beginning of term:	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	154,825,620
Expected liabilities	8,251,911
Depreciation of investment property	1,501,667
Bad debt provision of other receivables	630,143
Bad debt provision of receivables	427,869
Depreciation of fixed assets	298,286
Inventory impairment provision	162,982
Long-term equity investment impairment provision	100,000
Sub-total	166,198,478
Taxable provisional difference:	
Fluctuation of fair value of disposable financial assets accounted into capital reserves	171,498
Sub-total	171,498

(V) Notes to the consolidated financial statements – cont.

18. Detail of asset impairment provision

In RMB

Items	Beginning balance of book value	Additions	Decreases		Translation	Ending balance of book value
			Transfer back	Write off		
I. Bad debt provision	115,208,739	2,424,301	1,940,114	107,862,404	(187,301)	7,643,221
II. Inventory impairment provision	296,372,982	-	-	-	-	296,372,982
III. Disposable financial asset impairment provision	-	-	-	-	-	-
IV. Investment equity hold till expiring impairment provision	-	-	-	-	-	-
V. Long-term equity investment impairment provision	100,000	-	-	-	-	100,000
VI. Property investment impairment provision	-	-	-	-	-	-
VII. Fixed asset impairment provision	-	-	-	-	-	-
VIII. Project material impairment provision	-	-	-	-	-	-
IX. Construction in process impairment provision	-	-	-	-	-	-
X. Production biological material asset impairment provision	-	-	-	-	-	-
Incl. Mature production biological material asset impairment provision	-	-	-	-	-	-
XI. Gas & oil asset impairment provision	-	-	-	-	-	-
XII. Intangible asset impairment provision	-	-	-	-	-	-
XIII. Goodwill impairment provision	-	-	-	-	-	-
XIV. Other	-	-	-	-	-	-
Total	411,681,721	2,424,301	1,940,114	107,862,404	(187,301)	304,116,203

19. Short-term loans

In RMB

Items	Ending balance	Beginning balance
Loan by pledge	-	-
Pledged loan	-	-
Guarantee loan	398,125,029(Note)	811,665,548
Credit loan	974,804,580	2,802,290,730
Total	1,372,929,609	3,613,956,278

Note: Shenzhen China Merchants Power Supply Co., Ltd. – one of the Company's subsidiaries borrowed USD30,000,000 (RMB204,846,000) from ING Bank N.V., Shanghai Branch, which was secured by the Company; and USD28,306,000 (RMB193,279,029) from China Merchants Bank Shenzhen Shekou Branch which was secured by China Merchants Shekou Industrial Zone Co., Ltd.

20. Notes payable

In RMB

Categories	Ending balance	Beginning balance
Commercial acceptance	-	-
Bank accepted drafts (Note)	257,896,108	143,287,841
Total	257,896,108	143,287,841

(V) Notes to the consolidated financial statements – cont.

20. Notes payable – cont.

Note: China Merchants Shekou Industrial Zone Co., Ltd. provided guarantee of RMB257,896,108 to Shenzhen China Merchants Property Co., Ltd. for the accepted bank draft issued by China Merchants Bank New Age Branch. The above drafts will become due in 2010.

21. Account payable

(1) Details of payable accounts:

In RMB

Items	End of term	Beginning of term
Project payment	1,454,062,917	919,955,937
Land price	1,096,001,348	782,815,589
Payment for purchasing of share equity	70,650,000	70,650,000
Warranty fund	21,499,544	13,262,875
Others	63,307,476	77,004,071
Total	2,705,521,285	1,863,688,472

(2) Payable accounts due to shareholders with 5% or over of the Company's shares or related parties:

In RMB

Name of the companies	End of term	Beginning of term
China Merchants Shekou Industrial Zone Co., Ltd.	5,338,724	82,395,024
Total	5,338,724	82,395,024

(3) Payable accounts with large amount and due over 1 year

In RMB

Name of the companies	Ending balance	Aging	Reason of overdue	Amount paid after the end of reporting period
Chaoyang Property Development Co., Ltd.	40,000,000	4-5 years	Moving assisting fee payable to Chaoyang Property Development Co., Ltd., payable upon completion letter granted by National Land Property Bureau.	-
Zhejiang Shunjie Construction Group Ltd.	2,344,069	1-2 years	Project quality warranty at 5%, payable upon expiring of warranty period and no claiming.	-
Total	42,344,069			

(V) Notes to the consolidated financial statements – cont.

22. Account received in advance

(1) Aging analysis of prepayment received

In RMB

Aging	Ending balance		Beginning balance	
	Amount	%	Amount	%
within 1 year	9,454,578,537	100%	2,699,705,236	99%
1-2 years	33,778,332	-	29,679,420	1%
2-3 years	8,026,332	-	2,088,037	-
Over 3 years	2,078,090	-	-	-
Total	9,498,461,291	100%	2,731,472,693	100%

Including: presale of properties:

In RMB

Projects	Ending balance	Beginning balance	Planned completion date	Presale portion
Shenzhen Xicheng Phase III	2,014,274,540	-	2011	91%
Beijing Park 1872	1,609,282,424	285,731,279	2012	97%
Foshan Yiyun Shui'an phase I,II	1,090,757,116	290,116,266	2011	55%
Shanghai CM Nanqiao Yayuan	751,329,017	-	2010	74%
Shenzhen CM Lanyuan North	691,948,950	-	2010	95%
Shanghai CM Yonghuayuan phase I	658,889,318	-	2011	99%
Beijing Xicheng Jiayuan (limited house)	563,964,405	-	2012	48%
Tianjin Xincheng phase I	539,347,212	79,199,033	2010	89%
Chongqing CM Jiangwancheng phase I, II	475,822,198	70,627,103	2010	59%
Nanjing Yiyun Xigu phase III north	347,394,769	-	completed	100%
Guangzhou Jinshangu phase II	318,212,200	-	2010	96%
Shenzhen Yishanjun phase II, III	149,215,837	64,608,350	completed	99%
Shenzhen Lanxigu Phase II.	41,896,025	47,100,566	completed	77%
Foshan Yiyun Shangcheng phase I	24,100,950	-	2010	8%
Tianjin 36 Xikang Road	11,107,049	107,936,970	completed	84%
Shenzhen Haiyue Huating	2,762,368	579,276,285	completed	91%
Zhangzhou CM Jianzhu	2,458,519	3,253,942	completed	100%
Zhangzhou CM Garden City Phase I west	1,701,305	-	completed	100%
Shenzhen Haijing Plaza	1,328,637	1,328,672	completed	100%
Zhangzhou Yinshanhai Phase II	759,573	345,996	completed	100%
Shenzhen Huaguoshan Building shops	506,062	648,821	completed	100%
Shanghai Yiyunjun Phase II	-	318,564,899	completed	100%
Suzhou Yiyun Shui'an phase II and III	-	30,601,109	completed	100%
Guangzhou Jinshangu Phase I	-	498,516,765	completed	100%
Shanghai Haide Garden Phase II	-	211,845,301	completed	100%
Nanjing Yiyun Xigu phase I, II	-	89,504,312	completed	100%
Others	19,801,306	15,126,040		
Total	9,316,859,780	2,694,331,709		

(2) No prepayment account received from shareholders holding 5% or over of shares of the Company.

(V) Notes to the consolidated financial statements – cont.

23. Wage payable

In RMB

Items	Beginning balance of book value	Additions	Decreases	Ending balance of book value
I. Wage, bonus, allowances	99,318,894	474,080,471	434,619,375	138,779,990
II. Employees' welfare	932,921	41,456,779	41,686,068	703,632
III. Social security	5,707,212	54,651,994	55,242,486	5,116,720
IV. Housing fund	84,043	5,426,926	5,420,762	90,207
V. Dismissing welfare	-	-	-	-
VI. Others	490,061	11,925,092	11,041,115	1,374,038
VII. Union fund and training fund	15,366,917	12,289,570	12,168,092	15,488,395
VIII. Compensation for termination of labor contract	-	2,598,745	1,318,745	1,280,000
Total	121,900,048	602,429,577	561,496,643	162,832,982

24. Tax payable

In RMB

Items	End of term	Beginning of term
Enterprise income tax	345,044,458	109,859,036
Land VAT (Note)	82,326,199	43,687,588
Business tax	100,574,873	55,480,137
VAT	15,659,902	12,072,972
Personal income tax	4,462,646	3,323,067
City maintenance and construction tax	1,225,228	1,345,840
Land using tax	765,383	341,748
Consumption tax	-	-
Others	39,800,764	44,435,225
Total	589,859,453	270,545,613

Note: See Note (V)7.

25. Tax disbursable

In RMB

Items	End of term	Beginning of term
Long-term loan interest with instalments	19,532,853	27,434,963
Interest of company bond	-	-
Short-term borrowing interests payable	2,339,565	13,616,242
Total	21,872,418	41,051,205

(V) Notes to the consolidated financial statements – cont.

26. Dividend payable

In RMB

Name of the companies	Ending balance	Beginning balance	Reason of overdue for over 1 year
Shenzhen OCT Property Co., Ltd. (Note 1)	61,555,629	-	
Shenzhen Nanshan Property Development Co., Ltd. (Note 2)	23,806,776	-	
Tianjin Shenmiao Investment Group Co., Ltd. (Note 3)	22,103,882	8,493,185	
Shenzhen Huayuan Seafood Restaurant	285,600	285,600	This company has been closed up.
Total	107,751,887	8,778,785	

Note 1: According to the profit distribution plan as of December 31, 2008 approved by the board meeting of Shenzhen OCT Property Co., Ltd on November 20, 2009, this was the profit payable to OCT Property Co., Ltd.

Note 2: According to the profit distribution plan as of December 31, 2009 adopted by the board meeting of Suzhou CM Nanshan Property Co., Ltd. held on December 28, 2009, this was the profit payable to Shenzhen Nanshan Property Co., Ltd.

Note 3: According to the profit distribution plan as of December 31, 2009 adopted by the board meeting of Tianjin CM Property Co., Ltd. held on December 28, 2009, this was the profit payable to Tianjin Shenmiao Investment Group Co., Ltd.

27. Other account payable.

(1) Details of other payable accounts

In RMB

Items	Ending balance	Beginning balance
Interchange with co-operative companies	3,673,592,439	2,431,730,657
Loans to related companies	887,698,968	-
Deposit	642,352,024	196,216,920
Temporary payment	368,284,408	421,185,881
Others	263,402,148	105,435,577
Total	5,835,329,987	3,154,569,035

(2) Details of other payable accounts to shareholders with 5% or over of shares of the Company:

In RMB

Name of the companies	End of term	Beginning of term
Dafeng International Holdings	887,700,513	-
CM Zhangzhou Development Zone Ltd.	420,821,115	200,850,000
Tianjin Xinhai real Estate Development Co., Ltd.	148,831,399	117,331,399
Shenzhen Shekou Dazhong Investment Co., Ltd.	138,235,302	-
Shenzhen China Merchants Financing Service Co., Ltd.	16,338,000	-
China Merchants Guangming Technologies Garden Ltd.	1,067,447	6,563,954
China Merchants Hanghua Technologies and Trade Center Co., Ltd.	1,051,707	1,973,777
China Merchants Securities Co., Ltd.	-	2,000,000
Total	1,614,045,483	328,719,130

(V) Notes to the consolidated financial statements – cont.

27. Other account payable – cont.

(3) Statement on other payable accounts with large amount and aged over 1 year

In RMB

Name of the companies	End of term	Age	Reason of overdue
Huidefeng Property (China) Co., Ltd.	750,524,622	2-3 years	Investment payable by Huipeng Property Development Co., Ltd. to Huidefeng Property (China) Co., Ltd. who paid the investment payment to Foshan Xinjie Property Co., td. on its behalf
Shenzhen Nanshan Development Industrial Co., Ltd.	368,562,217	2-3 years	Suzhou CM Nanshang Property Co., Ltd. payable to Shenzhen Nanshan Development Industry Co., Ltd. of payment made on behalf
Beijing Jiaming Property Development Co., Ltd.	310,759,524	1-2 years	CM Jianming (Beijing) Property Development Co., Ltd. payable to Beijing Jiaming Property Co., Ltd. of payment made on behalf

28. Contingent liabilities

In RMB

Items	Beginning of term	Additions	Decreases	Ending balance
Providing of external guarantees	-	-	-	-
Unsettled lawsuit	8,251,911	27,810,000	8,251,911	27,810,000
Incl. Lawsuit regarding Guishan villa	7,450,000	-	7,450,000	-
Sue case of delayed certificates (Note 2)	801,911	-	801,911	-
Lawsuit of Yishanjun case (Note 3)	-	27,810,000	-	27,810,000
Dismissing policy	-	-	-	-
Loss contract to be executed	-	-	-	-
Contingent expenses (Note 4)	82,214,387	-	1,972,193	80,242,194
Total	90,466,298	27,810,000	10,224,104	108,052,194

Note 1: For the owner's committee of Guishan villa, Shenzhen CM Property Co., Ltd. recovered the compensation provision provided previously.

