



Annual Report 2010

Announcement No.: 【CMPD】 2011-006

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 auditing the Annual Report; all 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 address: 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. Shenzhen Securities Regulatory Bureau: China Securities Regulatory Commission Shenzhen Regulatory Bureau
3. SZSE: Shenzhen Stock Exchange
4. The Company: China Merchants Property Development Co., Ltd.
5. China Merchants Group: China Merchants Group Ltd.
6. Top Chief: Top Chief Co., Ltd.
7. Shekou Industrial Zone: China Merchants Shekou Industrial Zone Co., Ltd.
8. Zhangzhou Development Zone: China Merchants Zhangzhou Development Zone Co., Ltd.
9. Shenzhen CMRE: Shenzhen China Merchants Real Estate Co., Ltd.
10. CMPS: Shenzhen China Merchants Power Supply Co., Ltd.
11. CMWS: Shenzhen China Merchants Water Supply Co., Ltd.
12. Hong Kong Ruijia: Ruijia Investment Industrial Co., Ltd.
13. China Merchants Property: China Merchants Property Development Co., Ltd.

Chapter 3. Financial Summary

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

Items	2010	2009	Year-on-year Change	2008
Operating income	13,782,425,231	10,137,701,049	35.95%	3,573,184,200
Total profit	3,272,123,773	2,273,730,035	43.91%	1,301,864,971
Net profit attributable to shareholders of the listed company	2,011,397,239	1,644,143,880	22.34%	1,227,615,829
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	2,003,177,128	1,654,768,378	21.05%	1,254,636,882
Net cash flow from operating activities	-4,446,294,010	7,054,731,333	-163.03%	-3,919,843,675
Items	End of 2010	End of 2009	Year-on-year Change	End of 2008
Total assets	59,818,240,763	47,897,160,497	24.89%	37,437,014,995
Shareholders' equity attributable to shareholders of the listed company	18,207,431,836	16,278,736,754	11.85%	14,862,746,365
Share capital (Share)	1,717,300,503	1,717,300,503	0.00%	1,717,300,503

II. Main financial indicators (Unit: RMB)

Items	2010	2009	Year-on-year Change	2008
Basic earnings per share	1.17	0.96	21.88%	0.94
Diluted earnings per share	1.17	0.96	21.88%	0.94
Basic earnings per share after deducting non-recurring gains and losses	1.17	0.96	21.88%	0.96

Weighted average return on equity	11.66%	10.54%	up by 1.12 percentage points	13.70%
Weighted average return on equity after deducting non-recurring gains and losses	11.62%	10.61%	up by 1.01 percentage points	14.01%
Net cash flow per share arising from operating activities	-2.59	4.11	-163.02%	-2.28
Items	End of 2010	End of 2009	Year-on-year Change	End of 2008
Shareholders' equity attributable to shareholders of the listed company	10.06	9.48	11.81%	8.65

(Unit: RMB)

Non-recurring gain and loss items	Amount
Gains/losses from the disposal of non-current assets	13,091,826
Reversal of any provisions for asset impairment which has been made in prior years	0
Government subsidies	3,716,729
Other non-operating income/expenditure, net	-5,816,519
Influences on minority shareholders' gains/losses	-367,515
Impact on income tax	-2,404,410
Total	8,220,111

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	
	2010	2009	End of 2010	End of 2009
Under IAS	2,011,397,239	1,644,143,880	19,547,261,065	17,618,565,983
Under PRC Accounting Standard	2,011,397,239	1,644,143,880	18,207,431,836	16,278,736,754
Difference	-	-	1,339,829,229	1,339,829,229
Adjustment of goodwill	-	-	1,339,829,229	1,339,829,229
Notes	<p><i>For the current year, the net profit attributable to the shareholders of listed company is the same under both Chinese Accounting Standard and International Accounting Standard. 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 Chinese 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.</i></p>			

Chapter4. Changes in Share Capital and Information on Shareholders

I. Change in Share Capital

(I) Change in Share Capital as at December 31, 2010

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

	December 31, 2009		Increase / Decrease (+, -)				December 31, 2010	
	Quantity	Proportion	Issue of new shares	Quantity	Proportion	Issue of new shares	Quantity	Proportion
I. Restricted Shares	929,439,484	54.12%			-37,845,276	-37,845,276	891,594,208	51.92%
1. State-owned shares								
2. State-owned legal person shares	731,298,105	42.58%			-37,878,788	-37,878,788	693,419,317	40.38%
3. Other domestic shares								
Including: domestic non-state-owned legal person shares								
Domestic natural person shares								
4. Foreign shares	197,709,440	11.51%					197,709,440	11.51%
Including: Foreign legal person shares	197,709,440	11.51%					197,709,440	11.51%
Foreign natural person shares								
5. Senior executives' shares	431,939	0.03%			33,512	33,512	465,451	0.03%
II. Unrestricted Shares	787,861,019	45.88%			37,845,276	37,845,276	825,706,295	48.08%
1. RMB ordinary shares	646,434,394	37.64%			37,831,326	37,831,326	684,265,720	39.84%
2. Domestically listed foreign invested shares	141,426,625	8.24%			13,950	13,950	141,440,575	8.24%
3. Overseas listed foreign invested shares								
4. Other								
III. Total shares	1,717,300,503	100.00%			0	0	1,717,300,503	100.00%

2. Changes in restricted shares (Unit: Share)

Name of the shareholder	Restricted shares at beginning of year	Released this year	Increase d this year	Restricted shares at the end of the period	Reason of restriction	Date of releasing
China Merchants Shekou Industrial Zone Co., Ltd. (Note 1)	693,419,317			693,419,317	Committed not to sell	Committed day of releasing restriction is September 24, 2010, however, restriction releasing application procedures were not handled
Full Space Investment Ltd. (Note 1, 2)	94,144,050			94,144,050	Committed not to sell	
China Merchants Securities Hong Kong Ltd. (Note 1, 2)	49,242,245			49,242,245	Committed not to sell	
FOXTROT INTERNATIONAL LIMITED (Note 1, 2)	27,720,000			27,720,000	Committed not to sell	
ORIENTURE INVESTMENT LIMITED (Note 1, 2)	26,603,145			26,603,145	Committed not to sell	
China Merchants Zhangzhou Development Zone Co., Ltd. (Note 3)	37,878,788	37,878,788		-		November 18, 2010
Lin Shaobin	106,627			106,627	Shares held by senior executive	Determined according to regulations regarding changes of shares held by senior executives
Yang Baiqian	67,425			67,425	Shares held by senior executive	
He Jianya	72,876			72,876	Shares held by senior executive	
Yang Zhiguang	57,971			57,971	Shares held by senior executive	
Huang Peikun	83,025			83,025	Shares held by senior executive	
Meng Cai (Note 4)			33,512	33,512	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	
Total	929,439,484	37,878,788	33,512	891,594,208		

Notes:

- Shares with restriction conditions include: 693,419,317 A-shares directly held and 197,709,440 B shares indirectly held by Shekou Industrial Zone, 272,176 A-shares and 193,275 B-shares held by senior executives. In 2007, as Shekou Industrial Zone added holding privately issued shares, it committed not to sell the shares of the Company (including directly and indirectly held) that it held before September 24, 2010. At present, the Company has not received notice from Shekou Industrial Zone requiring releasing restricted shares.
- 49,242,245 shares held by China Merchants Securities Hong Kong Ltd. were bought entrusted by Top Chief Co., Ltd., Full Space Investment Ltd., FOXTROT INTERNATIONAL LIMITED and ORIENTURE INVESTMENT LTD are wholly owned subsidiaries of Shekou Industrial Zone.
- As Zhangzhou Development Zone subscribed shares publicly issued additionally by the Company in

2008 and it is regarded as person acting in concert of the shareholders of the Company, its restriction time is determined with reference to the restriction period of Shekou Industrial Zone, i.e. it did not sell the shares of the Company held before September 24, 2010. In November 2010, Zhangzhou Development Zone applied to release restriction according to the related provisions of Shenzhen Stock Exchange and was approved by Shenzhen Stock Exchange, restriction was released for the shares of the Company that it held, and listed flow day was November 18, 2010.

- 4、 Among the shares with restriction conditions, shareholding change number of senior executives during the report period is 44,682 A-shares of the Company held by the Meng Cai, senior executive added this year, among which restricted shares according to the related provisions are 33,512.

(II) Issuing and listing of shares

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

Public Offering 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-stock shareholders were sold on-line and off-line. The shares have been placed in the Exchange on December 8, 2008.

II. Information of Company shareholders

(I) Shareholding situation of top 10 shareholders and top 10 holders of unrestricted shares as of December 31, 2010 (Unit: share)

Total number of shareholders		100,483 (including 88,880 A-share holders and 11,603 B-share holders)				
Shareholding of top 10 shareholders						
No.	Name of shareholder	Class of shareholder	Share proportion %	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	2.90%	49,794,258	49,242,245	0
4	China Merchants Zhangzhou Development Zone Co., Ltd.	State-owned legal person	2.21%	37,878,788	0	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	China International Fund Management Co., Ltd. China Advantage Securities Investment Fund	Others such as fund, and financing products etc.	1.38%	23,665,242	0	Unknown
8	China Life Insurance Company Co., Ltd.-Dividend-Individual Dividend -005L-FH002 Shen	Others such as fund, and financing products etc.	1.33%	22,843,372	0	Unknown
9	Penghua Value Advantage Stock-linked Security Investment Fund	Others such as fund, and financing products etc.	0.82%	13,999,901	0	Unknown
10	Huaxia Stable Increase Mixed Type Securities Investment Fund	Others such as fund, and financing products etc.	0.73%	12,599,968	0	Unknown

Note	49,242,245 shares held by China Merchants Securities Hong Kong Ltd. Were bought by Top Chief Co., Ltd.		
Top 10 holders of unrestricted shares			
No.	Name of shareholder	Unrestricted shares	Class of Shares
1	China Merchants Zhangzhou Development Zone Co., Ltd.	37,878,788	A-shares
2	China International Fund Management Co., Ltd. China Advantage Securities Investment Fund	23,665,242	A-shares
3	China Life Insurance Company Co., Ltd.-traditional-ordinary insurance products-005L-CT001 Shen	22,843,372	A-shares
4	Penghua Value Advantage Stock-linked Security Investment Fund	13,999,901	A-shares
5	Huaxia Stable Increase Mixed Type Securities Investment Fund	12,599,968	A-shares
6	Efunds 50 Index Securities Investment Fund	10,647,892	A-shares
7	CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	9,699,770	B-shares
8	Efunds Shenzhen Stock 100 Transaction Type Open Index Securities Investment Fund	9,355,853	A-shares
9	Invesco Great Wall Resource Monopoly Stock Type Securities Investment Fund (LOF)	9,223,585	A-shares
10	Full Goal Selected Mixed Open-ended Security Investment Fund	8,815,046	A-shares
Explanation to the connection or concerted action	Not applicable		

(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, storage business and land and water construction project; 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 substantial controller of the Company: China Merchants Group Co., Ltd.