Note 2: According to the court judge, Shenzhen CM Property Co., Ltd. recovered the compensation provision provided for delay of certificate routine.

Note 3: Some of the owners of Shenzhen Yishanjun, which was developed by Shenzhen CM Property Co., Ltd., sued to the court claiming for compensation of delayed property certification. The compensation was predicted to be RMB27,810,000.

Note 4: According to the agreement engaged with Nanjing Fucheng Property Development Co., Ltd., the Company is expected to pay for the land use rights, land VAT, house maintaining fund, and other taxes for the transferring of International Finance Center held by Nanjing Fucheng Property Development Co., Ltd.

(V) Notes to the consolidated financial statements – cont.

29. Non-current liabilities due in one year

(1) Details of non-current liabilities due in one year

In RMB

Items	Ending balance	Beginning balance
Long-term loans due in 1 year	1,303,402,319	1,810,000,000
Bond payable due in one year	-	-
Long-term payable due in 1 year	-	-
Other non-current liabilities due in 1 year	99,402	99,402
Total	1,303,501,721	1,810,099,402

(2) Long-term loans due in one year

(a) Long-term loans due in one year

In RMB

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan (Note 1)	218,000,000	-
Guaranteed loan (Note 2)	835,402,319	450,000,000
Credit loan	250,000,000	1,360,000,000
Total	1,303,402,319	1,810,000,000

Note 1: China Merchants Jiaming (Beijing) Property Development Co., Ltd. – one of the subsidiaries of the Company, entered into a loan and pledge agreement with China Merchants Bank Beijing Sanhuan Branch, by which 106,700 square meters of land of Beijing Xicheng Jiayuan (Land CY-09 in Changping) was pledged to the bank for the loan of RMB218,000,000.

Note 2: The Company borrowed loan of RMB400,000,000 from Shanghai International Trust Co., Ltd. by way of trust financing. According to the Guarantee Agreement engaged with Construction Bank Shenzhen Branch, it was secured by Construction Bank Shenzhen Branch.

Ruijia Investment Industrial Co., Ltd. Raised loans of USD47,000,000 (RMB320,937,319) and HKD130,000,000 (RMB114,465,000) from China Industrial & Commercial Bank (Asia), which were both secured by China Merchants Group (HK) Co., Ltd.

(b) Long-term loans due in 1 year top 5 in amount

In RMB

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	Ending balance		Beginning balance	
					Amount of foreign currency	Amount of original currency	Amount of foreign currency	Amount of original currency
Shanghai International Trust Co., Ltd.	2008.01.18	2010.01.17	RMB	7.72%	-	400,000,000	-	-
China Industry & Commerce Bank	2008.12.14	2010.12.17	USD	Float rates	47,000,000	320,937,319	-	-
China Merchants Bank Beijing Beisanhuan Branch	2009.05.20	2011.05.20	RMB	4.86%	-	218,000,000	-	-
Minsheng Bank Shenzhen Shekou Branch	2008.11.28	2010.11.28	RMB	4.86%	-	200,000,000	-	-
China Industry & Commerce Bank	2008.12.24	2010.12.24	HKD	Float rates	130,000,000	114,465,000	-	-
Total						1,253,402,319		-

(V) Notes to the consolidated financial statements – cont.

30. Other current liability

In RMB

Items	Ending balance of book value	Beginning balance of book value
Land VAT drawn in advance (Note)	1,819,878,069	439,334,198
Outsourced cleaning and security guard services	7,857,914	5,853,294
Agencies	3,012,000	3,000,000
Improving of intelligent system	2,763,676	1,385,217
Original water and power supply	2,364,392	2,216,370
Uniforms	466,201	1,639,910
Visiting tours	-	753,973
Others	7,220,749	4,889,436
Total	1,843,563,001	459,072,398

Note: Land VATs are calculated and provided in accordance with 国税发[2006]187号 with the heading of circular about Settlement of Land VAT of Property Development Enterprises issued by National Tax Bureau General, and accounted into current income account. Meanwhile, when calculating of the income tax of current year, corresponding adjustments were done by the subsidies of the Company on the taxable income account according to the relative income tax rules of local governments.

31. Long-term loans

(1) Categories of long-term loans

In RMB

Items	Ending balance	Beginning balance
Loan by pledge	-	-
Pledged loan	-	-
Guaranteed loan (Note 1)	2,244,268,040	2,554,408,935
Credit loan	3,323,128,000	3,500,000,000
Entrusted loan (Note 2)	152,906,972	752,906,972
Total	5,720,303,012	6,807,315,907

Note 1: The Company raised loan of RMB500,000,000 from China Merchants Bank Shekou Branch, and RMB600,000,000 from China Merchants Bank New Age Branch, both of them were secured by China Merchants Shekou Industrial Zone Co., Ltd.

Ruijian Investment & Industry Co., Ltd. – subsidiary of the Company raised loan of USD100,000,000 (RMB682,845,360) from China Merchants Bank Offshore Department, and USD50,000,000 from ING Bank N.V., Hong Kong Branch. Both were secured by China Merchants Group (HK) Co., Ltd.

Zhuhai Yuanfeng Property Co., Ltd. – subsidiary of the Company, raised loan of RMB120,000,000 from Guangdong Development Bank Zhuhai Branch, which was secured by the Company upon 51% of the unpaid part.

Note 2: According to the "Contract for Entrusted Loans in RMB" entered by Shenzhen China Merchants Construction Co., Ltd., Nanjing Fucheng Property Development Co., Ltd. and Bank of China Shekou Branch, Nanjing Fucheng Property Development Co., Ltd. entrusted Bank of China Shekou Branch to provide Shenzhen China Merchants Construction Co., Ltd. the loan with term of 3 years.

(V) Notes to the consolidated financial statements – cont.

31. Long-term loans – cont.

(2) Long-term loans top 5 in amount

In RMB

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	Ending balance		Beginning balance	
					Amount of foreign currency	Amount of original currency	Amount of foreign currency	Amount of original currency
Xinhua Trust & Investment Co., Ltd.	2009.07.21	2012.07.20	RMB	4.86%	-	1,000,000,000	-	-
China Merchants Bank Offshore Dept.	2008.12.15	2011.11.28	USD	Float rates	60,000,000	409,707,216	80,000,000	546,785,055
China Merchants Bank Shenzhen New Times Branch	2009.07.27	2012.07.27	RMB	4.86%	-	600,000,000	-	-
Construction Bank Shenzhen Shekou Branch	2008.11.24	2011.02.23	RMB	4.86%	-	500,000,000	-	500,000,000
Bank of China Shenzhen Shekou Branch	2009.07.24	2012.07.24	RMB	4.86%	-	400,000,000	-	-
Total						2,909,707,216		1,046,785,055

(V) Notes to the consolidated financial statements – cont.

32. Long term payables

In RMB

Unit	Term	Initial amount	Interest rates %	Interest payable	Balance at the end of term	Condition
Main body maintaining fund	-	45,269,703	-	-	45,269,703	-
Shenzhen China Merchants Landmark Co., Ltd.	-	1,200,000	-	-	1,200,000	-
Total		46,469,703		-	46,469,703	

33. Other non-current liabilities

In RMB

Items	Balance of book value at end of term	Balance of book value at beginning of term
Differed rental income	2,983,360	3,650,020
Infrastructure construction fund granted by Bureau of Water Service	2,737,985	2,837,387
Special grant for culture development	1,500,000	1,500,000
Other water supply grants	96,300	96,300
Total	7,317,645	8,083,707
Less: Other non-current liabilities due in 1 year	99,402	99,402
Incl. Infrastructure construction fund granted by Bureau of Water Service	99,402	99,402
Non-current liabilities due beyond 1 year	7,218,243	7,984,305

34. Capital Share

In RMB

Items	Beginning balance	Changed this term					Ending balance
		Issuing of new shares	Bonus shares	Transferred from reserves	Others	Sub-total	
Year 2009							
I. Shares with conditional subscription							
1. State-owned shares	-	-	-	-	-	-	-
2. National legal person shares	731,298,105	-	-	-	-	-	731,298,105
3. Other domestic shares	-	-	-	-	-	-	-
4. Foreign shares	197,709,640	-	-	-	(200)	(200)	197,709,440
5. Management shares	473,789				(41,850)	(41,850)	431,939
Total of conditional shares	929,481,534	-	-	-	(42,050)	(42,050)	929,439,484
II. Shares with unconditional subscription							
1. RMB common shares	646,407,544	-	-	-	26,850	26,850	646,434,394
2. Foreign shares placed in domestic exchange	141,411,425	-	-	-	15,200	15,200	141,426,625
3. Foreign shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total of unconditional shares	787,818,969	-	-	-	42,050	42,050	787,861,019
III. Total of capital shares	1,717,300,503	-	-	-	-	-	1,717,300,503

(V) Notes to the consolidated financial statements – cont.

34. Capital shares – cont.

In RMB

Items	Beginning balance	Changed this term					Ending balance
		Issuing of new shares	Bonus shares	Transferred from reserves	Others	Sub-total	
Year 2008:							
I. Shares with conditional subscription							
1. State-owned shares	-	-	-	-	-	-	-
2. National legal person shares	301,299,211	279,349,288	90,389,763	60,259,843	-	429,998,894	731,298,105
3. Other domestic shares	-	-	-	-	-	-	-
4. Foreign shares	128,427,792	-	38,541,217	25,694,144	5,046,487	69,281,848	197,709,640
5. Management shares	308,903	73,174	79,792	53,195	(41,275)	164,886	473,789
Total of conditional shares	430,035,906	279,422,462	129,010,772	86,007,182	5,005,212	499,445,628	929,481,534
II. Shares with unconditional subscription							
1. RMB common shares	317,189,437	170,577,538	95,156,831	63,437,887	45,851	329,218,107	646,407,544
2. Foreign shares placed in domestic exchange	97,641,659	-	29,292,498	19,528,331	(5,051,063)	43,769,766	141,411,425
3. Foreign shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total of unconditional shares	414,831,096	170,577,538	124,449,329	82,966,218	(5,005,212)	372,987,873	787,818,969
III. Total of capital shares	844,867,002	450,000,000 (Note 1)	253,460,101 (Note 2)	168,973,400 (Note 2)	-	872,433,501	1,717,300,503

The above shares are with par value of RMB1 yuan.

Note 1. As approved by the Shareholders' Meeting 2007, and approved by China Securities Regulatory Commission with document (证监许可[2008]989 号), the Company placed 450,000,000 shares with face value of RMB1.00 to the existing A-share holders on November 26, 2008, the placing price was RMB13.20 per share. Among which, 279,349,288 shares were subscribed by China Merchants Shekou Industrial Zone Co., Ltd. Upon completion of this time of placing, the Company's total capital shares increased up to 1,717,300,503 shares. The fund raised in this public placing was RMB5,777,220,556 in net amount, in which RMB450,000,000 was increasing of share capital, and RMB5,327,220,556 was increasing of capital reserves.

The above has been verified by Deloitte Touche Tohmatsu (Shanghai) CPA Ltd. and the Verification Report 开元信德深验资字(2008)第 124 号 was issued upon it.

Note 2: The dividend plan for 2007 was adopted by the Annual General Meeting 2007, namely: upon total capital shares of 844,867,002 outstanding at the end of year, 3 bonus shares were delivered to each 10 share, which was RMB253,460,10 in total. 2 shares were capitalized to each 10 shares, which was totally RMB168,973,400.

The above has been verified by Deloitte Touche Tohmatsu (Shanghai) CPA Ltd. and the Verification Report 开元信德深验资字(2008)第 040 号 was issued upon it.

(V) Notes to the consolidated financial statements – cont.

35. Capital reserves

In RMB

Items	Beginning balance	Increased this term	Decreased this term	Ending balance
Year 2009				
Share capital premium	8,433,024,544	-	63,074,934	8,369,949,610
Incl. Capital input by investors	8,884,412,549	-	-	8,884,412,549
Using of converting rights of convertible bonds	1,394,072,217	-	-	1,394,072,217
Liabilities converted to capital	-	-	-	-
Difference formed by merger of firms under common control	(1,354,694,800)	-	-	(1,354,694,800)
Purchasing of shares from minor shareholders of subsidiaries (Note 1)	(321,792,022)	-	63,074,934	(384,866,956)
Capital reserves capitalized	(168,973,400)	-	-	(168,973,400)
Other misc incomes	11,108,482	2,457,054	-	13,565,536
Other capital reserves	104,411,758	-	-	104,411,758
Incl. Equity part distilled from convertible bond	-	-	-	-
Fair value of equity instrument accounted at equity basis	-	-	-	-
Balance of moving compensation granted by government for public interests	-	-	-	-
Transferred from capital reserves under original system	104,411,758	-	-	104,411,758
Total	8,548,544,784	2,457,054	63,074,934	8,487,926,904
Year 2008:				
Share capital premium	3,295,677,809	5,327,220,556	189,873,821	8,433,024,544
Incl. Capital input by investors (Note 2)	3,557,191,993	5,327,220,556	-	8,884,412,549
Using of converting rights of convertible bonds	1,394,072,217	-	-	1,394,072,217
Liabilities converted to capital	-	-	-	-
Difference formed by merger of firms under common control	(1,354,694,800)	-	-	(1,354,694,800)
Acquiring share equities from minor shareholders of subsidiaries	(300,891,601)	-	20,900,421	(321,792,022)
Capitalizing of capital reserves (Note 2)	-	-	168,973,400	(168,973,400)
Other misc incomes	13,768,428	-	2,659,946	11,108,482
Other capital reserves	104,411,758	-	-	104,411,758
Incl. Equity part distilled from convertible bond	-	-	-	-
Fair value of equity instrument accounted at equity basis	-	-	-	-
Balance of moving compensation granted by government for public interests	-	-	-	-
Transferred from capital reserves under original system	104,411,758	-	-	104,411,758
Total	3,413,857,995	5,327,220,556	192,533,767	8,548,544,784

Note 1: When Shenzhen China Merchants Property Co., Ltd. purchases the 45% of shares of Shenzhen Meiyue Property Consulting Co., Ltd. with RMB82,500,000 from Mr. Zhang Hong, the difference between the long-term equity investment increased due to purchasing of minor shareholders equity and the share of net asset of Shenzhen Meiyue Property Consulting Co., Ltd. since the merger day in an continuous basis, and the capital reserves as reduced by RMB61,450,000 correspondingly.

When Zhangzhou China Merchants Property Co., Ltd. purchases the 30% of shares of Zhangzhou China Merchants Honglong Property Co., Ltd. with RMB10,448,376 from Zhangzhou Honglong Holding Co., Ltd., the difference between the long-term equity investment increased due to purchasing of minor shareholders equity and the share of net asset of Zhangzhou China Merchants Property Co., Ltd. since the merger day in an continuous basis, and the capital reserves as reduced by RMB1,624,934 correspondingly.

Note 2: See Note (V)34

(V) Notes to the consolidated financial statements – cont.

36. Surplus reserves

In RMB

Items	Beginning balance	Increased this term	Decreased this term	Ending balance
Year 2009:				
Statutory surplus reserves	530,106,466	115,566,506	-	645,672,972
Optional surplus reserves	140,120,038	-	-	140,120,038
Preserved fund	-	-	-	-
Enterprise development fund	-	-	-	-
Others	-	-	-	-
Total	670,226,504	115,566,506	-	785,793,010
Year 2008:				
Statutory surplus reserves	471,924,069	58,182,397	-	530,106,466
Optional surplus reserves	140,120,038	-	-	140,120,038
Preserved fund	-	-	-	-
Enterprise development fund	-	-	-	-
Others	-	-	-	-
Total	612,044,107	58,182,397	-	670,226,504

Legal common reserves could be used to makeup losses, expand business operation or capitalized to capital shares.

37、 Retained profit

In RMB

Items	Amount	Percentage of drawing or allocation
Year 2009		
Before adjustment: Retained profit at end of last year	3,858,062,286	
Adjustment: Total of retained profit at beginning of year (+ for increase, - for decrease)	-	
Adjusted: Retained profit at beginning of year	3,858,062,286	
Plus: Net profit attributable to owners of the parent company	1,644,143,880	
Less: Statutory surplus reserves	115,566,506	Note 1
Optional surplus reserves	-	
Common risk provisions	-	
Common share dividend payable	171,730,050	Note 2
Common share dividend transferred to capital share	-	
Retained profit at the end of term	5,214,909,610	
Year 2008:		
Before adjustment: Retained profit at end of last year	3,026,575,655	
Adjustment: Total of retained profit at beginning of year (+ for increase, - for decrease)	-	
Adjusted: Retained profit at beginning of year	3,026,575,655	
Plus: Net profit attributable to owners of the parent company	1,227,615,829	
Less: Statutory surplus reserves	58,182,397	Note 1
Optional surplus reserves	-	
Common risk provisions	-	
Common share dividend payable	84,486,700	
Common share dividend transferred to capital share	253,460,101	
Retained profit at the end of term	3,858,062,286	

(V) Notes to the consolidated financial statements – cont.

37、 Retained profit - continues

Note 1. Providing of surplus reserves

According to the provisions of the Articles of Association of the company, statutory surplus reserves are provided at 10% of the net profit. When the statutory surplus reserves has accumulated to over 50% of the registered capital of the Company, providing of statutory surplus reserves can be suspended.

Note 2: Cash dividend approved by the Shareholders' Annual Meeting.

According to the resolutions adopted at the Shareholders' Meeting 2008 held in April 2009, on the basis of 1,717,300,503 shares at December 31, 2008, the Company distributed RMB1.00 to each 10 shares, and totally RMB171,730,050 was distributed.

Note 3: Profit distribution or capitalizing of reserves decided after the balance sheet date

In accordance with Preplan for Profit Distribution in 2009 approved in 13th meeting of the 6th board held on April 18, 2010, the Company would take total 1,717,300,503 shares ended as of Dec. 31, 2009 as the radix, cash dividend RMB 1 for each 10 share would be distributed and thus total cash dividends RMB 171,730,050 would be distributed. The aforementioned preplan needed to be examined and approved in shareholders' general meeting.

Note 4: Surplus reserves already provided by the subsidiaries

As of December 31, 2009, there was RMB505,929,305 of surplus reserves provided by the subsidiaries which has been included in the retained profit of the Company. (December 31, 2008: RMB327,355,398).

38. Operational turnover and cost

(1) Turnover

In RMB

Items	Occurred current term	Occurred in previous term
Major business turnover	10,133,283,214	3,568,843,651
Other business income	4,417,835	4,340,549
Operation cost	5,961,738,151	2,097,773,113

(2) Main businesses (on industries)

In RMB

Name of industry	Occurred current term		Occurred in previous term	
	Turnover	Operation cost	Turnover	Operation cost
Property development	9,128,326,900	5,185,817,100	2,515,297,197	1,306,287,950
Public Utilities	659,760,716	480,850,876	752,896,356	532,943,867
Property management	345,195,598	292,940,925	300,650,098	258,193,239
Total	10,133,283,214	5,959,608,901	3,568,843,651	2,097,425,056

(V) Notes to the consolidated financial statements – cont.

38. Operational turnover and cost – cont.

(3) Income from top 5 clients

In RMB

Name of clients	Turnover	Percentage in total turnover of the Company %
Shenzhen Nanshan Property Development Co., Ltd.	103,379,590	1.02%
Shekou Container Port Co., Ltd.	48,740,093	0.48%
Zhizhuo Feigao Circuit Board (Shenzhen) Co., Ltd.	41,651,757	0.41%
Owners of Block 99, phase II, Xicheng	36,808,720	0.36%
Owners of Block 91, phase II, Xicheng	28,682,539	0.28%
Total	259,262,699	2.55%

(4) Turnover from construction contracts:

In RMB

	Project	Contract amount	Accumulated costs occurred	Accumulation of gross profit recognized	Settled amount
Construction contract with fixed price	Low rental project of Beijing Xicheng Jiayuan	88,000,000	47,619,413	5,180,587	-

39. Business tax and surcharge

In RMB

Items	Occurred current term	Occurred in previous term	Rate
Land VAT	1,134,830,896	114,034,707	Note
Business tax	472,080,006	140,494,261	Note
City maintenance and construction tax	8,311,513	4,280,540	Note
Education surtax	5,421,267	4,881,497	Note
Resource tax	-	-	
Consumption tax	-	-	
Others	2,579,638	1,289,112	
Total	1,623,223,320	264,980,117	

Note: See Note (III).

40. Financial expenses

In RMB

Items	Occurred current term	Occurred in previous term
Interest expense	587,046,294	876,231,262
Less: Interest expenses capitalized	522,627,599	795,241,730
Less: Interest income	88,190,811	45,967,009
Exchange differences	2,362,643	(127,313,841)
Less: Exchange difference capitalized	-	(115,391,334)
Others	6,053,429	7,813,627
Total	(15,356,044)	30,913,643

41. Borrowing expenses

In RMB

Items	Amount of borrowing expenses capitalized in current term	Capitalization rate
Inventories	522,627,599	5.06%
Production physical assets	-	-
Biological assets with public interests	-	-
Construction in process	-	-
Intangible assets	-	-
Subtotal of borrowing expenses capitalized in current term	522,627,599	5.06%
Borrowing expenses accounted into current income account	64,418,695	-
Total of borrowing expenses of current term	587,046,294	5.06%

42. Income from fair value fluctuation

In RMB

Source of income from fluctuation of fair value	Occurred current term	Occurred in previous term
Transactional financial assets	(90,894,501)	145,469,305
Incl. Income of fair value fluctuation from derivate financial instruments	(90,894,501)	145,469,305
Trade off financial liabilities	(12,769,002)	-
Investment property measured at fair value	-	-
Others	-	-
Total	(103,663,503)	145,469,305

Note: See Note (V)2.

43. Investment income

(1) Detailed investment gains

In RMB

Items	Occurred current term	Occurred in previous term
Long-term equity investment gains on cost basis	-	-
Long-term equity investment gains on equity basis	176,731,790	176,812,461
Investment gains from disposal of long-term equity investment	1,910,316(Note 1)	681,925,855
Investment gains in the period of holding transactional financial assets	-	-
Investment gains in the period from receiving to expiration	-	-
Investment gains in period of holding disposable financial assets	-	-
Investment gains from disposal of transactional financial assets	75,292,797	(55,923,027)
Investment gains from disposal of investment hold to expiration	-	-
Investment gains from disposal of disposable financial assets	-	-
Others	50,634,704(N2)	-
Total	304,569,607	802,815,289

Note 1: It was the income from disposal of Chengdu CM Property Co., Ltd. and CM Garden City (Beijing) Property Development Co., Ltd. in the report term. See Note (IV)2 for details.

Note 2: Interest income from entrusted loans was RMB46,007,850 after deducting of taxes. See Note (V)9 for details.

(V) Notes to the consolidated financial statements – cont.

43. Investment gains – cont.

(2) Details of gains from long-term equity investment on equity basis

In RMB

Company invested in	Occurred current term	Occurred in previous term	Causation of change
Shenzhen China Merchants OCT Investment Co., Ltd.	150,100,385	107,279,642	Profit of the firm increased
Total	150,100,385	107,279,642	

44. Asset impairment loss

In RMB

Items	Occurred current term	Occurred in previous term
I. Bad debt loss	484,187	111,444,635
II. Inventory impairment loss	-	296,210,000
III. Disposable financial asset impairment	-	-
IV. Impairment loss from investment held till expiration	-	-
V. Impairment loss from long-term stock investment	-	-
VI. Property investment impairment loss	-	-
VII. Fixed asset impairment loss	-	-
VIII. Engineering goods impairment loss	-	-
IX. Construction-in-process impairment loss	-	-
X. Production goods impairment loss	-	-
XI. Gas and fuel asset impairment loss	-	-
XII. Intangible asset impairment loss	-	-
XIII. Goodwill impairment loss	-	-
XIV. Other	-	-
Total	484,187	407,654,635

45. Non-business income

(1) Details of non-operational income

In RMB

Items	Occurred current term	Occurred in previous term
Total of gains from disposal of non-current assets	20,524	263,020
Incl. Gains from disposal of fixed assets	20,524	263,020
Gains from disposal of intangible assets	-	-
Gains from debt reorganization	-	-
Gains from exchange of non-monetary assets	-	-
Donation received	-	-
Government subsidy	19,038,698	21,454,931
Write back of predicted debts	8,251,911	396,249
Income from penalties	1,180,117	555,632
Others	1,031,710	1,503,535
Total	29,522,960	24,173,367

(V) Notes to the consolidated financial statements – cont.