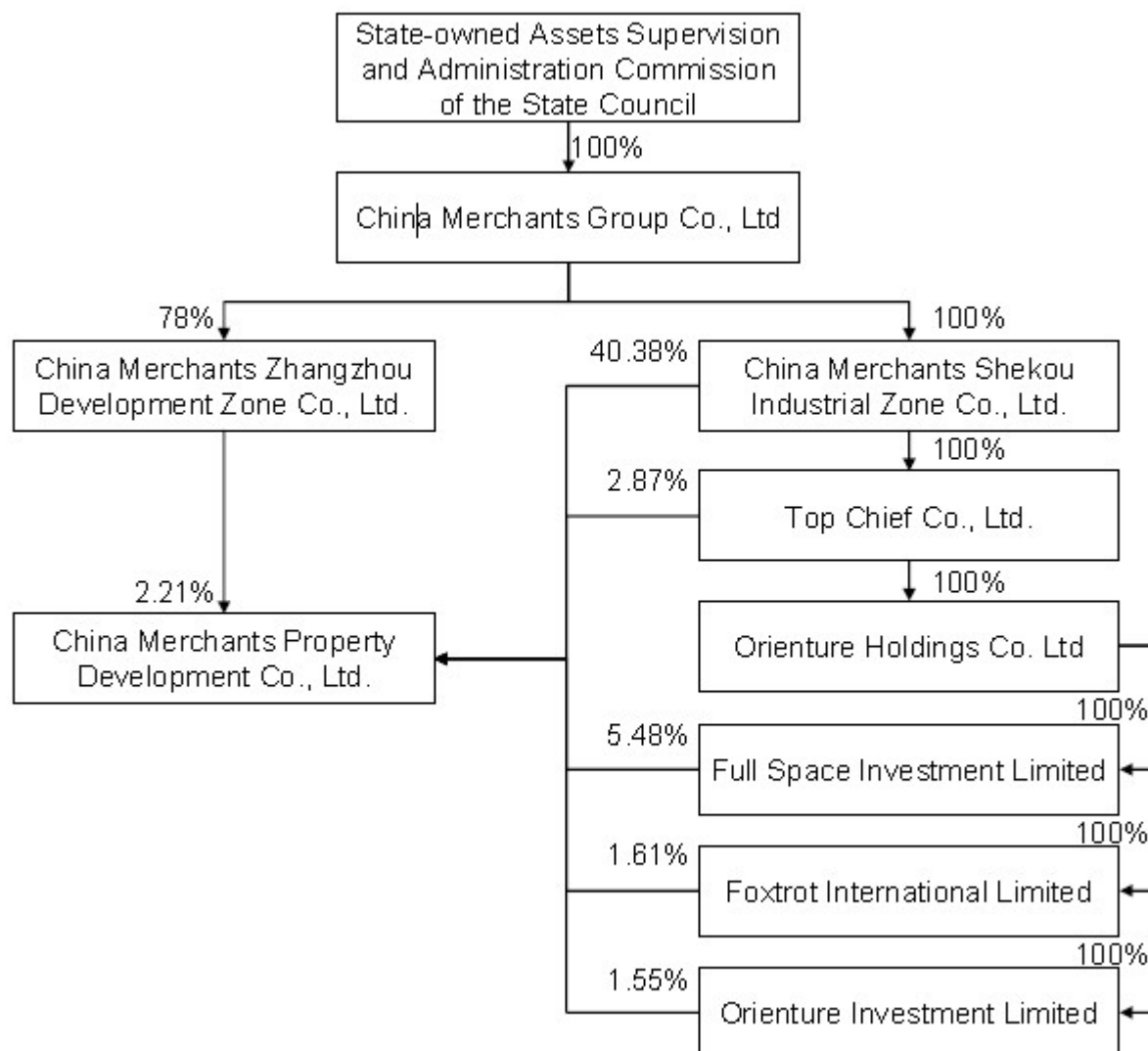
Legal representative: Fu Yuning

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 report 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 be 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 (namely, February 9, 2011), 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 2.5 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; with bonus distribution in year 2008, RMB 1 for every 10 share; and with bonus distribution in year 2009, RMB 1 for every 10 share. The conditional price was adjusted to RMB 7.23).

In the report 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 report period (RMB'0000)	Whether get compensation from the shareholder unit or connected unit
					A share	B share	A share	B share			
Lin Shaobin	Chairman	M	50	2011.2 – 2011.9	41,670	100,500	41,670	100,500	N/A	215.23	No
Yang Tianping	Deputy Chairman	M	51	2011.2 – 2011.9					N/A		Yes
Yang Baiqian	Director	M	45	2008.9 – 2011.9	89,900	-	89,900	-	N/A		Yes
Hua Li	Director	M	39	2008.9 – 2011.9					N/A		Yes
Chen Gang	Director	M	52	2008.9 – 2011.9					N/A		Yes
Huang Peikun	Director and Chief Financial Officer	M	48	2008.9 – 2011.9	-	130,700	-	130,700	N/A	168.11	No
Meng Yan	Independent Director	M	55	2008.9 – 2011.9					N/A	12	No
Chen Yanping	Independent Director	F	52	2008.9 – 2011.9					N/A	12	No
Gong Xinglong	Independent Director	M	62	2008.9 – 2011.9					N/A	12	No
Chai Qiang	Independent Director	M	49	2008.9 – 2011.9					N/A	12	No
Fu Gangfeng	Chairman of the Supervisory Committee	M	44	2008.9 – 2011.9					N/A		Yes

Ding Yong	Supervisor	M	50	2008.9 – 2011.9					N/A		Yes
Wu Zhenqin	Supervisor	F	52	2008.9 – 2011.9					N/A		Yes
Liu Ye	Employee Supervisor	M	38	2008.9 – 2011.9	15,000		15,000		N/A	51.85	No
Zhu Yu	Employee Supervisor	F	28	2008.9 – 2011.9					N/A	23.73	No
He Jianya	General Manager	M	45	2011.2 – 2011.9	97,170	-	97,170	-	N/A	162.25	No
Yang Zhiguang	Deputy General Manager	M	47	2008.9 – 2011.9	44,295	33,000	44,295	33,000	N/A	162.32	No
Hu Jianxin	Deputy General Manager	M	52	2008.9 – 2011.9					N/A	158.1	No
Wang Li	Deputy General Manager	M	55	2008.9 – 2011.9	30,187	-	30,187	-	N/A	158.96	No
Zhu Wenkai	Deputy General Manager	M	43	2008.9 – 2011.9					N/A	159.51	No
Meng Cai	Deputy General Manager	M	52	2010.11 – 2011.9			44,682		New hire	14.5	No
Zhang Lin	Deputy General Manager	M	48	2010.9 – 2011.9						23.99	No
Wang Zhengde	Chief economist	M	47	2010.4 – 2011.9					N/A	112.8	No
Liu Ning	Secretary of the Board	F	42	2008.9 – 2011.9	-	13,500	-	13,500	N/A	91.45	No
Total					318,222	277,700	362,904	277,700		1,550.80	

Except Lin Shaobin and Huang Peikun get salary from the Company and 4 independent directors get subsidy from the Company, the other directors served at the shareholder unit, i.e. Shekou Industrial Zone Co., Ltd. and get salary there; Except two employee supervisors get salary from the Company, the other supervisors served at the China Merchants Group Co., Ltd. and get salary there. The senior executives get salary from the Company.

According to the arranged employment of China Merchants Group, Sun Chengming who is the sixth original Chairman of the Board of the Company has resigned; and in the nineteenth meeting of the sixth Board of Directors at February 15th, 2011, Lin Shaobin is elected as Chairman, and Yang Tianping is elected as deputy chairman.

Lin Shaobin has resigned General Manager, and He Jianya is appointed as General Manager of the Company by Board of Directors.

(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	Number of times for entrusting others to attend	Number of times of absence	Whether there's absence for twice in a row
Sun Bingming	Original Chairman	15	7	8			No
Lin Shaobin	Director and General Manager	15	7	8			No
Yang Tianping	Director	15	7	8			No
Yang Baiqian	Director	15	7	8			No
Hua Li	Director	15	7	8			No
Chen Gang	Director	15	6	8	1		No
Huang Peikun	Director and Chief Financial Officer	15	7	8			No
Meng Yan	Independent Director	15	7	8			No
Chen Yanping	Independent Director	15	7	8			No
Gong Xinglong	Independent Director	15	7	8			No
Chai Qiang	Independent Director	15	7	8			No

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

1. Members of the Board of Directors

Lin Shaobin, Chairman of the Board. Mr. Lin obtained a bachelor degree in Architecture from Tsinghua University and MBA from China Europe International Business School. Currently, 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.. and he is General Manager of the Company.

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. He is the General Manager of Shekou Industrial Zone Co., 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.. 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.

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 Manager 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 Officer 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 Department 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. He used to serve as the Manager of Accounting Dept. and Chief Accountant of Shenzhen China Merchants Petrol Chemical Co., Ltd., Finance manager, Deputy Chief Accountant and Chief Financial Officer of Shekou Industrial Zone Property Co., Ltd., and Chief Financial Officer 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 Planner. Professor Chen obtained her bachelor and master degree from Metropolitan Planning School, Tongji University. She is a professor of Architecture and Metropolitan Planning School of Shenzhen University. From November 2003 to November 2004, she stayed at University of California, Los Angeles as a visiting scholar.