45. Non-business income – cont.

(2) Details of government subsidy

In RMB

Items	Occurred current term	Occurred in previous term	Remarks
VAT refund for electric power import	15,510,000	19,891,869	Note 1
Industrial development special fund	1,400,000	-	Note 2
Tax refund	1,184,296	1,180,460	Note 3
Subsidy for culture and sport center operation	700,000	-	Note 4
Supporting fund for financial crisis	100,000	-	Note 5
Government financing for pipe reconstruction	99,402	99,402	Note 6
Subsidy for solar energy application	45,000	-	Note 5
Conference activity subsidy	-	283,200	
Total	19,038,698	21,454,931	

Note 1: As approved by the Ministry of Finance and National Tax Bureau General with document 财关税[2009]21 号, in the period from January 1, 2009 to December 31, 2009, the electric power imported by Shenzhen China Merchants Power Supply Co., Ltd. from Hong Kong is on the basic amount of 560 million Kwh. The VAT on the amount lower than the basic amount will be refunded at 30%, where the amount beyond the basic amount is subject to the import VAT according to the regulations.

Note 2: Industrial development special fund received by Shanghai Fengyang Property Development Co., Ltd. – the subsidiary of the Company.

Note 3: Tax refund received by Shanghai China Merchants Property Management Co., Ltd. – the subsidiary of the Company, according to the tax refunding agreement engaged with Shanghai Hongkou Government.

Note 4: This is the subsidy for operation of culture and sport center located at land G Zhangzhou Development Zone granted by China Merchants Zhangzhou Development Zone Administration Committee to Zhangzhou China Merchants Property Development Co., Ltd. – subsidiary of the Company.

Note 5. This was government financing granted by Shenzhen Nanshan District Bureau of Finance and the first disburse of solar energy application subsidy granted by Shenzhen Bao'an District Bureau of Finance for Shenzhen China Merchants Lanyuan Project.

Note 6. It was the differed income formed by government grant received by Shenzhen China Merchants Water Supply Co., Ltd. for reconstruction of Shahexi DN1200 pipe lines and expanding engineering of Xili (Beihuan-Langshan) water pipe.

(V) Notes to the consolidated financial statements – cont.

46. Non-business expenditures

In RMB

Items	Occurred current term	Occurred in previous term
Total of loss from disposal of non-current assets	631,517	2,111,390
Incl. Loss from disposal of fixed assets	631,517	2,111,390
Loss from disposal of intangible assets	-	-
Losses from debt restructuring	-	-
Loss from exchange of non-monetary assets	-	-
Expected liability expense	27,810,000	7,450,000
Donations	990,461	2,398,000
Others	1,001,110	557,066
Total	30,433,088	12,516,456

47. Income tax expenses

In RMB

Items	Occurred current term	Occurred in previous term
Income tax calculated according to the law and regulations of current term	768,873,929	241,724,126
Adjustment of differed income tax	(249,609,745)	(31,859,260)
Total	519,264,184	209,864,866

Adjustments on income tax expenditure and accounting profit:

In RMB

	Occurred current term	Occurred in previous term
Accounting profit	2,273,730,035	1,301,864,971
Income tax expenditures at 20% (last year 18%)	454,746,007	234,335,695
Influence of taxes may not be neutralized by expenses	30,507,646	38,393,323
Influence of tax-free income	(44,929,992)	(148,368,640)
Influence of taxes not confirmed to neutralize loss and neutralizable provisional differences	97,556,411	84,666,570
Tax influence by using of unrecognized previous loss and deductible provisional differences	(29,975,847)	-
Influence of change in timing of writing back differed income tax asset/liability	(31,554,603)	(3,320,540)
Influence of inconsistency in tax rates of subsidiaries in other region	44,609,195	4,546,741
Others	(1,694,633)	(388,283)
Income tax expenses	519,264,184	209,864,866

(V) Notes to the consolidated financial statements – cont.

48. Calculation of basic earning per share and diluted earning per share

At calculating of basic earning per share, the net profit of current term attributable to common shareholders is:

In RMB

	Occurred current term	Occurred in previous term
Net profit of current term attributable to common shareholders	1,644,143,880	1,227,615,829
Incl. Net profit attributable to continuous operation	1,644,143,880	1,227,615,829
Net profit attributable to terminating operation	-	-

At calculating of diluted earning per share, the net profit of current term attributable to common shareholders is:

In RMB

	Occurred current term	Occurred in previous term
Net profit of current term attributable to common shareholders	1,644,143,880	1,227,615,829
The part of interest of dilute potential common share recognized as expenses and attributable to the common shareholder after deducting of income tax	-	-
The part of income or expenses generated by converting of diluted potential common shares attributable to common shareholders after deducting of income tax	-	-
Incl. Net profit attributable to continuous operation	1,644,143,880	1,227,615,829
Net profit attributable to terminating operation	-	-

At calculating of basic earning per share, the denominator is the weighted average of common shares issued outside, the calculation formula is as:

In RMB

	Occurred current term	Occurred in previous term
Common shares out in the market at beginning of year	1,717,300,503	1,267,300,503
Plus: Weighted amount of common shares issued this term	-	37,500,000
Less: weighted amount of common shares repurchased in current term	-	-
Weighted amount of common shares issued outside at end of year	1,717,300,503	1,304,800,503

At calculating of diluted earning per share, the formula for weighted average amount of common shares issued outside is as:

RMB Yuan

	Occurred current term	Occurred in previous term
Weighted average of common shares used in calculating of basic earnings per share	1,717,300,503	1,304,800,503
Plus: Weighted average amount of common shares increased with assumption of the diluted potential common shares have been converted to current common shares	-	-
Incl. Weighted amount of common shares increased by converting of convertible bonds	-	-
Weighted amount of common shares increased by exercising of subscription certificate / share option	-	-
Weighted amount of common shares increased by executing of repurchasing commitment	-	-
Weight average amount of common shares used in calculating of diluted earning per share	1,717,300,503	1,304,800,503

(V) Notes to the consolidated financial statements – cont.

48. Calculation of basic earning per share and diluted earning per share – cont.

Earnings per share

In RMB

	Occurred current term	Occurred in previous term
Calculated according to net profit attributable to the shareholders of the parent company		
Basic earnings per share	0.9574	0.9408
Diluted gains per share	0.9574	0.9408
Calculated according to continuous operation net profit attributable to the shareholders of parent company		
Basic earnings per share	0.9574	0.9408
Diluted gains per share	0.9574	0.9408
Calculated according to termination net profit attributable to the shareholders of parent company		
Basic earnings per share	-	-
Diluted gains per share	-	-

49. Other miscellaneous income

In RMB

Items	Occurred current term	Occurred in previous term
1. Gain(loss) generated by sellable financial assets	3,154,467	(2,144,056)
Less: Income tax influence of sellable financial assets	697,413	(513,081)
Net amount written into other gains and transferred into gain/loss in previous terms	-	-
Sub-total	2,457,054	(1,630,975)
2. Share in other misc. income of the invested company on equity basis	-	(1,028,971)
Less: Income tax influence of shares in other gains of investees on equity basis	-	-
Net amount written into other gains and transferred into gain/loss in previous terms	-	(1,028,971)
Sub-total	-	-
3. Gain(loss) generated by cash flow of hedging instrument	-	-
Less: Income tax influence of cash flow hedge instruments	-	-
Net amount written into other gains and transferred into gain/loss in previous terms	-	-
Adjustment converted to initially recognized amount of hedging subject	-	-
Sub-total	-	-
4. Difference in translating of foreign currency accounts	5,387,353	95,769,264
Less: Net amount of disposing overseas business and transferred to current gain/loss	-	-
Sub-total	5,387,353	95,769,264
5. Others	-	-
Less: Income tax influence by other accounted into other misc. incomes	-	-
Net amount accounted into other misc. income and transferred into current gain/loss in previous terms	-	-
Sub-total	-	-
Total	7,844,407	93,109,318

(V) Notes to the consolidated financial statements – cont.

50. Notes to cash flow statements

(1) Other cash received relating to business operation

In RMB

Items	Occurred current term	Occurred in previous term
Operational trade money received	3,202,603,077	578,643,021
Project deposit received	260,322,517	115,116,320
Interest received	66,321,721	43,390,638
Operational provisional money received	4,474,214	117,299,353
Others	9,017,588	33,477,228
Total	3,542,739,117	887,926,560

(2) Other cash paid relating to business operation

In RMB

Items	Occurred current term	Occurred in previous term
Operational trade money paid	1,399,554,212	75,176,475
Project deposit refunded	271,421,311	-
Cash paid for sales expenses	200,972,095	141,705,051
Cash paid for administrative expenses	95,090,251	102,743,738
Others	90,165,910	17,076,652
Total	2,057,203,779	336,701,916

(3) Other cash received relating to investment operation

In RMB

Items	Occurred current term	Occurred in previous term
Cash and cash equivalents of Shenzhen CM OCT Investment Co., Ltd. at date of consolidation	410,641,758	-
Cash received from trade of foreign currency future contract	75,273,952	-
Total	485,915,710	-

(4) Other cash paid relating to investment operation

In RMB

Items	Occurred current term	Occurred in previous term
Cash paid for trade of foreign currency future contract	-	54,886,338
Total	-	54,886,338

(V) Notes to the consolidated financial statements – cont.

51. Supplementary data of cash flow statement

(1) Supplementary cash flow statement

In RMB

Supplementary Info.	Amount of the Current Term	Amount of the Previous Term
1. Net profit adjusted to cash flow of business operation		
Net profit	1,754,465,851	1,092,000,105
Plus: Asset impairment provision	484,187	407,654,635
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	37,324,758	32,215,882
Amortizing of intangible assets and investment properties	126,637,947	116,725,535
Amortizing of long-term expenses	18,877,473	13,505,728
Loss from disposal of fixed assets, intangible assets and other long-term assets	610,993	1,848,370
Loss of disposing fixed assets	-	-
Loss (gain) from fair value fluctuation	103,663,503	(145,469,305)
Financial expenses	68,981,864	81,361,471
Investment loss (gains)	(304,569,607)	(802,815,289)
Decrease of differed income tax assets (increase)	(249,609,745)	(31,859,260)
Increase of differed income tax liabilities	-	-
Decreasing (increase) of inventory	(4,398,696,293)	(6,318,329,982)
Decrease (increase) of operational receivables	(2,327,660,083)	(231,303,360)
Increase of operational payables	12,224,220,485	1,864,621,795
Others	-	-
Cash flow generated by business operation, net	7,054,731,333	(3,919,843,675)
2. Major investment and financing operation not involving with cash		
Liabilities converted to capital	-	-
Convertible bond expire in 1 year	-	-
Fixed assets leased through financing	-	-
3. Net change of cash and cash equivalents		
Balance of cash at period end	8,775,661,067	7,358,057,106
Less: Initial balance of cash	7,358,057,106	3,544,984,914
Plus: Balance of cash equivalents at the period end	-	-
Less: Initial balance of cash equivalents	-	-
Net increasing of cash and cash equivalents	1,417,603,961	3,813,072,192

(V) Notes to the consolidated financial statements – cont.

51. Supplementary data of cash flow statement – cont.

(2) Information about acquisition or disposal of subsidiaries or businesses

In RMB

Items	Occurred current term	Occurred in previous term
I. Acquisition of subsidiaries and businesses		
1. Price in acquisition of subsidiaries and businesses	-	7,000,000
2. Cash and cash equivalents paid for acquisition of subsidiaries and businesses	-	7,000,000
Less: Cash and cash equivalents held by the subsidiaries and other businesses	-	1,747,760
3. Net cash received from subsidiaries and other operational units	-	5,252,240
4. Net asset of the business acquired	-	8,000,000
Current Assets	-	8,001,600
Non-current assets	-	-
Current Liabilities	-	1,600
Non-current liabilities	-	-
II. Disposal of subsidiaries and businesses		
1. Price in disposal of subsidiaries and businesses	-	881,815,665
2. Cash and cash equivalents received from disposal of subsidiaries and businesses	13,811,740	724,948,365
Less: Cash and cash equivalents held by the subsidiaries and other businesses	506,929	43,053,953
3. Net cash received from disposal of subsidiaries or other operational units	13,304,811	681,912,273
4. Net asset of the business disposed	61,697,922	177,744,882
Current Assets	63,610,193	968,086,766
Non-current assets	9,974	113,133,347
Current Liabilities	1,922,245	903,244,478
Non-current liabilities	-	230,753

(3) Composition of cash and cash equivalents

In RMB

Items	End of term	Beginning of term
I. Cash	8,775,661,067	7,358,057,106
Incl: Cash in stock	43,011	67,837
Bank savings could be used at any time	8,775,618,056	7,357,958,898
Other monetary capital could be used at any time	-	30,371
Usable money in Central Bank	-	-
Money saved in associated financial bodies	-	-
Money from associated financial bodies	-	-
II. Cash equivalents	-	-
Incl. Bond investment due in 3 months	-	-
III. Balance of cash and cash equivalents at end of term	8,775,661,067	7,358,057,106

(VI) Related parties and related transactions

1. Particulars about the parent company of the Company

In RMB

Name of the parent co.	Relationship	Ownership type	Reg. Add.	Legal representative	Business property	Registered capital	Shareholding of the parent co.	Voting power of the parent company %	Ultimate holder of the Company	Organization code
China Merchants Shekou Industrial Zone Co., Ltd.	Controlling shareholder	Ltd. liability	Shenzhen	Fu Yuning	Establishment and management of various types of enterprises.	2,236,000,000	51.89%	51.89%	China Merchants Group Co., Ltd.	10001146 - 0
The ultimate controlling party of the Group is China Merchants Group Co., Ltd. The parent company and the ultimate controlling party of the Group do not provide financial statements to outsiders.										

2. Particulars of the subsidiaries

See Note (IV)

3. Joint-ventures and affiliates

See Note (V) 10

(VI) (7) Related Parties and Related Transactions -continues

4. Other related parties

Name of the related parties	Relationship with the Company	Organization code
Shenzhen China Merchants Landmark Co., Ltd.	Under same controlling shareholder	70844202 - 3
Shenzhen Beike Venture Co., Ltd.	Under same controlling shareholder	72304387 - 2
Dafeng International Holdings	Under same controlling shareholder	Not applicable
Shenzhen China Merchants Financing Service Co., Ltd.	Under same controlling shareholder	19244397 - 2
China Merchants Logistics Holdings Co., Ltd.	Under same controlling shareholder	72472882 - 2
Shenzhen Shekou Dazhong Investment Co., Ltd.	Under same controlling shareholder	61880956 - 5
China Merchants Hanghua Technologies and Trade Center Co., Ltd.	Under same controlling shareholder	60002262 - 5
China Merchants Group (HK) Ltd.	Under common substantial controlling shareholder	Not applicable
China Merchants Securities Co., Ltd.	Under common substantial controlling shareholder	19218149 - 0
China Merchants International (China) Investment Co., Ltd.	Under common substantial controlling shareholder	71786931-X
CM Zhangzhou Development Zone Ltd.	Under common substantial controlling shareholder	61145106 - 2
Shenzhen CM Qianhaiwan Property Co., Ltd.	Under common substantial controlling shareholder	79386851 - 1
Shenzhen TCL Optical-Electronics Technologies Ltd.	Affiliate of the Company	26639365 - 3
China Merchants Guangming Technologies Garden Ltd.	Affiliate of the Company	76755303 - 0
Tianjin Xinhai real Estate Development Co., Ltd.	Affiliate of the Company	7581445 – 4
Huizhou Taitong Property Investment Co., Ltd.	Joint venture of the Company	67314099 – 0
Director, general manager and vice general manager	Key management	

(VI) (7) Related Parties and Related Transactions -continues

5. Related transactions

(1) Related transactions of goods and services

In RMB

Related parties	Type of trade	Subjects of the related transactions	Pricing and decision making process	Occurred current term		Occurred in previous term	
				Amount	Percentage in similar trades %	Amount	Percentage in similar trades %
Shenzhen CM Qianhaiwan Property Co., Ltd.	income of construction contract	Note 1	approved by the board	13,400,000	100%	-	-

Note 1: Shenzhen CM Construction Co., Ltd. contracted for the general project of phase I and II of Qianhaiwan Garden from Shenzhen CM Qianhaiwan Property Co., Ltd. The company actually gained RMB132,674 after subcontracted the project.

(2) Related rents

In RMB

Name of the owner	Name of the tenant	Description of the property	Starting date	Stop date	Rental income
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen China Merchants Property Co., Ltd.	Land using right	2007.01.01	2009.12.31	9,161,032
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen China Merchants Property Co., Ltd.	Nanhai E-cool	2008.09.01	2023.08.31	13,452,168
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen CM Water Supply Co., Ltd.	Land using right	1982.01.01	2025.06.30	2,708,717
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen CM Power Supply Co., Ltd.	Land using right	2007.01.01	2009.12.31	2,241,000
Shenzhen China Merchants Property Co., Ltd.	China Merchants Shekou Industrial Zone Co., Ltd.	Office building of New Time Plaza	2009.01.01	2009.12.31	12,858,675
Shenzhen China Merchants Property Co., Ltd.	China Merchants International (China) Investment Co., Ltd.	Office building of New Time Plaza, industrial building	2009.01.01	2009.12.31	4,486,758
Shenzhen China Merchants Property Co., Ltd.	Shenzhen China Merchants Landmark Co., Ltd.	Office building of New Time Plaza	2009.01.01	2009.12.31	2,217,228
Shenzhen China Merchants Property Co., Ltd.	China Merchants Logistics Holdings Co., Ltd.	China Merchants Building, Haibin Commercial Center	2009.01.01	2010.04.30	1,694,973
Shenzhen China Merchants Property Co., Ltd.	Shenzhen Beike Venture Co., Ltd.	Beike Chuangye Building	2000.07.01	2015.06.30	670,000

The above transactions are implemented according to agreement price.

(六) (7) Related Parties and Related Transactions -continues

5. Related transactions – cont.

(3) Related guarantees

In RMB

Provider of guarantee	Receiver of the guarantee	Amount guaranteed	Start date	Due date	Completed or not
CMSIZ. (Note 1)	The Company	1,100,000,000	2009.05.26	2012.07.27	No
CMSIZ. (Note 1)	Shenzhen China Merchants Property Co., Ltd.	257,896,108	2009.07.02	2010.06.28	No
CMSIZ. (Note 1)	Shenzhen CM Power Supply Co., Ltd.	193,279,029	2009.03.13	2010.08.26	No
CMSIZ. (Note 1)	Shenzhen China Merchants Property Co., Ltd.	172,179,458	2008.02.20	2012.03.20	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	409,707,216	2008.12.15	2011.11.28	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	341,422,680	2007.11.19	2012.11.18	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	320,937,319	2008.12.24	2010.12.17	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	273,138,144	2009.12.01	2011.11.28	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	114,465,000	2008.12.24	2010.12.17	No

(VI) (7) Related Parties and Related Transactions -continues

5. Related transactions – cont.

(3) Related guarantees – cont.

Dafeng International Holding Co., Ltd. – fully-owned subsidiary of CMSIZ, provided credit guarantee for Ruijia Investment & Industry Co., Ltd. – subsidiary of the Company, for the future foreign currency contract in ING Bank N.V., Hong Kong Branch.

Note 1: China Merchants Shekou Industrial Zone Co., Ltd. provided RMB1,100,000,000 of loan guarantee for the company; USD28,306,000 (RMB193,279,029) of loan guarantee for Shenzhen CM Power Supply Co., Ltd.; RMB172,179,458 of credit guarantee for Shenzhen China Merchants Property Co., Ltd.; and RMB257,896,108 of guarantee for accepted draft to Shenzhen China Merchants Property Co., Ltd.

Ruijian Investment & Industry Co., Ltd. – subsidiary of the Company raised loan of USD40,000,000 (RMB273,138,144) and USD60,000,000 (RMB409,707,216) from China Merchants Bank Offshore Department, and USD50,000,000 (RMB341,422,680) from ING Bank N.V., Hong Kong Branch. Loans of USD47,000,000 (RMB320,937,319) and HKD130,000,000 (RMB114,465,000) from China Industrial & Commercial Bank (Asia), which were all secured by China Merchants Group (HK) Co., Ltd.

(4) Entrusted loan

In RMB

Related parties	End of Term	Start date	Repay date	Rate of the year	Interest paid
CMSIZ. (Note 1)	-	2008.06.02	2009.12.10	7.56%-5.40%	18,864,000
CMSIZ. (Note 2)	-	2008.09.25	2009.12.14	7.2%-5.40%	20,308,500

Note 1: As entrusted by CMSIZ, China Industrial & Commercial Bank Shekou Branch provided entrusted loans RMB300,000,000 to the Company.

Note 2: As entrusted by CMSIZ, China Agriculture Bank Shekou Branch provided entrusted loans of RMB300,000,000 to the Company.

(5) Borrowing demolition from related parties

Current year:

In RMB

Related parties	Amount of demolition	Start date	Expired on	Balance at end of term	Remarks
Borrow in					
Dafeng International Holdings Co., Ltd. (Note)	887,698,968	2009.12.17	2010.01.17	887,698,968	Interest payable RMB1,288,737

(VI) (7) Related Parties and Related Transactions -continues

5. Related transactions – cont.

(5) Borrowing demolition from related parties – cont.
Previous year:

In RMB

Related parties	Amount of demolition	Start date	Expired on	Balance of previous term	Remarks
Borrow in					
Dafeng International Holdings	963,708,660	2007.10.17	2008.12.24	-	
Lend out					
Shenzhen China Merchants OCT Investment Co., Ltd.	345,474,372	2003.12.24	2009.10.27	251,966,402	Interest payable RMB9,761,780

(6) Remuneration of key executives

In RMB

Projects	Occurred current term	Occurred in previous term
Remunerations of key managements	14,201,017	9,903,266

6. Receivable and payables due with related parties

In RMB

Projects	Related parties	Amount at end of term	Initial amount
Other account receivable	Shenzhen TCL Optical-Electronics Technologies Ltd.	187,851,513	-
Other account receivable	Huizhou Taitong Property Investment Co., Ltd.	121,257,000	-
Other account receivable	Shenzhen China Merchants OCT Investment Co., Ltd. (Note 1)	-	261,728,182
Other account receivable	Beijing Hengshihuarong Real-estate Development Co., Ltd. (Note 2)	-	206,243,158
Account payable	China Merchants Shekou Industrial Zone Co., Ltd.	5,338,724	82,395,024
Other account payable	Dafeng International Holdings	887,700,513	-
Other account payable	CM Zhangzhou Development Zone Ltd.	420,821,115	200,850,000
Other account payable	Tianjin Xinhai real Estate Development Co., Ltd.	148,831,399	117,331,399
Other account payable	Shenzhen Shekou Dazhong Investment Co., Ltd.	138,235,302	-
Other account payable	Shenzhen China Merchants Financing Service Co., Ltd.	16,338,000	-
Other account payable	China Merchants Guangming Technologies Garden Ltd.	1,067,447	6,563,954
Other account payable	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	1,051,707	1,973,777
Other account payable	China Merchants Securities Co., Ltd.	-	2,000,000
Interest payable	Dafeng International Holdings	1,288,737	-
Long-term payable	Shenzhen China Merchants Landmark Co., Ltd.	1,200,000	-

Note 1: Since October 1, 2009, the Company included Shenzhen China Merchants OCT Investment Co., Ltd. in the consolidation range and no longer treat it as a joint venture. For details please see Note (IV)1. As of December 31, 2009, the Company has retrieved the development capital provided to Shenzhen China Merchants OCT Investment Co., Ltd.

Note 2: Since June 2009, the Company no longer treat Beijing Hengshi Huarong Property Development Co., Ltd. as affiliate, for details please see Note (V)11. As of December 31, 2009, the Company has retrieved the development capital provided to Beijing Hengshi Huarong Property Development Co., Ltd.

(VII) Contingent issues

As of December 31, 2009, the Company has provided guarantees for property mortgages to the banks totalled to RMB251,212,905 (December 31, 2008: RMB177,089,955). This issue makes no material influence on the financial situations of the report term and the period after the report term.