Gong Xinglong, Independent Director, professor, Certified Accountant. Professor Gong studied in Accounting Numerical Statistic Department of Taipei 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.; Consultant of Beijing CPAs and Moores Rawland CPAs.; Deputy General Manager of Beijing 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 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 Deputy General Manager of Shekou Industrial Zone. 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 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 joining 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, Economist. 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

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. 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 Officer; 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. 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. He used to serve as the Deputy Dean of Southwest Municipal Engineering Design and Research Institute of China, Audit Manager of Construction and Permission Department 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 Transportation Engineering with Master in Transportation Management. 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.

Meng Cai, Deputy General Manager, Engineer. Mr. Meng graduated from Lanzhou railway institution with Bachelor in plumbing discipline. He used to serve as Deputy General Manager and General Manager of Real Estate Department of Nanshan Development Company, General Manager of Shenzhen Nanshan Development Industrial Corporation, Deputy General Manager of Shenzhen Merchants Property Co., Ltd. and the Company, Associate Director of Hong Kong Sino Group, and Executive Director of Hong Kong Kerry Properties (China) Co., Ltd..

Zhang Lin, Deputy General Manager, Senior Engineer. Mr. Zhang graduated from Tsinghua University of precision instrument department with Bachelor. He used to serve as Deputy General Manager of the planning department of China Automation Control System Corporation and Shenzhen Huayi Lineng computer company, Managing Director of Shenzhen CNAC group Investment and Development Co., Ltd., General Manager of southern part of China of Joint venture company in Shenzhen B & Q, and Executive Vice-President of B & Q (China) Investment Co., Ltd..

Wang Zhengde, Chief Economic Manager and senior accountant. He obtained his Master Degree from Zhongnan University of Economics and Law. Mr. Wang was originally the member of second and 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. 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. She has been working in the field of securities since 1998, and was appointed as Representative for Securities Affairs in 2001, and appointed as Director of Secretariat of the Board since 2004.

(IV) Information on the positions taken by the Supervisors and Senior Executives in major sharehold holding companies or substantial controller of the Company:

Name	Name of company	Position	Job term
Yang Tianping	China Merchants Shekou Industrial Zone Co., Ltd.	General Manager	Since February 2011
Yang Baiqian	China Merchants Shekou Industrial Zone Co., Ltd.	Deputy General Manager	Since June 2007
Hua Li	China Merchants Shekou Industrial Zone Co., Ltd.	Chief Finance Officer	Since October 2003
Chen Gang	China Merchants Shekou Industrial Zone Co., Ltd.	Chief Economic Manager	Since April 2004
Fu Gangfeng	China Merchants Group Ltd.; China Merchants Group Ltd.	Deputy Chief Finance Officer; General manager of Financial Department	Since May 2008, Since April 2002
Ding Yong	China Merchants Shekou Industrial Zone Co., Ltd.	Secretary of Party Committee Deputy General manager	Since February 2011
Wu Zhenqin	China Merchants Group Ltd.	General manager 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

1. In the eighteenth meeting of the sixth Board of Directors, Zhang Lin is employed as Deputy General manager of the Company.
2. in the eighth temporary meeting in 2010 of of the sixth Board of Directors, Meng Cai is employed as Deputy General manager of the Company.

II. Information on Employees

As at December 31, 2010, the Company had registered staffs of 9,236, including

(I) 1,385 engaged in the Real Estate Development and 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	132	9.53%	Master or above	166	11.99%
Sales personnel	322	23.25%	Bachelor	761	54.85%
Technicians	593	42.82%	3-year regular college graduate	285	20.58%
Finance personnel	98	7.08%	Senior middle school graduate or below	173	12.48%
Administrative	221	15.96%			

personnel					
Otehrs	19	1.36%			
Total	1,385	100%	Total	1,385	100%

(II) 7,851 employees engaged in the Property Management business division;, with education background shown as below:

Level of Education	Number	Proportion
Master or above	23	0.29%
Bachelor	549	6.99%
3-year regular college graduate	1,251	15.94%
High school graduate or below	6,028	76.78%
Total	7,851	100%

Note: The Company undertakes no pensions for retired employees.

Chapter 6. Corporate Governance Structure

I. Company governance situation

(I) Basic situation in company governance

During the report 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

In the report period, the Company held the 2009 Shareholders' General Meeting, which has been sticking to regulations of the Articles of Association. The Company constantly makes equal treatment to all shareholders and lays 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.

The controlling shareholder and the substantial controller support the Company to improve the governance structure and enhance governance level and 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, the controlling shareholder and the substantial controller constantly commit to support the Company's healthy development.

2. Directors and the Board of Directors

In the report period, the Board of Directors of the Company held 15 meetings, 7 of which adopted on-site voting and 8 of which adopted voting by means of communication means. In 2010, Rules and Procedure of the Board of Directors was modified further, resulting that approval limits of the Board of Directors on important issues, e.g. overseas investment more adapted to the Company's actual situation. The Strategy Committee, Audit Committee, Remuneration and Examination Committee of the Board of

Directors offered professional comments to strategic construction, internal control regulation and strategic system of payment.

3. Supervisors and the supervisory committee

In the report period, the Supervisory Committee held 4 meetings, and the Supervisors attended all of the Board Meetings and Shareholders' General Meeting as observers. Each supervisor had a comprehensive knowledge of the Company's operation and 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 activities

In recent years, the Company has been sticking to improve government structure and improve government level according to requirements of China Securities Regulatory Commission on special government activities of listing companies. In the report period, the Company further strengthened regulatory operation awareness and reinforced fruits of special government activities, therefore, the Company operates regularly without unsettled government problems.

During the reporting period, pursuant to the requirement of *The Notice on the Matters concerning Carrying out a Special Campaign to Standardize Financial Accounting Basis of Listed Companies within Shenzhen Area* issued by Shenzhen Securities Regulatory Bureau, the Company established the special working group for standardizing financial accounting basis, and prepared the corresponding working plan for this special campaign. According to the plan reviewed and approved by company's audit committee, the Company earnestly conducted the comprehensive self-check activities whose result has been reported to the Shenzhen Securities Regulatory Bureau timely, and also rectified those problems founded in self-check timely.

During the reporting period, pursuant to the relevant requirements of *The Opinion on Struggling against and Preventing from Insider Transactions of Capital Market (hereafter referred to as "Opinion")* issued by Shenzhen Securities Regulatory Bureau, the Company transferred the *Opinion* to whole directors, supervisors and senior executives, and required them to strengthen studying and researching, and strictly follow its supervising regulations. At the same time the Company also submitted the above *Opinion* to Shekou Industry Zone, the controlling shareholder, and China Merchants Group, the actual controller of the Company, so that the controlling shareholder and actual controller relative personnel learned the *Opinion*, which was helpful to further upgrade the reorganization, expand the publicity range, suppress the root of insider transactions from the thought.

In October, 2010 according to the requirements about self-checking the establishment and implementation of the long-effect system preventing fund from being occupied specified by Shenzhen Securities Regulatory Bureau, the company made a comprehensive inspection for the establishment of the long-effect system preventing fund from being occupied by Controlling Shareholders and their relative parties, through self-examining the existing system and financial statements. The company and the controlling shareholder implement separation of personnel, assets and financial, as well as independence in organization and business, independently business accounting, independently risks and obligations bearing. And the Company has established the long-effect mechanism preventing fund from being occupied by controlling shareholders and their relative parties, therefore, there was no any situation of occupying the company's fund in disguised form by means of disbursement by controlling shareholders and their relative parties, or fund during occupation and final return or some other methods including unfair connected transaction by controlling shareholders and their relative parties.

The Company has established and effectively implemented the *Criteria of Confidentiality and*

Reporting the Undisclosed Information to the Controlling Shareholders by Relative Personnel. During the 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 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.

In November 2010, the Sixth Board of Directors of the Company held its Eighth Provisional Session, approving *The Administration System for Financial Accounting-related Principals*, pursuant to *The Notice on the Matters concerning Carrying out a Special Campaign to Standardize Financial Accounting Basis of Listed Companies within Shenzhen Area* issued by the Shenzhen Securities Regulatory Bureau.

3. Information on Reporting Undisclosed Information to Controlling Shareholders

Pursuant to relevant laws and regulations of state-owned assets management, the Company is required to report financial report to controlling shareholders. Within 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 Actua 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 by the Company 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 etc.

The category of the above mentioned 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

During the reporting period, the Independent Directors well fulfilled their supervisory duties, based on the requirements of the supervision regulations and *The Working Instruction of Independent Directors*.

(I) The Attendance of Independent Directors to Board Meetings and Shareholders' General Meetings

During the reporting period, the Independent Directors attended all conferences of board of directors, and detailed information specified in part (I) and (II) of this section. During the reporting period, the Company held one shareholders' General Meeting, in which Chen Yanping and Gong Xinglong attended.

(II) Implementing condition of the three special Committees of the Board of Directors

During the reporting period, according to the relative regulations, the Independent Directors offered several professional suggestions on the Company's important business and management matters such as annual auditing, connected transaction, senior executives' employment and remuneration, as well as internal controlling system construction and so on. Independent Directors of Audit Committee repeatedly took part in the communications and discussions 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 notified the opinions about the remuneration standard and performance evaluation exchanged with the employees when making the project surveys, greatly affecting the establishment and adjustment of remuneration and performance evaluation standard for the Human Resources Department.

(III) Survey on company's business places

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, mainly understood the financial situation and implementation situation of the production business plan for every company in 2010, listened to the relevant reports of the Company on annual cost control, project progress and sales situations in 2010, and understood and grasped the operation situations from the basic level.

(IV) Expression of independent opinion

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.

(V) Other condition

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 examined and verified the description of the storage and utilization of fund raised in order to increase the fund usage efficiency.

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 with consideration of the characteristics of business industry and business structure of the Company. With efficiency implementation of internal control mechanism, the operation management

of the Company can be smoothly carried out and the financial statements can be guaranteed as authentic and complete.

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

Since 2009, in accordance with the requirements of *The Basic Standard for Enterprise's Internal Control* and *The Basic Standard Guideline for Enterprise's Internal Control* jointly issued by the Ministry of Finance and other four ministries and commissions, taking the Company flow rebuilding as an opportunity, the Company has fully streamlined all rules and regulations including such the internal control mechanism as each link of the sales and, and financial management etc; made the revise, supplement and improvement of part of internal control system. The major work on the improvement of the internal control mechanism during the reporting period includes:

In 2010, the system flow optimization and organization reconstruction work of the Company has entered into operation flow system establishment and running phases. During the reporting period, the Company has finished the release of documents about organization management and process in Revision 2010, which laid a solid foundation for further optimization of organization control mode, improvement of management and operation process and guarantee of efficiency of internal control system of the Company.