(VIII) Commitments

1. Major commitment issues

(1) Capital commitment

In RMB

Items	End of term	Beginning of term
Signed but not yet recognized in the financial statements		
- commitment of long-term asset purchasing	3,494,368	3,613,317
- Outsourcing contract with large amount	-	-
－Real estate development projects	2,277,962,492	3,061,514,027
－Investment commitment to the outside	-	-
Total	2,281,456,860	3,065,127,344

(2) Operational leasing commitment

By the balance sheet date, information on irrevocable operation lease contract signed with outside, as follows:

In RMB

Items	End of term	Beginning of term
Minimum lease payments of irrevocable operation lease:		
The first year since the balance sheet date.	29,845,542	34,918,208
The Second years since the balance sheet date.	29,460,842	25,158,847
The Third years since the balance sheet date.	25,381,484	22,869,126
The following years.	227,468,164	177,107,023
Total	312,156,032	260,053,204

(IX) Post-balance-sheet issues

1. Statement on profit distribution in post balance sheet period

In RMB

Items	Amount
Proposed profit or dividend	171,730,050
Approved and announced profit or dividend	Needed to be examined and approved in shareholders' general meeting

See Note((IV)37

(X) Segment report

The Group decides and disclose the segment report according to "Interpreting of Enterprise Accounting Standard" for year 2009, and no longer execute "Enterprise Accounting Standard No.35 – Segment Report".

According to the internal structure, administrative requirement and reporting criteria of the Group, the Group divides its businesses into four reporting segments. These reporting segments are decided according to the characteristics of businesses. The executives evaluate the business performance of these segments and decide the allocation of resources. These segments are: property development, public sector business, property management and others.

Segment report adopts same accounting policies and measurement basis with those adopted in preparing of this financial statement.

(X) Segment report - continues

(1) Segment report data

In RMB

	Property development		Public sector		Property management		Others		Unclassified projects		Neutralized between segments		Total	
	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year
Turnover														
Income from external trade	9,128,326,900	2,515,297,197	659,760,716	752,896,356	345,195,598	300,650,098	4,417,835	4,340,549	-	-	-	-	10,137,701,049	3,573,184,200
Income among the segments	-	-	5,144,858	6,016,088	37,596,026	14,828,208	-	-	-	-	(42,740,884)	(20,844,296)	-	-
Total turnover of the segments	9,128,326,900	2,515,297,197	664,905,574	758,912,444	382,791,624	315,478,306	4,417,835	4,340,549	-	-	(42,740,884)	(20,844,296)	10,137,701,049	3,573,184,200
Adjusted items:													-	-
Total of turnover in the financial statement													10,137,701,049	3,573,184,200
Operation cost	5,185,817,100	1,306,287,950	485,966,280	538,364,114	314,422,551	258,193,239	2,129,250	348,057	-	-	(26,597,030)	(5,420,247)	5,961,738,151	2,097,773,113
Segment operation profit (loss)	3,942,509,800	1,209,009,247	178,939,294	220,548,330	68,369,073	57,285,067	2,288,585	3,992,492	-	-	(16,143,854)	(15,424,049)	4,175,962,898	1,475,411,087
Adjusted items:														
Business tax and surcharge	1,602,749,919	247,781,782	1,799,104	1,944,087	18,674,297	15,254,248	-	-	-	-	-	-	1,623,223,320	264,980,117
Sales expense	295,868,807	230,690,769	-	-	-		-	-	-	-	(10,534,081)	(3,975,067)	285,334,726	226,715,702
Administrative expense	139,902,543	148,014,039	13,111,921	13,639,826	29,325,166	26,468,557	31,812,793	26,550,084	-	-	(5,609,773)	(11,448,982)	208,542,650	203,223,524
Financial expenses	(26,686,318)	(20,862,298)	24,774,823	(254,425)	(4,140,883)	(4,319,515)	(9,303,666)	56,349,881	-	-	-	-	(15,356,044)	30,913,643
Asset impairment loss	408,159	406,032,596	76,028	1,616,756	-	5,283	-	-	-	-	-	-	484,187	407,654,635
Income from change of fair value	-	-	-	-	-	-	(103,663,503)	145,469,305	-	-	-	-	(103,663,503)	145,469,305
Investment income	296,513,931	173,220,952	-	-	583,762	667,760	1,685,962,114	1,792,643,065	(1,678,490,200)	(1,163,716,488)	-	-	304,569,607	802,815,289
Operation profit	2,226,780,621	370,573,311	139,177,418	203,602,086	25,094,255	20,544,254	1,562,078,069	1,859,204,897	(1,678,490,200)	(1,163,716,488)	-	-	2,274,640,163	1,290,208,060
Non-operational income	12,678,159	2,822,727	15,624,308	20,013,247	1,220,493	1,206,487	-	-	-	130,906	-	-	29,522,960	24,173,367
Non-operational expenditure	29,354,591	10,105,125	854,350	2,121,799	224,147	138,566	-	113,962	-	37,004	-	-	30,433,088	12,516,456
Total profit	2,210,104,189	363,290,913	153,947,376	221,493,534	26,090,601	21,612,175	1,562,078,069	1,859,090,935	(1,678,490,200)	(1,163,622,586)	-	-	2,273,730,035	1,301,864,971
Income tax	477,198,039	147,669,120	32,255,676	54,383,093	7,976,594	5,390,510	1,833,875	2,422,143	-	-	-	-	519,264,184	209,864,866
Net profit	1,732,906,150	215,621,793	121,691,700	167,110,441	18,114,007	16,221,665	1,560,244,194	1,856,668,792	(1,678,490,200)	(1,163,622,586)	-	-	1,754,465,851	1,092,000,105

(X) Segment report - continues

(1) Segment report data – cont.

In RMB

	Property development		Public sector		Property management		Others		Unclassified projects		Neutralized between segments		Total	
	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year
Total asset of the segments	41,330,383,216	31,057,915,823	1,814,453,728	1,686,432,986	335,013,896	270,294,888	31,188,797,460	23,648,462,734	(7,850,392,575)	1,749,992,760	(18,921,095,228)	(20,976,084,196)	47,897,160,497	37,437,014,995
Total asset in the financial statements	41,330,383,216	31,057,915,823	1,814,453,728	1,686,432,986	335,013,896	270,294,888	31,188,797,460	23,648,462,734	(7,850,392,575)	1,749,992,760	(18,921,095,228)	(20,976,084,196)	47,897,160,497	37,437,014,995
Total liability of the segments	33,063,133,537	25,273,383,191	885,425,597	113,443,855	245,968,027	199,640,697	14,321,692,087	4,315,817,959	-	12,231,306,485	(18,921,095,228)	(20,976,084,196)	29,595,124,020	21,157,507,991
Total liability in the financial statements	33,063,133,537	25,273,383,191	885,425,597	113,443,855	245,968,027	199,640,697	14,321,692,087	4,315,817,959	-	12,231,306,485	(18,921,095,228)	(20,976,084,196)	29,595,124,020	21,157,507,991
Supplementary info.														
Depreciation and amortized expenses	162,153,888	140,476,587	18,673,666	19,511,596	1,524,527	1,693,532	488,097	765,430	-	-	-	-	182,840,178	162,447,145
Impairment recognized in current term	408,159	406,032,595	76,028	1,616,756	-	5,284	-	-	-	-	-	-	484,187	407,654,635
Capital expenditure	18,336,852	144,367,971	14,726,863	20,077,022	1,946,505	1,976,592	21,600	93,173	-	-	-	-	35,031,820	166,514,758
Incl. Expenditure of construction-in-process		98,096,831	12,867,999	18,643,315	-	-	-	-	-	-	-	-	12,867,999	116,740,146
Expenditure for purchasing of fixed assets	12,677,348	45,411,967	1,858,864	1,433,707	1,946,505	1,976,592	21,600	93,173	-	-	-	-	16,504,317	48,915,439
Expenditure for purchasing of intangible assets	4,500	9,280	-	-	-	-	-	-	-	-	-	-	4,500	9,280
Expenditure for purchasing of investment property	5,655,004	849,893	-	-	-	-	-	-	-	-	-	-	5,655,004	849,893
Non-cash expenses other than depreciation and amortizing	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(X) Segment report - continues

(2) External trade income on segments

In RMB

Items	Occurred current term	Occurred in previous term
Property development	9,128,326,900	2,515,297,197
Public sector	659,760,716	752,896,356
Property management	345,195,598	300,650,098
Others	4,417,835	4,340,549
Total	10,137,701,049	3,573,184,200

(4) External trade income on territories and non-current asset on locations

In RMB

Items	Occurred current term	Occurred in previous term
External trade income from mainland China	10,137,701,049	3,573,184,200
External trade income from Hong Kong and abroad	-	-
Total	10,137,701,049	3,573,184,200

In RMB

Items	End of term	Beginning of term
Non-current asset located in mainland China	2,822,705,129	2,760,922,899
Non-current asset located in Hong Kong and abroad	2,438,298,197	2,178,687,584
Total	5,261,003,326	4,939,610,483

(XI) Financial Instruments and Risk Management

Financial instruments adopted by the Company are available-for-sale financial assets, long-term equity investments, loans, account receivable, account payable, transactional financial liabilities, and convertible bonds. Details of these financial instruments are available in respective notes herein. Risks attached to these financial instruments and the risk management policies adopted by the Company are illustrated hereafter. The executive team of the Company have been monitoring and controlling over the risk exposures to constrain them in a certain extent.

1. Objective and policies of risk management

The objective of the Company's risk management is to achieve a balance between the risk and gains. Constrain the negative influence on business operation to the lowest limit, and maximum the interests of shareholders and other equity holders. With regard to this target, the basic policies of the Company are; locate and analyse the risks, set appropriate bottom line for risks, and manage and monitor on each risk and constrain them in a certain extent.

(XI) Financial Instruments and Risk Management - continues

1. Objective and policies of risk management – cont.

1.1 Market risk

1.1.1 Foreign currency risk

Foreign currency risks are those generated by vibration of exchange rates. Foreign currency risks of the Company are mainly involved with Hong Kong Dollar, and US Dollar. Except for the overseas subsidiaries of the Company incorporated in Hong Kong Special Executive Zone and other countries, which are doing their businesses by local currencies, all other main business operations of the Company are in Renminbi. As of December 31, 2009, except for the following assets which are demonstrated in Hong Kong Dollar, and US Dollar, all of the other assets and liabilities of the Company are demonstrated in RMB. Foreign currency risks brought by these assets and liabilities in foreign currencies may influence the Company's business performance.

In RMB

Items	End of term	Beginning of term
Cash and cash equivalents	953,918,750	491,624,844
Other account receivable	1,365,754,365	108,790,311
Other account payable	2,662,527,318	751,219,269
Short-term loans	1,322,929,609	1,488,956,278
Long-term loans due in 1 year	435,402,319	-
Long-term borrowings	1,297,396,040	1,324,408,935

Note: As of December 31, 2009, other than the above asset and liabilities accounted in Hong Kong Dollar and US Dollar, the Group has purchased the future USD contract with in-name principal of RMB290,229,000 (RMB1,981,741,658) which is not supposed to handover.

The Company pays close attention on the influences of exchange rate vibration.

1.1.2 Interest risks

The Company's loans are mainly in Renminbi, and foreign currency loans are just auxiliary measures. Foreign currency loans are mainly floating rate loans in USD and HKD without being influenced by adjustment of basic interest rate done by People's Bank of China. As for loans in RMB, the Company eliminated the influence of increasing interest rate to a certain extent by obtaining fix rate loans in advance and raise the portion of fix rate loans in the whole loans, in both arrangements of short-term and long-term loans.

1.1.3 Other price risks

The financial assets available to sale (see Note (V)8) held by the Company are measured at their fair value at the balance sheet day. Thus the Company is exposed to the risks of securities market fluctuation. So far the Company adopted no countermeasures to minimize financial asset price fluctuation risks.

(XI) Financial Instruments and Risk Management - continues

1. Objective and policies of risk management – cont.

1.2 Credit risks

As at December 31, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter parties or debtors is arising from:

- Book value of financial asset recognized in consolidated balance sheet; as for financial instruments measured at fair value, the book value is reflecting the exposure to risks but not actually the greatest exposure. The greatest exposure to risks fluctuates along with the future fair value.

- Amount of financial guarantee contracts disclosed in Note (VII) – Contingent issues.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company adopted necessary policies to make sure that all clients and customers are attributed with merit credit records.

1.3 Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensure the loan contracts are properly exercised.