In order to avoid the risk incurred by foreign currency loan due to fluctuation of exchange rate, the Company insisted on using NDF transaction for foreign currency loan. During the reporting period, the Company had laid down rigorous rules in transaction scales, examination and approval authority, operation flow, risk control and information release in strictly accordance with *The Requirements on Enhancing Management on Derivative Financial Instrument Transaction*, its actual operation conditions had accepted the monitor and supervision of the Audit Department of the Company, which made a well control of transaction risk and reached the expected management target.

With the perfect and effective execution of internal control system on financial statements, the Company has laid down *Management Regulations on Responsible Persons of Financial Accounting*, which clearly defined the qualifications, responsibilities and authorities, employment procedure, evaluation and duties etc. of the responsible persons of finance. This system intensified the management on the key positions of finance employee in charge.

(III) 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 Company Board of Directors 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 Department, the responsibility of which is to conduct internal auditing and monitoring of business management, budgeting and expenses status, operation benefit and potential risk of each subsidiary companies, the Audit 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.

(IV) Self-Evaluation Report of Internal Control

The Company conducted the self-evaluation and issued the corresponding Self-Evaluation Report on the Internal Control Mechanism. Pursuant to *the Basic Company's Evaluation Norm on Internal Control Mechanism* issued by the Ministry of Finance, it is considered that in accordance with *The Basic Standard for Enterprise Internal Control* issued by the Ministry of Finance, the Company had established an internal control mechanism related to financial statements on December 31, 2010, within which the

internal control mechanism was reasonably designed, and effectively implemented.

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

Deloitte Touche Tohmatsu CPA Ltd. was entrusted to audit the above mentioned Self-Evaluation Report of Internal Control, and offered the Auditor's Report on Internal Control (DSB (He) Zi (11) No. E0011). According to the auditor's report, as of December 31, 2010, 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 Basic Standard for enterprise Internal Control issued by the Ministry of Finance.

On April, 2010, after related guidance mating with *The Basic Standard for Enterprise's Internal Control* jointly issued by the Ministry of Finance and other four ministries and commissions, the Company actively dispatched people to attend the special training organized by Supervision Department, and delivered the above regulations to senior executives and other relevant departments, making a well preparation for further and comprehensively carrying out the construction work of internal control standard.

In 2010, the Company will continue the organization flow optimization, enhance evaluation, improve the incentive guidance and enhance risk management and internal audit supervision, in order to further improve the Company internal control system.

The abovementioned Self-Evaluation Report of Internal Control by the Board of Directors and audit reports on Company internal control issued by Audit Department 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 results of performance evaluation of Senior Executives constitute important basis to determine their positions regularization and remuneration level.

Pursuant to the *Articles of Association* and relevant laws and rules, when determining the incentive mechanism for Senior Executives by the Company Board of Directors, great attention has been paid to effectively connecting incentive with performance and exploiting the role of incentive mechanism in enhancing the Company's management. Remunerations of Senior Executives were finally determined by individual performance evaluation, with reference to market rates.

VI. Performance of Social Responsibility

The report on social responsibility was fully published on <http://www.cninfo.com.cn>.

Chapter 7. Introduction of the Shareholders' General Meeting

During the reporting period, one Shareholders' Meeting was held:

On June 7th, 2010, the Company held the 2009 Annual Shareholders' General Meeting, and besides routinely examined and approved the *2009 Annual Report and Its Abstracts*, the meeting revoked *The Plan on Company Making Non-public Issuance of Stocks to Specific Objects* and other proposals, and the resolution notice was released on June 8th, 2010.

The above notices were all published on *China Securities Journal*, *Securities Times*, *Shanghai Securities Journal* and *Hong Kong Commercial Daily*.

Chapter 8. Report of the Board of Directors

I. Management Discussion and Analysis

(I)Business Environment Analysis of 2010

Looking back on 2010, China's economy had successfully passed through global financial crises and realized the transition from "picks up better off" to "stable growth". Annual GDP growth was year-on-year increase 10.3%, speeded up 1.1% than last year. Meanwhile, with major economic recovery of main economies, excessive liquidity of markets plus the influence of such factors as extreme climate and geopolitical unrest of individual areas, global foundation commodity prices rose rapidly, management of inflationary became the main problem facing by China economy.

For China's real estate market, 2010 was an unusual year. During this year, the real estate market experienced severe macroeconomic control. Control policy covered a series of economic and administrative measures such as land, credit, taxes, guarantee housing construction, "restricted house purchasing order" and etc., which made an all-round regulation of the real estate market from restraining demand, increasing supply and strengthening the supervision and other aspects. But throughout the year, the real estate market walked smoothly high in ups and downs. Statistic data showed that the overall annual real estate investment and new construction areas growth had increased, passion of real estate enterprises for getting lands was still high, and house prices remained a raising trend. With the function of macro-control gradually appear, house prices were gradually slowing down, trading volume growth had fall and the regional market performance began to appear differentiation. All those built the main track of real estate market in 2010.

(II) Review of the Company's Management

In 2010, facing the complex and severe industry situation, in accordance with the business idea of "Consolidation promotion, breakthrough development", taking professional ability enhancing, green technology promotion, business model innovation, company management strengthening as key works, the Company made great efforts to break the bottleneck which restricted the development of the Company, expanded the company's business scale, and enhanced the company's profitability.

The top priority of the Company to cultivate the core competitiveness is to raise the five professional abilities like overall customer service, marketing, planning and designing, project management and cost management. In 2010, the Company set customer service ability as one of the core competence, continued to promote "Tulip Action". The Company set Beijing administrative headquarters as demonstration area of service system, launched a service system implementation plan with higher standard -- "Maple Leaf Action", requested on each link must under service factors from product design, construction engineering quality control, product marketing, after-sale service until property management and so on. According to statistics, overall satisfaction of Company owners had reached to a record high in 2010.

Facing to the increasingly stringent financial situation, the Company rapidly responded and actively seek some diversifying financing channels and adjusted the financing strategy flexibly so as to provided a more adequate fund guarantee for the production and management. The Company continued to optimize the long-and-short-term debt structures and locked the loan term and interest rates. By the end of the reporting period, the proportion of long-term debt to total borrowing amount in company was 77%, hereinto the proportion of more than 3 years loan occupied in total loans was 67% and most of them locked the interest rate, resulting in reducing the financing difficulties caused by credit squeeze and raised interest rates, also reducing the influence of high financing cost.

The Company adhered to sound and rational land development ideas, namely active participation and rational working. Within this year, our company developed new project resources with a total area of 1,767,400 square meters in Foshan, Shanghai, Xiamen, Chengdu, Zhangzhou and other cities, through cooperation and auction mode etc., so as to supplement resources for the future development of the Company.

The Green Real Estate practice was dated from seven years ago and initiated by our Company, which is historically identical with the current trend of low-carbon economy. The green technology was popularized and utilized in many projects of our Company. "Green" has become the Company's unique competitive advantage, the tender documents compiled by the bidding consortium in which our company was considered as the main tender, in accordance with the requirements of green building evaluation system, was successfully bid the currently largest affordable housing project in Shenzhen by achieving the first total scores in September 2010 – overall demolition project and unified construction of resettlement housing project in Guangming New District, Shenzhen. The successful bid is an instance on our company formed the business competitiveness by the green technology for the first time. During the report, in order to systematically integrate the "Green Real Estate, Low-carbon Life" concept into the behavior of enterprises, the *Standard of green behavior for Staff* was released, the application fields of green concept were expanded from the main designing and production processes to the entire process of designing, procurement, production, marketing, customer service and management.

Our company participated in the construction of affordable housing actively, in addition to winning the bid of the project of overall demolition and unified construction of resettlement housing with a total construction area of 539,600 square meters in Guangming New District, Shenzhen during the reporting year, the 230,000 square meters affordable housing of River City Home in Beijing has been completed and brought into use; 31,500 square meters affordable housing of Lan Garden in Shenzhen has been delivered to the government free of charge.

In recent years, our company has been continuing to deepen the study of innovative business models and began to put into practice. During the reporting period, the company's Binshui complex model project - Sea World complex, as the main venue for the commencement ceremony of sixty big projects in five large fields at the time of 30th anniversary of the establishment of Shenzhen Special Economic Zone, attracted wide attentions. The comprehensive promotion of Sea World complex projects was an important attempt of the company for the creation of commercial brands, molding the China Merchants Real Estate with unique advantages and the replicated business development model. In addition, the company focuses on the innovation and promotion of integrated community models. The company built the high-grade technology office building, typically represented by Garden City Digital Building and second phase of Technology Building, to make efforts for creating the internet and electronic commerce industrial base - "Shekou Web Valley". At present, more than 40 outstanding internet and Electronic Commerce enterprises entered into the "Shekou Web Valley".

For the management, our company continued to implement the philosophy of "sustainable improvement"

and the working requirements to strengthen the refined management and information construction in the whole process for all-member, the startup of ERP system and the creation and application of knowledge management system further enhanced the company information management level so as to lay a good foundation for establishing a learning organization.

II. Review of company businesses

(I) Overall operation situation

In 2010, under the affection of a series of real estate market control policies, the sales growth of national commercial houses presented the trend of high rises in the first half and low rises in the second half. Facing to this situation in real estate industry, our company adjusted the developing rhythm and marketing strategies accordingly, adopted the pricing strategy closed to the market and optimized inventory structure to realize the breakthrough of development and marketing, and achieved good operating results. Total annual operating revenue of RMB 13.782 billion, net profit attributable to shareholders of listed companies was RMB 2.011 billion, up 22% over the same period of previous year. Among the operating incomes:

The sales revenue of commercial houses was RMB 11.983 billion, with settlement area of 926,100 square meters. The sales revenue of commercial houses included RMB 35 million program incomes, which have not yet been settled, but confirmed by the construction contract.

Investment income of property rental RMB 517 million, leasing area totaled 7.03 million square meters;

The sales revenue of power supply in Garden was RMB 622 million, with sales of electricity 81.043 million kWh;

During the reporting period, the main changes in the business operations over the same period of previous year are as follows:

(Unit:RMB'0000)

Sectors	Operation revenue	Operating costs	Gross profit margin	Operating income over last year	Operating cost over last year	Gross profit margin percentage points over last year
Real Estate development and sales	1,198,328	702,848	42%	41%	46%	-2
Rental property management	51,699	27,834	46%	7%	8%	0
Real Estate intermediary agent	9,927	7,110	28%	-22%	-22%	0
Power and water supply in Park	65,157	46,229	29%	-2%	-5%	2
Property management	46,110	39,194	15%	20%	25%	-3
Project construction revenue	10,817	10,692	1%	707%	706%	0

During the reporting period, the Company achieved the outstanding sales performance, and the completion sales amount of real estate contracts were RMB 14.625 billion, a sales area of 951,700 square meters, the average price of about RMB 15,367 per square mete.

(II) Our main business operations

Real Estate development and sales

During the reporting period, 22 new projects were carried out by our company in 2010, starting construction areas of 1.42 million square meters, completed areas of 1.43 million square meters, there

were 2.95 million square meters remaining in construction (a total construction area of 3.94 million square meters) at the end of this year.

Major Real Estate Development Projects List in 2010

(Unit: '0000 sq m)

No.	Designation	Area	Equity ratio	Planned construction area	The carry-over area of current period	Total carry-over area	Start / planned to start	Completed / planned to complete
1	Second phase of Shenzhen Lanxi Valley	Shenzhen Shekou	100%	14.75	1.5	9.87	2005.09	2010.08
2	Shenzhen YishanJun	Shenzhen Longgang	100%	23.42	2.17	21.68	2005.06	2009.1
3	Fifth Phase of Shenzhen Garden City	Shenzhen Shekou	100%	2.71	2.18	2.18	2008.03	2010.08
4	Shenzhen Yong jing Bay	Shenzhen Shekou	100%	12.93	-	-	2009.07	2012.06
5	Shenzhen China Merchants Plaza	Shenzhen Shekou	100%	6.8	-	-	2010.05	2012.11
6	Shenzhen Woods apartment	Shenzhen Shekou	100%	3.2	-	-	2010.05	2012.08
7	Shenzhen Xicheng	Shenzhen Baoan	50%	30.31	3.86	14.26	2005.09	2012.1
8	Shenzhen China Merchants green garden	Shenzhen Baoan	100%	16	-	-	2010.05	2012.1
9	Shenzhen China Merchants Lan Garden	Shenzhen Baoan	100%	22.28	14.51	14.51	2008.03	2010.1
10	Shenzhen China Merchants Guan Garden	Shenzhen Baoan	100%	22.22	-	-	2008.08	2010.1
11	Shenzhen Chuanqian Square	Shenzhen Shekou	100%	1.19			2011.03	2012.09
12	Shenzhen Xicheng Phase VI (original Jiangang Hill project)	Shenzhen Baoan	50%	2.81	-	-	In the process of planning and designing	
13	Guangzhou Golden Valley	Guangzhou Fanyu	100%	106.64	3.68	8.01	2008.02	2019.11

14	Guangzhou Fanyu Innovation and Technology Park	Guangzhou Fanyu	70%	83.94	-	-	2008.07	2016.12
15	Foshan Evian Water Bank	Foshan Shunde	50%	45.9	7.34	10.22	2008.04	2011.05
16	Foshan Evian Upper City	Foshan Chancheng	50%	26.83	-	-	2008.08	2012.04
17	Foshan Nanhai District lion mountain project	Foshan Nanhai	50%	31.07	-	-	In the process of planning and designing	
18	Foshan Nanhai 2010-056 project	Foshan Nanhai	50%	10.37			In the process of planning and designing	
19	Foshan Nanhai 2010-057 project	Foshan Nanhai	50%	12.07			In the process of planning and designing	
20	A Zhuhai China Merchants Garden City A	Zhuhai Xiangzhou	51%	12.3	-	-	2008.12	2010.12
21	Zhuhai China Merchants Garden City B	Zhuhai Xiangzhou	100%	22.12	-	-	2009.12	2012.12
22	Huizhou Jiangbei project	Huizhou Jiangbei	50%	17.26	-	-	2011.08	2014.06
23	Shanghai China Merchants Yonghua Yuan	Shanghai Minhang	100%	13.76	5.36	5.36	2008.07	2011.05
24	Shanghai China Merchants South Bridge Ya Yuan	Shanghai Fengxian	100%	9.86	9.73	9.73	2008.03	2010.01
25	Shanghai Hyde Park	Shanghai Baoshan	60%	24.42	0.49	3.77	2006.05	2013.08
26	Shanghai China Merchants Bay Garden	Shanghai Fengxian	100%	10.62	-	-	2008.1	2013.12

27	Shanghai Sheshan Longyuan (original the Guangfulin)	Shanghai Songjiang	55%	10.48	-	-	2010.1	2013.12
28	Nanjing Evian Valley	Nanjing Xianlin	100%	14.51	3.99	12.47	2006.12	2010.1
29	Nanjing G67 project	Nanjing Qixia district	100%	12.89	-	-	2010.08	2012.11
30	Nanjing 2010G54 project	Nanjing Hexi New city	100%	14.54			In the process of planning and designing	
31	Suzhou Evian Water Bank	Suzhou Xiangcheng	100%	18.78	-	15.54	2005.06	2009.06
32	Suzhou Small Stone City	Suzhou Wuzhong	60%	92.9	6.04	13.17	2008.04	2016.12
33	Suzhou Weiting	Suzhou Industrial park	50%	16.9	-	-	2010.08	2014.12
34	Beijing Park • 1872	Beijing Chaoyang	100%	32.29	5.07	7.27	2006.1	2012.12
35	Beijing River City Home	Beijing Changping	50%	51.56	15.53	15.53	2008.1	2013.05
36	Beijing Conrad Hotel	Beijing Chaoyang	60%	3.5	-	-	2009.12	2011.12
37	Tianjin Xikang Road 36	Tianjin Heping	75%	3.4	0.31	2.41	2007.03	2010.04
38	Tianjin Star City (original Weijin South)	Tianjin Nankai	100%	31	1.12	3.84	2007.1	2012.08
39	Tianjin Yonghuafu (original the Jingjiang Road Project)	Tianjing Hedong	50%	12.02	-	-	2010.03	2012.06
40	Chongqing China Merchants Bay City	Chongqing Jiangbei	100%	45.34	7.29	7.29	2007.1	2012.09
41	Chongqing China Merchants Garden City	Chongqing North New area	100%	51.93	-	-	2010.1	2015.05
42	Chongqing Marble Stone project	Chongqing South shore	50%	145	-	-	2011.05	2019.1

43	Chengdu East City International Plaza, (Original Shengdeng Project)	Chengdu Chenghua	100%	6.49	-	-	2010.12	2012.09
44	Chengdu Chenghua district CH07 project	Chengdu Chenghua	100%	36.26			In the process of planning and designing	
45	Zhangzhou China Merchants Garden City	Zhangzhou development zone	51%	13.7	1.56	4.04	2008.07	2011.03
46	Case Zhangzhou Cadaques (original the Nanpaotai)	Zhangzhou development zone	51%	67.8	-	-	2010.05	2020.05
47	Zhangzhou Holiday 365	Zhangzhou development zone	51%	10.37	-	-	2010.06	2015.05
48	Zhangzhou 2010-B1 Land Plot project	Zhangzhou development zone	51%	4.29			In the process of planning and designing	
49	Xiamen Jimei J2010P08 project	Xiamen Jimei	100%	22.52			In the process of planning and designing	
50	Xiamen Jimei 2010JTP01 project	Xiamen Jimei	50%	33.95			In the process of planning and designing	
	合计 Total			1338.2	91.73	181.15		

Notes:

1. During the report, second phase of Shenzhen Science and Technology Building will transfer into investment Real Estate and complete the carried forward of Shenzhen Haiyue Huating;
2. The area of second phase Lanxi valley is 31,600 square meters, including the No.2 land parcel;
3. During the reporting period, 6 newly added projects, with a planning construction area of 1,767,400 square meters and construction area of equity 1,261,800 square meters;
4. During the reporting period, the total area of carried forward is 926,100 square meters, in addition to the data contained in above list, also include other projects' final finishing up.

Management of investment property

With the warmer situation of rental market in 2010, the Company duly adjusted the unit price of some property accompanying the market situation, which makes the rental revenue increased while maintaining stability. The rental revenue of the company was RMB 517 million, up by 7% over the same period of the previous year. These years, the Company continued to intensify the development of investment property in recent years. Since the end of last year, the Company successively increased the following properties such as Garden City Digital Mansion, Nanhai Yiku No.1&5 building, second phase of Technology Building and so on, which makes the accumulative rental area increase 0.42 million square meters over

the same period, up by 6%. However, the newly increased project is still under the period of promotion, rental rate is relatively low. So, the overall rental rate of apartment and workshop in 2010 declined dramatically over the same period of last year.

Situations about the investment property in 2010

(Unit: '0000 sq m)

Property class	Area available for leasing	Accumulatively leased area		Leasing rate	
		2010	2009	2010	2009
Of which: Apartment	12.26	89.07	92.18	61%	69%
Villa	6.48	57.73	59.49	74%	75%
Office building	19.44	172.74	179.03	74%	74%
Shop	19.64	197.02	180.63	84%	88%
Workshop and others	26.79	186.67	149.93	58%	82%
Total	84.61	703.23	661.26	69%	79%

Power supply in the Park

Affected by the increase of stationed in enterprises in Qianhai Area and the temperature in the third quarters of 2010 was higher than those of former years, the power supply business has increased by lower degree than 2009.

Business volume situation of power supply

Business name	Unit	2010	2009	Year-on-year increase or decrease
Supply of electricity	'0000kWh	81,043	77,606	4.43%

Property Management

In 2010, our Company continued adhering to the concept that property management focused on supporting real estate business, and to improve the service quality. Therefore we achieved the goal of customer satisfaction. At the same time, the management revenue increased significantly through the way of active market development. Annual revenue of management amounted to RMB 0.461billion, up by 15% over the same period of the previous year.