The Company uses bank loans as main capital resources. On December 31, 2009, the bank loan credit not used was RMB24,873,030,000 (December 31, 2008: RMB19,379,230,000)

(XI) Financial Instruments and Risk Management - continues

1. Objective and policies of risk management – cont.

1.3 Liquidity risk – cont.

The due dates of financial liabilities held by the Company on retained contract liabilities without discounted to cash is as the followings:

In RMB

	Book value	Gross value	within 1 yr	1-5 yrs	over 5 yrs
Monetary capital	9,489,490,935	9,489,490,935	9,489,490,935	-	-
Account receivable	118,962,896	118,962,896	118,962,896	-	-
Other account receivable	1,926,509,243	1,926,509,243	1,926,509,243	-	-
Long-term receivable	1,062,146,037	1,077,273,646	-	1,077,273,646	-
Short-term loans	(1,372,929,609)	(1,385,403,007)	(1,385,403,007)	-	-
Interest payable	(21,872,418)	(21,872,418)	(21,872,418)	-	-
Dividend payable	(107,751,887)	(107,751,887)	(107,751,887)	-	-
Other current liability	(23,684,932)	(23,684,932)	(23,684,932)		
Long-term loans due in 1 year	(1,303,402,319)	(1,338,247,515)	(1,338,247,515)	-	-
Notes payable	(257,896,108)	(257,896,108)	(257,896,108)	-	-
Account payable	(2,705,521,285)	(2,705,521,285)	(2,705,521,285)	-	-
Other account payable	(5,835,329,987)	(5,835,329,987)	(5,835,329,987)	-	-
Long-term borrowings	(5,720,303,012)	(6,390,399,914)	(261,375,334)	(6,129,024,580)	-

2. Fair value

Fair value of financial assets and financial liabilities are decided by the ways as provided hereafter:

- Fair values of financial assets and financial liabilities complying with standard conditions and with active market are decided respectively with reference to the current prices of the active market and current offers;

- Fair value of other financial assets and financial liabilities (derivate instruments not included) are recognized by general pricing matrix on future discounted cash flow basis, or recognized by observable current market prices;

- Fair values of derivate instruments are determined by the public offer in the active market.

The management of the Company deems that, the book values of financial assets and financial liabilities measured by amortized costs are close to the fair values of these assets and liabilities.

(XI) Financial Instruments and Risk Management - continues

3. Sensitivity analyse

3.1 Foreign currency risk

Foreign currency risks come mostly from the influence of exchange rate fluctuation on the foreign currency loans raised by the Company and monetary assets and liabilities accounted in foreign currencies. Foreign currency loans are mainly USD loans with float interest rates. To avoid the exchange rate risks, the Group locks the future exchange rates by using future exchange contracts without transferring of principal. On the other hand, for those monetary asset and liabilities accounted in foreign currencies, the Group capitalizes most of the exchange gain/loss and accounted into inventory cost.

3.2 Interest risks

Interest risks are mostly the influences of interest fluctuation on the borrowing expenses. Most of the borrowing expenses have been capitalized and accounted into inventory cost, therefore fluctuation of interest rate is not making major influence on the gain/loss of current term or shareholders' equity at end of report term.

(XII) Notes to the main items of the financial statements of the parent company

1. Other account receivable.

(1) Other account receivable categorized by property

In RMB

Categories	End of term				Beginning of term			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
Other receivable with major individual amount	12,501,248,369	100	-	-	14,581,472,247	100	-	-
No major amount individually but with great risk after combined with others with similar credit risk	-	-	-	-	-	-	-	-
Other minor other receivables	3,066,436	-	-	-	6,896,771	-	-	-
Total	12,504,314,805	100	-	-	14,588,369,018	100	-	-

Ages of other receivable accounts

Age	End of term				Beginning of term			
	Amount	Proportion %	Bad debt provision	Book value	Amount	Proportion %	Bad debt provision	Book value
within 1 yr	12,503,630,176	100%	-	12,503,630,176	14,588,369,018	100%	-	14,588,369,018
1-2 years	684,629	-	-	684,629	-	-	-	-
2-3 years	-	-	-	-	-	-	-	-
Over 3 yrs	-	-	-	-	-	-	-	-
Total	12,504,314,805	100%	-	12,504,314,805	14,588,369,018	100%	-	14,588,369,018

(2) No other receivable account due from shareholders with 5% or over of shares of the Company in the balance.

(XII) Notes to major items in financial statements of the parent company - continues

1. Other account receivable – cont.

(3) Top other receivable accounts

In RMB

Name of the companies	Relation with the Company	Amount	Ages	Portion in total other receivables (%)
Shenzhen China Merchants Property Co., Ltd.	Subsidiary of the Company	4,442,695,824	within 1 yr	36%
China Merchants Properties (Chongqing) Co., Ltd.	Subsidiary of the Company	1,277,696,120	within 1 yr	10%
Guangzhou China Merchants Real-estate Co., Ltd.	Subsidiary of the Company	1,204,289,451	within 1 yr	10%
Tianjing Zhaosheng Property Co., Ltd.	Subsidiary of the Company	683,736,391	within 1 yr	5%
Shanghai CM Fengrui Property Ltd.	Subsidiary of the Company	660,363,253	within 1 yr	5%
Total		8,268,781,040		66%

(4) Receivables from related parties

Note: See Note (XII)7(2)

(XII) Notes to major items in financial statements of the parent company - continues

2. Long-term equity investment

(1) Details of long-term equity investment

In RMB

Company invested in	Calculating basis	Initial costs	Balance at the beginning of term	Changed by	Balance at the end of term	Percentage of share in the firm %	Voting power in the firm %	Statement on differences between the shareholding and voting rights	Impairment provision	Provided current term Impairment provision	Cash dividend of the term
China Merchants Guangming Technologies Garden Ltd.	Equity basis	98,000,000	90,424,274	(4,413,385)	86,010,889	49%	49%	Not applicable	-	-	-
Shanghai China Merchants Properties Co., Ltd.	Cost basis	3,000,000	3,000,000	-	3,000,000	10%	10%	Not applicable	-	-	13,298,824
Shenzhen CM Property Consultancy Ltd.	Cost basis	400,000	400,000	-	400,000	20%	20%	Not applicable	-	-	-
Shenzhen City Main Plaza Investment Co., Ltd.	Cost basis	-	-	-	-	10%	10%	Not applicable	-	-	-
Shanghai China Merchants Real-estates Co., Ltd.	Cost basis	3,000,000	3,000,000	-	3,000,000	100%	100%	Not applicable	-	-	-
Shenzhen China Merchants Property Co., Ltd.	Cost basis	500,000,000	692,841,461	2,042,000,000	2,734,841,461	100%	100%	Not applicable	-	-	3,036,248,070
Shenzhen CM Power Supply Co., Ltd.	Cost basis	57,000,000	119,791,233	-	119,791,233	95%	95%	Not applicable	-	-	-
Shenzhen CM Water Supply Co., Ltd.	Cost basis	43,000,000	127,209,610	-	127,209,610	95%	95%	Not applicable	-	-	-
Shenzhen China Merchants Xin'an Properties Co., Ltd.	Cost basis	25,000,000	20,822,211	-	20,822,211	60%	60%	Not applicable	-	-	-
Ruijia Investment Industrial Ltd.	Cost basis	19,919,300	19,919,300	-	19,919,300	99%	99%	Not applicable	-	-	-
CM Garden City (Beijing) Property Development Co., Ltd.	Cost basis	18,000,000	18,000,000	(18,000,000)	-	90%	90%	Not applicable	-	-	-
CM Property (Beijing) Ltd.	Cost basis	18,000,000	18,000,000	-	18,000,000	90%	90%	Not applicable	-	-	-
China Merchants (Suzhou) Co., Ltd.	Cost basis	27,000,000	27,000,000	-	27,000,000	90%	90%	Not applicable	-	-	182,635,544
CM (Chongqing) Ltd.	Cost basis	27,000,000	27,000,000	-	27,000,000	90%	90%	Not applicable	-	-	-
China Merchants Property Management Co., Ltd.	Cost basis	22,500,000	36,460,597	-	36,460,597	90%	90%	Not applicable	-	-	-
CM (Nanjing) Ltd.	Cost basis	14,700,000	14,700,000	-	14,700,000	49%	49%	Not applicable	-	-	-
Zhangzhou China Merchants Properties Co., Ltd.	Cost basis	25,500,000	25,500,000	-	25,500,000	51%	51%	Not applicable	-	-	-
Tianjing Zhaosheng Property Co., Ltd.	Cost basis	18,000,000	18,000,000	-	18,000,000	60%	60%	Not applicable	-	-	-
Suzhou CM Nanshan Property Co., Ltd.	Cost basis	120,000,000	120,000,000	-	120,000,000	60%	60%	Not applicable	-	-	35,710,165
Chengdu CM Property Ltd.	Cost basis	30,000,000	30,000,000	(30,000,000)	-	100%	100%	Not applicable	-	-	-
China Merchants Properties (Chongqing) Co., Ltd.	Cost basis	30,000,000	30,000,000	-	30,000,000	100%	100%	Not applicable	-	-	-
Chengdu China Merchants Beihu Property Co., Ltd.	Cost basis	50,000,000	-	50,000,000	50,000,000	100%	100%	Not applicable	-	-	-
Total			1,442,068,686	2,039,586,615	3,481,655,301					-	3,267,892,603

(XII) Notes to major items in financial statements of the parent company - continues

2. Long-term equity investment – cont.

(2) Investment in affiliates and joint-ventures

In RMB

Name of the Companies	Ownership type	Reg. Add.	Legal representative	Business property	Registered capital	Shares held by the Company %	Voting power of the Company in the entity %	Total asset at end of term	Total liability at end of term	Total net asset at end of term	Total of turnover at current term	Net profit of the current term
I. Affiliates												
China Merchants Guangming Technologies Garden Ltd.	Ltd. liability	Shenzhen	Yang Tianping	Property development and management	200,000,000	49%	49%	261,471,801	85,939,376	175,532,425	1,620,000	(9,006,909)

(3) The Company's long-term equity investment receivers were not limited in ability to transfer capital to the Company as of December 31, 2009.

(XII) Notes to major items in financial statements of the parent company - continues

3. Short-term loans

In RMB

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guarantee loan	-	400,000,000
Credit loan	630,397,000	2,406,081,100
Total	630,397,000	2,806,081,100

4. Non-current liabilities due in one year

(1) Details of non-current liabilities due in one year

In RMB

Items	End of term	Beginning of term
Long-term loans due in 1 year	650,000,000	1,550,000,000
Bond payable due in one year	-	-
Long-term payable due in 1 year	-	-
Other non-current liabilities due in 1 year	-	-
Total	650,000,000	1,550,000,000

(2) Long-term loans due in 1 year

(a) Long-term loans due in one year

In RMB

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guaranteed loan (Note)	400,000,000	1,100,000,000
Credit loan	250,000,000	450,000,000
Total	650,000,000	1,550,000,000

Note: See Note (V)29(2)

(b) Long-term loans due in 1 year top 5 in amount

In RMB

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	End of term		Beginning of term	
					Amount of foreign currency	Amount of original currency	Amount of foreign currency	Amount of original currency
Shanghai International Trust Co., Ltd.	2008.01.18	2010.01.17	RMB	7.72%	-	400,000,000	-	-
Minsheng Bank Shenzhen Shekou Branch	2008.11.28	2010.11.28	RMB	4.86%	-	200,000,000	-	-
Agriculture Bank Shenzhen Nanshan Branch	2008.07.31	2010.07.30	RMB	4.86%		50,000,000	-	-
Total						650,000,000		-

(XII) Notes to major items in financial statements of the parent company - continues

5. Long-term loans

(1) Categories of long-term loans

In RMB

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guaranteed loan (Note)	1,100,000,000	760,000,000
Credit loan	3,023,128,000	2,250,000,000
Entrusted loan	-	600,000,000
Total	4,123,128,000	3,610,000,000

Note: See Note (V)31(1)

(2) Long-term loans top 5 in amount

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	End of term		Beginning of term	
					Amount of foreign currency	Amount of original currency	Amount of foreign currency	Amount of original currency
Xinhua Trust & Investment Co., Ltd.	2009.07.21	2012.07.20	RMB	4.86%	-	1,000,000,000	-	-
China Merchants Bank Shenzhen New Times Branch	2009.07.27	2012.07.27	RMB	4.86%	-	600,000,000	-	-
Construction Bank Shenzhen Shekou Branch	2008.11.24	2011.02.23	RMB	4.86%	-	500,000,000	-	500,000,000
Bank of China Shenzhen Shekou Branch	2009.07.24	2012.07.24	RMB	4.86%	-	400,000,000	-	-
China Merchants Bank Shenzhen Shekou Branch	2009.05.26	2011.05.26	RMB	4.86%	-	300,000,000	-	-
Total						2,800,000,000		500,000,000