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

Business class	2010	2009	Year-on-year increase or decrease
Entrusted management	1,127	996	13%
Consultant management	378	188	101%

(III) Main Suppliers and Clients of the Company

Due to the business characteristics of the Company, its main supplier means Hong Kong China Power Company as the supplier for power. The amount of direct procurement for real estate business was relatively small, thus there were only a few direct suppliers involved.

In 2010, power sold by Shenzhen China Merchants Power Supply Co., Ltd. for the top five clients took 48% of the total power sales.

(IV) Analysis on Financial Condition of the Company

1. Analysis on change in financial conditions (Unit: RMB'0000)

Item	December 31,2010	December 31, 2009	Change scope	Main influential factors
Trading financial assets	85	644	-87%	Decreased due to the price fluctuation in NDF market.
Prepayment	560	875	-36%	Decrease in advance payment for the project
Other receivable	414,471	192,651	115%	Increase in advance guarantee money and earnest money for land bidding
Other floating assets	98,054	62,480	57%	Increase in advance guarantee money and earnest money for land bidding
Financial assets available for sale	-	490	-100%	For disposing decrease in AU technology circulation shares
Deferred tax asset	46,046	29,049	59%	Increase in deferred tax assets confirmed by temporary differences resulting from withholding land value increment tax.
Trading financial liabilities	2,082	1,283	62%	Increased due to the price fluctuation in NDF market
Non-current liability due within one year	185,642	130,350	42%	Increase in long-term loan due within one year.
Difference of Foreign Currency Statement Translation	16,531	7,281	127%	Increase due to exchange rate fluctuation of bookkeeping base currency of sub-company.
Minority shareholder equity	293,848	202,330	45%	Due to increase in registered capital of collaborative items and benefits

2. Analysis on asset-liabilities constitution

(Unit: RMB'0000)

Item	December 31,2010		December 31,2009		Increase percentage of proportion in total assets
	Amount	Percentage of proportion in total assets	Amount	Percentage of proportion in total assets	
Monetary capital	967,639	16%	948,949	20%	-4
Inventory	3,869,935	65%	3,046,118	64%	+1
Investment real estate	343,822	6%	278,784	6%	-
Short-term loans	117,213	2%	137,293	3%	-1
Account payable	475,767	8%	270,552	6%	+2
Account received in advance	1,126,865	19%	949,846	20%	-1
Other account payable	574,338	10%	583,533	12%	-2
Long-term loans	999,584	17%	572,030	12%	+5

3. Change in profit and loss items and income tax within the reporting period

(Unit: RMB'0000)

Item	2010	2009	Change scope	Main influential factors
Operating income	1,378,243	1,013,770	36%	Increase in carry forward sales income of real estate
Operating costs	830,038	596,174	39%	Increase in carry forward sales cost of real estate
Finance costs	9,301	-1,536	-706%	Increase in interest expenditure resulted by loan sale enlargement
Loss of impairment of assets	585	48	1119%	Increase in bad debt reserve
Income from changes in fair value	-1,414	-10,366	-86%	Decrease in loss from Changes in fair value of NDF business
Income from investments	6,531	30,457	-79%	Decrease in investment profits for joint ventures and associated enterprises

Non-operating income	1,800	2,952	-39%	Decrease in government subsidies.
Non-operating expense	1,042	3,043	-66%	Decrease in estimated liabilities expense
Income tax expense	78,814	51,926	52%	Increase in taxable profit

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

Item	2010	2009	Increase or decrease amount	Growth rate	Main influential factors
Net cash flow arising from operating activities	-444,629	705,473	-1,150,102	-163%	Increase in investment and tax of real estate development
Net cash flow arising from investment activities	8,001	-44,579	52,580	118%	Decrease in payment for investment
Net cash flow arising from financing activities	452,435	-518,914	971,349	187%	Bank loan increase

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

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	2,591,680	15%	411,260	19%	238,998	49%	188,129	60%
Shenzhen China Merchants Power Supply Co., Ltd.	Power supply in the Park	5,700	338,748	111%	92,144	20%	19,040	32%	15,241	20%
Shenzhen China Merchants Property Management Co., Ltd.	Property Management	2,500	38,594	15%	9,090	23%	1,999	-20%	1,408	-22%
Beijing China Merchants Real Estate Co., Ltd.	Real estate	2,000	241,013	19%	23,693	793%	27,286	1142%	21,040	913%
Chongqing China Merchants Real Estate Co., Ltd.	Real estate	3,000	106,197	3%	3,312	349%	6,188	429%	4,641	346%
Guangzhou China Merchants Real Estate Co., Ltd.	Real estate	5,000	323,707	80%	28,356	102%	17,866	10%	14,336	6%
Tianjin China Merchants Real Estate Co., Ltd.	Real estate	3,000	177,151	25%	14,940	95%	9,779	26%	7,292	17%
Foshan Xincheng Real Estate Co., Ltd.	Real estate	USD12,700	289,515	35%	105,299	8%	10,060	117%	7,552	94%
Suzhou China Merchants Nanshan Real Estate Co., Ltd.	Real estate	10,000	142,441	8%	21,761	5%	14,600	49%	11,001	45%
Nanjing China Merchants Real Estate	Real estate	3,000	286,370	48%	27,981	22%	7,337	-66%	5,003	-69%

Co., Ltd.									
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Note: All the above mentioned companies include subordinate project company; net profits data includes profits and losses of minority shareholders.

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. 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. Till the reporting period end, the Company still held 489,824 circulating shares with unrestricted condition of AU Technology.

Items related to fair value measure

(Unit: RMB'0000)

Item (1)	Amount at period-begi n (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					
Among which:					
1. Financial assets which was measured by fair value and whose change was calculated to current gains and losses	644	-550		-9	85
Including: derivative financial assets	644	-550		-9	85
2. Financial assets available for sale	490				0
Subtotal of financial assets	1,134	-550		-9	85
Financial liability	1,283	863		-64	2,082
Total	1,283	863		-64	2,082

Financial assets and liabilities held in foreign currency

(Unit: RMB'0000)

Item (1)	Amount at period-begi n (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	644	-550		-9	85

calculated to current gains and losses					
Including: derivative financial assets	644	-550		-9	85
Financial liability	1,283	863		-64	2,082

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 Yongjing Bay. 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 2010, the difference between net realizable value and book value (devaluation reserve deducted) for the Foshan Evian Up Town and Suzhou Yongjing Bay was much smaller and there was still the risk of devaluation. Therefore, at the end of the year 2010, we maintained the judgment of withdrawing devaluation reserve to the items above mentioned.

In addition, there is no other significant devaluation sign of real estate items.

III. Management result

In 2010, facing the complex and severe industrial situation, the Company brought forward working requirements of “five enhancements and five breakthroughs” according to the operation thinking of “solidify, enhance, breakthrough and develop”. While the operation achievement increased, the management result was rich as well.

- Entitled “China Green Low-Carbon Property Leading Enterprise” evaluated by China Real Estate Association, China Real Estate Research Association, CCTV and house.sina.com.cn;
- Won “2010 Chinese Enterprise Social Responsibility Top List-Excellent Practice Award” and “Chinese Listed Company Value Top List” evaluated by *China business news*;
- Entitled “Listed Company Optimal Board of Directors” and “2010 China Optimal Enterprise Citizen” evaluated by *21st Century* newspaper.
- Entitled “China Blue Chip Property Enterprise”, “Optimal Low-Carbon Enterprise” and “2010 China Most Socially Responsible Real Estate Enterprise G20” evaluated by *Economic Observer News*. ;
- Entitled Listed Company Investor Relations “Top 100” released by China Listed Company Investor Relations Management Research Center;
- Entitled “2010 China Real Estate Listed Company TOP10” released by China Real Estate TOP10 Research Group;
- Entitled “2010 ‘Low Carbon Pioneer Enterprise’” evaluated by Chinese Academy of Social Sciences and *21st Century Economic Report*.
- Entitled “cninfo.com.cn Nanfang Daily Low-Carbon 50 Index Sample Stock” of Shenzhen Stock Exchange;
- Entitled “China Real Estate Engineering Procurement ‘Gold Partner’ Strategic Cooperation Contribution Enterprise” evaluated by *China Real Estate Business*;
- Shenzhen China Merchants Garden City Cyber Port” won “High-Quality Building Prize---Overseas Building Project Prize” set by the government of Hong Kong Special Administrative Region;
- Tsinghua Science & Technology Park-Guangzhou Innovation Base-No.1 Research & Development Building won “National Green Building Design Logo-Public Building Two-Star Prize”;
- Nanhai Yiku No.3 building won “National Green Building Design Logo-Public Building Three-Star

Prize' and was entitled "Shenzhen Culture + Travel" Demonstration Park by the Publicity Department of CPC Shenzhen Municipal Committee and entitled "Shenzhen Cultural Industry Base";

- China Merchants Jinhan Valley was entitled "2010 China (Southern China) Building with the Most Investment Value";
- China Merchants Yonghua Fu was entitled "2011 Tianjin Landmark Project";
- Zhaohua · Xi City won "Pulitzer Prize · Annual Villa Prize"

IV. Prospect of the Company on future development

(I) Analysis on the industrial tendency

Aiming at the changes of the domestic and foreign economic development environment, the state turned the orientation of macro regulation and control policy during the "12th five-year plan" to active, stable, careful and flexible, and placed restraining inflation on a very prominent position. At the same time, after interest rate hike of many times and continuously increasing deposit reserve ratio, market fluidity is obviously tightened. Plus overlaying effect of a series of regulation and control policies, the real estate market will step into adjustment period.

Looking in the long run, regulation and control by the government will be helpful for promoting survival of the fittest of real estate enterprises and reintegration of the industrial pattern, including product structure, supply and demand of regional markets and optimized allocation of resources etc. Industrial concentration will gradually and finally promote stable and healthy development of the real estate market.

(II) Main coping strategy

As a company with stable operation, China Merchants Real Estate has always regarded finance safety as the important precondition of company development. Keeping reasonable debt ratio and insisting on finance safety base line will become the magic weapon for the Company to resist capital risks. In addition, owning reasonable resource advantage and regional layout, balanced industrial structure and rich product types will further strengthen the ability of the Company to withstand market test.

The Company will pay close attention to market changes, strengthen research, judgment and analysis on market trend, flexibly adjust marketing strategy, enhance market strain capacity, enhance turnover rate, and spare no effort to realize the annual operation objectives.

With the existing regional management headquarter as the foundation, the Company will vigorously explore surrounding second and third-line cities and realize gradient development of first, second and third-line cities and overall development. The Company will bring the community development experience and green property advantage into full play, and depending on the support of China Merchants Group, the Company will utilize the opportunities of Group industrial coordination to explore land resources. The Company will pay close attention to policy direction, explore new land development approaches, grasp city update reconstruction opportunities, continue to push forward establishing cooperation relations with excellent enterprises and gain more opportunities of project resources.

The Company will deepen the foundation of current cooperation between banks and enterprises, enlarge research and application of property financial products, raise fund with diversification and through multi-channels, and satisfy capital demand of Company production operation and mid and long-term development. The Company will strengthen internal refined management, accelerate turnover speed of project development and continuously enhance capital comprehensive cost effectiveness.

In 2011, the Company will spare no effort to promote transfer of operation management and control power to lower levels and construction of new management system, deeply implement flow reconstruction project, further optimize responsibility and right corresponding relationship of the

operation entity, implement and deepen the requirement of all-employee and all-process refined management. At the same time, the Company will attach importance to the promotion of standardization of product line, client classification, decision-making processes and management process. The Company will continue to patternize fruits and make information timely and accurate through construction and implementation of ERP and knowledge management system, so as to reach the objective of comprehensively enhancing operation efficiency.

The Company will work hard to strengthen integration intensity of commercial property resources, explore constructing nation-wide commercial property management and operation organization structure, and implement exploration and cultivation of new business mode. Promote construction of city complex, especially Sea World Complex Key Project, and strive to realize project overall effect shaping at the end of 2012.

The Company will continue to participate in the construction of guarantee housing, comprehensively integrate green technology into research and development of products, comprehensively promote the green event with “green idea, green building, green community and green life” as the mission, and create unique competition advantage.

Property management is an important link in the value chain of the property industry, and mission of the Company is enhancing brand and client value of China Merchants Real Estate and strengthening Company competition advantage through providing warm, comprehensive and considerate property service to the clients. The Company will strengthen property management service, build property service mode with the features of China Merchants Real Estate, build unique, harmonious, green, elegant and human-culture China Merchants community culture atmosphere, and make this link become a sharp weapon promoting Company property value rise and sustainable development.

At the beginning of the second ten years of the new century, China Merchants Group brought forward overall strategic planning for the development of future ten years, brought forward requirements of striding development for the three industries under its flag, especially giving deep hope to the future development of the real estate industry. As the only listed platform operating real estate business under the flag of China Merchants Group, the Company will actively participate in strategic coordination with cooperative partners inside and outside the Group and further accelerate scale development under the guidance of the overall strategy of China Merchants Group.

(III) Operation plan in 2011

In 2011, new projects that the Company planned to start are 43, new construction area is 2.77million square meters, at the end of the year, area under construction is 4.25 million square meters, and planned completed area is 1.47 million square meters. Planned sales area is 1.2 million square meters, and sales amount exceeds RMB 20 billion. The Company will make plans with the strategic eyesight of “looking into the future ten years” and determination of “striding development” and build a good start for the next ten years.

V. Investment condition of the Company

(I) Significant projects invested with proceeds, and progress and income from the projects

Proceeds used by the Company in 2010 included: proceeds raised from private placement of A-shares in 2007 and proceeds raised from public offering in 2008. Here followed the significant projects invested with proceeds, and progress and income from the projects:

1. Significant projects invested with proceeds raised from private placement of A-shares in 2007, and progress and income from the projects (Unit: RMB'0000)

Total capital actually raised	229,217	Total proceeds used in this year	5,246
		Total proceeds accumulatively used	226,412

Commitment projects	Whether change projects	Amount planned to input	Amount actually input	Whether comply to planned progress	Total projected income	Total realized income
Purchase 5% equities of Shenzhen China Merchants Property Co., Ltd.	No	40,000	40,000	Yes	N/A	18,653
Purchase office building of New Times Square	No	88,000	88,000	Yes	16,491	7,573
Purchase land use right of Meilun Apartment and develop for construction	No	25,000	22,195	Note	6,793	-
Haiyue Huating	No	33,000	33,000	Yes	14,733	18,273
Nanjing Evian Valley Phase 1-2 (former Xianlin Project)	No	43,217	43,217	Yes	16,116	21,443
Total		229,217	226,412			65,942
Explanation on reason why not reaching the planned progress and projected income	<p>1. 2007 Report on the Issuing Condition of Privately Issued A-shares & Listing Announcement of the Company (hereinafter referred to as "Listing Announcement" discloses the realized net profit condition of Shenzhen China Merchants Property from 2004 to 2006 and estimates that after 2007 the net profit can keep stable increase. Net profits realized by Shenzhen China Merchants Property and belonging to the parent company shareholder in 2008, 2009 and 2010 are RMB 578,760,000, 1,174,870,000 and 1,480,500,000, and net profit in the latest three years increased continuously.</p> <p>2. New Times Square office building realized profit of RMB 22,260,000, 24,170,000 and 22,710,000 in 2008, 2009 and 2010. Because the Company adopted more stable depreciation policy after purchasing New Time Square, annual depreciation amount of the building is RMB 7,820,000 more than the annual depreciation amount related to calculation profit in the listing announcement, and the tax rate used in the calculation profit in the listing announcement is 15%. Income tax rate applicable to the Company in 2010 increased to 22%, if calculating according to the depreciation and tax rate caliber in the listing announcement, profit realized by New Times Square in 2008, 2009 and 2010 basically reached the expected profit level.</p> <p>3. For Meilun Apartment, a part of the engineering settlement has not been completed, and part of the engineering final payment has not been made, the raised capital has not been used up. It is estimated that the raised capital is used up in 2011. As of December 31, 2010, Meilun Apartment had been completed was not put into business, and no profit was generated.</p> <p>4. Total profit of Evian Valley (phase 1 and 2) committed in the Listing Announcement is RMB 161,160,000, net profit of phase 1 committed was RMB 49,450,000, and net profit of phase 2 was RMB 111,710,000. As of December 31, 2010, accumulative carry-over of phase 1 and 2 of Evian Valley was 99%, totally realizing net profit of RMB 214,430,000, and reaching the expected profit level.</p>					
Explanation on reason and procedure of change	No change					
Purpose and destination of the raised capital not used yet	As of December 31, 2010, raised capital not used by the Company yet was RMB 28,050,000, accounting for 1.2% of the total amount of the raised capital. The above-mentioned raised capital not used yet was planned to be used for paying the final payment of Meilun Apartment engineering in 2011.					

Deloitte Touche Tohmatsu CPA Ltd. made examination on application of proceeds raised from private placement of the Company, and issued DSB (He) Zi (11) No.E0010Examination Report, with the following examination opinions: application report of proceeds of the Company was prepared according to the regulations of Regulation on Previous Application of Proceeds-ZJFXZi (2007) No.500 Document promulgated by China Securities Regulatory Commission, and truthfully reflected actual application of proceeds raised from the Company's private placement of A-shares in all significant aspects.

2. Significant projects invested with proceeds raised from public offering in 2008, and progress and income from the projects .
(Unit: RMB'0000)

Total capital actually raised	577,722		Total proceeds used in this year	51,890		
			Total proceeds accumulatively used	539,603		
Commitment projects	Whether change projects	Amount planned to input	Amount actually input	Whether comply to planned progress	Total projected income	Total realized profit
Garden City Cyber Port	No	22,722	22,722	Yes	8.93%	647
Garden City Phase V	No	22,000	22,000	Yes	8,830	17,324
Technology Building Phase II	No	16,000	16,000	Yes	8.88%	-525
China Merchants Square (former Pilot Tower)	No	44,000	44,000	Yes	31,973	-
Woods Apartment (former Pilot Park)	No	34,000	34,000	Yes	13,462	-
Kings Ville	No	130,000	99,706	Yes	52,198	-
CM Guanyuan	No	40,000	39,863	Yes	50,523	-
CM Lanyuan	No	70,000	67,153	Yes	37,115	21,569
Tianjin Star City (former Weijin South Road)	No	60,000	59,921	Yes	111,088	16,069
CM Jiangwan City	No	40,000	40,000	Yes	68,424	6,185
Evian Town phase III	No	26,000	21,238	Yes	15,088	7,610
China Merchants Nanqiao Yayuan (former Nanqiao Project)	No	35,000	35,000	Yes	18,653	18,177
China Merchants Yonghua Yuan (former Zhuanqiao)	No	38,000	38,000	Yes	27,485	3,896
Total		577,722	539,603			90,952
Explanation on predicted income	<p>As of December 31, 2010, profit conditions of the above-mentioned projects are as follows:</p> <ol style="list-style-type: none"> China Merchants Square, Woods Apartment, Kings Ville had not realized profit. Entire Garden City Cyber Port Project is used for leasing, investment recovery period is about 14 years (including the construction period), and committed internal rate of return is 8.93%. Garden City Cyber Port began to lease out in November 2009, began to make profit in 2010, and estimated internal rate of return can reach the expected profit. Garden City Phase 5 Project accumulatively carried over 84%, realized net profit of RMB 173,240,000, already reaching the expected profit. Entire Science & Technology Building Phase 2 Project was used for leasing out, investment recovery period is about 14 years (including the construction period), and committed internal rate of return is 8.88%. It was completed in March 2010 and carried over to investment real estate, as the occupancy rate in the early stage was low, it did not make profit in 2010. China Merchants Lanyuan accumulatively carried over 79%, realized net profit of RMB 21,569,000, and it is estimated that expected profit can be made when carrying over all. Tianjin Star City accumulatively carried over 15%, realized net profit of RMB 160,690,000, and it is estimated that expected profit can be made when carrying over all. China Merchants Jiangwan City accumulatively carried over 18%, realized net profit of RMB 61,850,000, realized net profit of RMB 61,850,000, and it is estimated that expected profit can be made when carrying over all. Evian Town Phase 3 accumulatively carried over sales area proportion of 100%, realized net profit of RMB 76,100,000. Evian Town Phae 3 was opened for sale in August 2008, as the economic situation in 2008 is worse than expected, expected profit was not made when calculating actual profit in the completion in 2009. Nanqiao Project accumulatively carried over 99%, realized net profit of RMB 181,770,000, and it is estimated that expected profit can be made when carrying over all. Yonghua Yuan Project accumulatively carried over 41%, realized net profit of RMB 38,960,000, and it is estimated that expected profit can be made when carrying over all. 					
Explanation on reason and procedure of change	No change					
Purpose and destination of	As of December 31, 2010, raised capital not used of the Company was RMB 381,190,000,					

the raised capital not used yet	accounting for 6.60% of the total amount of raised capital. The above-mentioned raised capital not all use4d will be put into the uncompleted projects in succession in 2011.
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Deloitte Touche Tohmatsu CPA Ltd. made examination on application of proceeds raised from public offering of A-shares of the Company in 2008, and issued DSB (He) Zi (11) No. E0009 Examination Report, with the following examination opinions: application report of proceeds of the Company was prepared according to the regulations of Regulation on Previous Application of Raised Capital-ZJFXZi (2007) No.500 Document promulgated by China Securities Regulatory Commission, and truthfully reflected actual application of proceeds raised from the Company's public offering of A-shares in all significant aspects.