6. Investment income

(1) Detailed investment gains

In RMB

Items	Occurred current term	Occurred in previous term
Long-term equity investment gains on cost basis	1,096,120,148	607,301,667
Long-term equity investment gains on equity basis	(4,413,386)	(6,766,935)
Investment gains from disposal of long-term equity investment	(5,284,580)	(6,270,824)
Investment gains in the period of holding transactional financial assets	-	-
Investment gains in the period from receiving to expiration	-	-
Investment gains in period of holding disposable financial assets	-	-
Investment gains from disposal of transactional financial assets	-	-
Investment gains from disposal of investment hold to expiration	-	-
Investment gains from disposal of disposable financial assets	-	-
Others	46,007,850	-
Total	1,132,430,032	594,263,908

(XII) Notes to major items in financial statements of the parent company - continues

6. Investment gains – cont.

(2) Long-term equity investment gains on cost basis:

In RMB

Company invested in	Occurred current term	Occurred in previous term	Causation of change
Shenzhen China Merchants Property Co., Ltd.	864,475,614	583,793,138	Profit of the firm increased
China Merchants (Suzhou) Co., Ltd.	182,635,544	-	Profit of the firm increased
Total	1,047,111,158	583,793,138	

7. Related Transactions

(1) Guarantees of related parties

In RMB

Provider	Receiver	Amount guaranteed	Start date	Due date	Completed or not
CMSIZ. (Note 1)	The Company	1,100,000,000	2009.05.26	2012.07.27	No
The Company (Note 2)	Shenzhen CM Power Supply Co., Ltd.	204,846,000	2008.07.14	2010.06.18	No
The Company (Note 3)	Zhuhai Yuanfeng Property Co., Ltd.	61,200,000	2009.11.05	2013.11.24	No

Note 1: See Note (V)31(1)

Note 2: See Note (V)19

Note 3: See Note (V)31(1)

(XII) Notes to major items in financial statements of the parent company - continues

7. Related transactions – cont.

(2) Receivable and payable due with the related parties

In RMB

Projects	Related parties	Amount at end of term	Initial amount
Dividend receivable	Shenzhen China Merchants Property Co., Ltd.	859,075,614	3,030,848,071
Dividend receivable	China Merchants (Suzhou) Co., Ltd.	182,635,544	-
Dividend receivable	Suzhou CM Nanshan Property Co., Ltd.	35,710,165	-
Dividend receivable	Shanghai China Merchants Properties Co., Ltd.	13,298,824	-
	Total	**1,090,720,147**	**3,030,848,071**
Other account receivable	Shenzhen China Merchants Property Co., Ltd.	4,442,695,824	4,516,341,620
Other account receivable	China Merchants Properties (Chongqing) Co., Ltd.	1,277,696,120	732,000,000
Other account receivable	Guangzhou China Merchants Real-estate Co., Ltd.	1,204,289,451	1,435,307,998
Other account receivable	Tianjing Zhaosheng Property Co., Ltd.	683,736,391	1,412,479,200
Other account receivable	Shanghai CM Fengrui Property Ltd.	660,363,253	440,099,694
Other account receivable	Suzhou CM Nanshan Property Co., Ltd.	553,165,572	718,384,807
Other account receivable	Zhangzhou China Merchants Properties Co., Ltd.	508,057,437	275,002,533
Other account receivable	Zhuhai China Merchants Property Co., Ltd.	417,905,262	324,262,128
Other account receivable	CM (Chongqing) Ltd.	400,108,953	624,777,184
Other account receivable	China Merchants Jiaming (Beijing) Property Development Co., Ltd.	315,407,245	818,769,538
Other account receivable	Shanghai CM Fengsheng Property Ltd.	307,398,200	442,991,746
Other account receivable	Shanghai CM Minsheng Property Ltd.	299,732,000	646,184,735
Other account receivable	CM Property (Beijing) Ltd.	266,385,000	1,004,249,678
Other account receivable	Beijing Kanglade Property Development Co., Ltd.	229,581,158	-
Other account receivable	Shanghai Fengyang Property Development Co., Ltd.	220,643,596	220,643,596
Other account receivable	CM (Nanjing) Ltd.	200,000,000	432,170,000
Other account receivable	China Merchants (Suzhou) Co., Ltd.	204,233,511	149,368,200
Other account receivable	Suzhou Shuanghu Property Co., Ltd.	101,421,070	27,087,661
Other account receivable	Ruijia Investment Industrial Ltd.	81,647,973	80,044,013
Other account receivable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	34,396,380	39,883,897
Other account receivable	Foshan Xinjie Property Ltd.	27,890,037	16,777,640
Other account receivable	Chengdu CM Property Ltd.	-	3,138,750
	Total	12,436,754,433	14,359,964,618

(XII) Notes to major items in financial statements of the parent company - continues

7. Related transactions – cont.

(2) Receivable and payable due with the related parties – cont.

In RMB

Projects	Related parties	Amount at end of term	Initial amount
Other account payable	Shenzhen CM Power Supply Co., Ltd.	1,414,231,992	1,306,145,715
Other account payable	China Merchants (Suzhou) Co., Ltd.	491,582,002	46,788,908
Other account payable	Shanghai CM Fengsheng Property Ltd.	360,600,486	1,086,344
Other account payable	Shanghai China Merchants Properties Co., Ltd.	173,006,186	281,316,354
Other account payable	CM Property (Beijing) Ltd.	164,730,677	43,206,046
Other account payable	CM (Nanjing) Ltd.	134,423,946	99,544,488
Other account payable	Shenzhen China Merchants Property Management Co., Ltd.	125,755,466	108,606,766
Other account payable	Shenzhen Taige Apartment Management Co., Ltd.	118,490,378	83,977,078
Other account payable	Beijing CM Property Management Co., Ltd.	100,366,424	100,257,959
Other account payable	Shekou Xinghua Industrial Holdings Co., Ltd.	91,948,499	87,253,387
Other account payable	Shenzhen CM Water Supply Co., Ltd.	95,072,758	74,857,464
Other account payable	Tianjin China Merchants Properties Co., Ltd.	81,360,183	60,770,482
Other account payable	Guangzhou China Merchants Real-estate Co., Ltd.	76,572,970	18,198,541
Other account payable	Shanghai CM Minsheng Property Ltd.	67,392,495	-
Other account payable	Shanghai Fengyang Property Development Co., Ltd.	62,892,770	36,698,843
Other account payable	Shenzhen CM Construction Co., Ltd.	50,534,075	49,745,930
Other account payable	Shenzhen CM Commercial Development Co., Ltd.	49,969,324	49,971,617
Other account payable	Shanghai CM Property Management Co., Ltd.	36,014,281	36,516,030
Other account payable	CM (Chongqing) Ltd.	35,900,947	4,404,977
Other account payable	Shanghai China Merchants Real-estates Co., Ltd.	30,500,688	30,500,688
Other account payable	Shenzhen City Main Plaza Investment Co., Ltd.	30,388,279	61,390,279
Other account payable	Shenzhen China Merchants Property Co., Ltd.	27,340,441	-
Other account payable	China Merchants Property Management Co., Ltd.	23,562,444	13,095,326
Other account payable	Shenzhen CM Property Consultancy Ltd.	20,012,738	12,692
Other account payable	Wuhan CM Property Management Co., Ltd.	15,087,597	10,312,204
Other account payable	Shenzhen CM Qile Property Management Ltd.	12,715,005	10,730,161
Other account payable	Zhangzhou CM Honglong Property Ltd.	11,573,817	11,563,410
Other account payable	Tianjing Zhaosheng Property Co., Ltd.	7,496,320	13,898,466
Other account payable	Nanjing CM Property Management Co., Ltd.	6,078,108	6,864,460
Other account payable	Ruijia Investment Industrial Ltd.	3,443,990	3,435,905
Other account payable	Chengdu CM Property Ltd.	-	3,138,750
Other account payable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	2,072,989	-
Other account payable	China Merchants Guangming Technologies Garden Ltd.	1,067,447	6,563,954
Other account payable	CM Garden City (Beijing) Property Development Co., Ltd.	-	15,266,268
Other account payable	China Merchants Properties (Chongqing) Co., Ltd.	-	3,814,153
Other account payable	China Merchants Securities Co., Ltd.	-	2,000,000
	Total	3,922,185,722	2,681,933,645

(XII) Notes to major items in financial statements of the parent company - continues

7. Related transactions – cont.

(3) Capital coordinating by capital clearance center

The Company has established an internal capital clearance center to collectively manage and coordinate the capital inside the Company. All of the subsidiaries save their money in the center, and apply for fund when needed for project development. The Company charge the fund applied at practical financial cost.

(XIII) Approval of the financial statements

The Financial Statements of the Company and Consolidated have been approved by the Board of Directors on April 18, 2010.

(XIV) Supplementary Info.

1. Details of non-recurring gain/loss

In RMB

Items	Amount	Remarks
Gain/loss of non-current assets	1,299,323	-
Tax refunding or exemption without official certification or exceeded authority	-	-
Government subsidy recorded into current income account (other than those closely related to the Company's business operation, granted at fixed amount according to the national regulations)	3,528,698	-
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss	-	-
Gain/loss from differences between the cost of enterprise merger and the fair value of recognizable net asset of the invested entities	-	-
Gain/loss from non-monetary assets	-	-
Gain/loss from commissioned investment or assets	-	-
Asset impairment provisions provided for force-majeur	-	-
Gain/loss from debt reorganization	-	-
Enterprise reorganizing expenses, such as employee placement fee and integration fee	-	-
Gain/loss from trade departing from fair value	-	-
Current net gain/loss of subsidiaries under same control from beginning of term till date of consolidation	-	-
Gain/loss generated by contingent liabilities without connection with main businesses	-	-
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company' s common businesses	-	-
Restoring of receivable account impairment provision tested individually	1,940,114	-
Gain/loss from commissioned loans	-	-
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	-	-
Influence of one-time adjustment made on current gain/loss account according to the laws and regulations regarding tax and accounting	-	-
Consigning fee received for cosigned operation	-	-
Other non-business income and expenditures other than the above	(19,337,833)	-
Other gain/loss items satisfying the definition of non-recurring gain/loss account	-	-
Influenced amount of income tax	2,686,297	-
Influence on minority shareholders' equity (after tax)	(741,097)	-
Total	(10,624,498)	-

(XIV) Supplementary info. – cont.

2. Net income on asset ratio and earning per share

This calculation formula of net income on asset ratio and earning per share was prepared by CMPD according to "Information Disclosure Rules of PLC No.09 – calculating and disclosing of net income on asset and earnings per share" (Revised 2007) issued by China Securities Regulatory Commission.

Profit of the report period	Weighted average net income on asset %	Earnings per share	
		Basic earnings per share	Diluted gains per share
Net profit attributable to common shareholders of the Company	10.54%	0.9574	0.9574
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	10.61%	0.9636	0.9636

3. Analysis on irregular situation of items in the financial statements

RMB Yuan

	Items	Year 2009	Year 2008	Scale of change	Causation of differences
1	Other account receivable	1,926,509,243	778,506,128	147%	increase of land bidding deposit
2	Short-term loans	1,372,929,609	3,613,956,278	(62%)	Decreased for repaying of loans
3	Account payable	2,705,521,285	1,863,688,472	45%	Increase of payable for land and project payment
4	Prepayment received	9,498,461,291	2,731,472,693	248%	Increase of advances received for selling of properties
5	Other account payable	5,835,329,987	3,154,569,035	85%	Increase of project prepayment input by minor shareholders and borrowings of related parties
6	Other current liability	1,843,563,001	459,072,398	302%	Increase of land VAT drawn in advance caused by increase of property sales income
7	Turnover	10,137,701,049	3,573,184,200	184%	Increase of property sales income
8	Operation cost	5,961,738,151	2,097,773,113	184%	Increase of property sales costs
9	Business tax and surcharge	1,623,223,320	264,980,117	513%	Increase of tax caused by increase of property sales
10	Income from change of fair value	(103,663,503)	145,469,305	(171%)	For the actual transaction income has been recorded into investment gains, the NDF contract (Note) fair value recognized in previous year has been neutralized correspondingly

Note: NDF means future foreign currency trade contract without handover of principal.

Chapter 12. Documents Available for Reference

1. Financial statements carrying the personal signatures and seals of Legal Representative, Person in Charge of Accounting Works and Person in Charge of Accounting Department;
2. Original of Auditors' Report carrying the seals of Certified Public Accountants as well as personal signatures and seals of certified public accountants;
3. Originals of all documents and notices publicly disclosed on newspapers designated by CSRC in the report period in 2009;
4. English version of Annual Report 2009 of the Company.

China Merchants Property Development Co., Ltd.
April 20, 2010