(II) Significant projects invested with non-proceeds, and progress and income from the projects (Unit: RMB'0000)

Project	Investment in 2010	Increase in investment over last year	Progress	Income received in 2008
Chongqing Danzishi	235,215	-	Started	
Shanghai Shehan Longyuan Project	187,133	-	Started	
Chengdu Chenghua Ditricth Zhaojuesi South Road Project	160,790	-	Early stage planning	
Foshan Evian Tianhui	114,079	-	Early stage planning	
Xiamen Jimei P01 Project	104,367	-	Early stage planning	
Xiamen Jimei P08 Project	102,866	-	Early stage planning	
Foshan Evian Xi City	71,949	-	Main body construction	
Beijing Xicheng Homestead and Longyuan Project	49,081	23%	Phase 1 completed and intaken, phase 2 in early stage planning	Realized gross profit of 17,609
Beijing Park • 1872	48,039	28%	Completed and intaken	Realized gross profit of 30,424
Guangzhou Jinshan Valley	41,155	42%	Phase 2 and 3 completed and intaken	Realized gross profit of 16,672
Suzhou Xiaoshi City	35,027	27%	Phase 2 completed and intaken, phase 2 in main body construction	Realized gross profit of 16,508
Shenzhen Xi City Phase 3 to 6	34,441	12%	Phase 3 completed and intaken, phase 4 started	Realized gross profit of 86,976
Zhuhai China Merchants Garden City Phase 1 to 3	30,920	36%	Main body construction	
Chengdu Dongcheng International Business Square	23,696	0%	Started	
Foshan Evian Shang City	15,539	9%	Main body construction	
Shenzhen Lanxi Valley Phase 2 No.2 block	11,013	33%	Completed and intaken	Realized gross profit of 29,182
Beijing Conrad Hotel	10,333	25%	Main body construction	
Tianjin Jingjiang Road Project	9,285	14%	Started	
Zhangzhou Cadaques Hotel	9,270	-	Early stage planning	
Zhangzhou China Merchants Garden City	8,591	36%	Phase 1 completed and intaken	Realized gross profit of 2,873
Shenzhen China Merchants Guoling Garden	8,463	20%	Started	
Nanjing G67 Project	8,282	6%	Main body construction	
Shanghai Hyde Garden Phase 1 to 4	7,650	7%	Phase 1 completed and intaken, phase 2 and 4 started	Realized gross profit of 4,705

Shanghai China Merchants Bay Garden	7,457	11%	Main body construction	
Zhangzhou Cadaques Project	7,419	12%	Started	
Shenzhen Yishanjuan Phase 2 to 3	4,424	42%	Completed and intaken	Realized gross profit of 1,374

Note: the above gross profit amounts have business tax, additional tax and land value added tax deducted.

VI. Daily Work of the Board of Directors

(I) Meetings and Resolutions of the Board in the Report Period

The Board of Directors altogether held 15 meetings in this year, and the concrete conditions are as follows:

1. On March 19, 2010, the 6th board of directors held the first temporary meeting in 2010 by telecommunication voting, in which Proposal on Related Parties Such As Shekou Industrial Zone etc. Renting New Times Square Office Site was examined and approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.
2. On April 1, 2010, the 6th board of directors held the 12th meeting of the 6th board of directors by spot voting, in which Proposal on Renewing Liability Insurance for Directors, Supervisors and Senior Management Personnel was examined and approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.
3. On April 15, 2010, the 6th board of directors held the second temporary meeting in 2010 by telecommunication voting, in which Proposal on Engaging Wang Zhengde As the Chief Economist of the Company was examined and approved. The resolution notice was disclosed on April 16, 2010.
4. On April 18, 2010, the 6th board of directors held the 13th meeting of the 6th board of directors by spot voting, in which 2009 Financial Report, 2009 Annual Report and Its Summary, 2009 Annual Profit Distribution Preplan, Report on the Use Condition of the Previous Raised Capital, Internal Control Self Evaluation Report, Social Responsibility Report, 2009 Working Report of Independent Directors, Proposal on Reengagement of External Audit Organ, Proposal on Modifying Articles in Association of the Company, Proposal on Modifying Rules of Procedure of the Board of Directors, Proposal on Modifying Working Rules of the General Manager, Proposal on Establishing Annual Report Information Disclosure Major Mistake Responsibility Accountability System, Proposal on Company 2010 Bank Guild Line of Credit Plan, Proposal on Adjusting the Pricing Base Day of the Company Privately Issuing Stocks to Specific Objects and Issuing Amount, Supplementary Agreement of Stock Subscription Agreement that Comes into Force Through the Company Signing Additional Conditions with Shekou Industrial Zone, Amendment of Preplan of Privately Issued Shares of the Company, and 2010 1st Quarter Report were examined and approved. The resolution notice was disclosed on April 20, 2010.
5. On April 19, 2010, the 6th board of directors held the 3rd temporary meeting of 2010 by telecommunication voting, in which Huatai China Merchants Power Supply Project Credit Investment Plan Investment Contract was approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.
6. On May 11, 2010, the 6th board of directors held the 14th meeting of the 6th board of directors by spot voting, in which Proposal on Canceling 2009 Plan of the Company Privately Issuing Stocks to Specific Objects and Proposal on Holding 2009 Shareholders' Meeting were examined and approved. The resolution notice was disclosed on May 13.
7. On June 13, 2010, the 6th Board of Directors held the 4th temporary meeting of 2010 by telecommunication voting, in which Proposal on Accountant's Foundation Work Self Examination Report and Proposal on Providing Guarantee for Shenzhen China Merchants Power Supply Co., Ltd. Borrowing Money were examined and approved. The resolution notice was disclosed on June 18, 2010.
8. On June 25, 2010, the 6th Board of Directors held the 15th meeting of the 6th Board of Directors by spot voting, in which Resolution on Transferring Related Transactions Involved by Shenzhen China Merchants Water Co., Ltd. Equity, Proposal on Related Transactions Involved by Shenzhen China Merchants Construction Co., Ltd. Contracting Front Bay Garden Phase 3 and 4 Project Turnkey Job and Proposal on Related Transactions Involved by Purchasing SKC102-01 Block Land Use Right were

examined and approved. The resolution notice was disclosed on June 26, 2010.

9. On July 16, 2010, the 6th Board of Directors held the 16th meeting of the 6th Board of Directors by telecommunication voting, in which Resolution on Examining Newly Added Bank Loan was examined and approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.

10. On July 23, 2010, the 6th Board of Directors held the 17th meeting of the 6th Board of Directors by spot voting, in which 2010 Semi-Annual Report and Summary and Semi-Annual Financial Statement was examined and approved. The resolution notice was disclosed on July 27, 2010.

11. On August 23, 2010, the 6th Board of Directors held the 5th temporary meeting of 2010 by telecommunication voting, in which Resolution on the Related Transactions Involved by Purchasing 51% Stock Right of Shenzhen Shekou Sea World Hotel Management Co., Ltd. Was examined and approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.

12. On September 15, 2010, the 6th Board of Directors held the 18th meeting of the 6th Board of Directors by spot voting, in which Proposal on Engaging Zhang Lin as the Company Vice General Manager was examined and approved. The resolution notice was disclosed on September 16, 2010.

13. On October 17, 2010, the 6th Board of Directors held the 6th temporary meeting of 2010 by telecommunication voting, in which 2010 3rd Quarter Report, Proposal on Related Transactions Involved by Renting Huajian Region Property and Report on Rectification and Reform of Financial Accounting Foundation Work were examined and approved. The resolution notice was disclosed on October 19, 2010.

14. On October 29, 2010, the 6th Board of Directors held the 7th temporary meeting by telecommunication voting, in which Self-Examination Report on the Establishing and Implementation Condition of Long-Term Mechanism Preventing Occupation of Fund was examined and approved. The report was filed to Shenzhen Stock Exchange on the day when the meeting was held.

15. On October 11, 2010, the 6th Board of Directors held the 8th temporary meeting of 2010 by telecommunication voting, in which Financial Accounting Related Person In Charge Management System and Proposal on Engaging Meng Cai as the Company Vice General Manager After the Nomination of General Manager Lin Shaobin were examined and approved. The resolution notice was disclosed on November 12, 2010.

Disclosing newspapers for the above are China Securities Journal, Securities Times, Shanghai Securities News and Hong Kong Commercial Daily.

(II) Resolutions of Shareholders' Meeting Implemented by the Board

In the report period, the Board of Directors strictly implemented various resolutions of Shareholders' General Meeting, which mainly included:

1. Condition of implementing the Company 2009 annual profit distribution scheme by the Board of Directors

On June 7, 2010, the Company 2009 annual shareholders meeting examined and approved 2008 Annual Profit Distribution Scheme. The profit distribution scheme is: Determine surplus public accumulation RMB 115,566,506 according to the extraction method of 10% of the net profit RMB 1,155,665,059 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 allotting cash dividend RMB 171,730,050; the remaining undistributed profit RMB 3,367,380,227 is retained till 2010. In 2009, the Company did not conduct capital reserve presenting to the capital stock.

The Company released the Announcement of Implementing Dividend Payment Scheme in 2009 on July 6, 2010, determining the record date as July 12, 2010 and ex-dividend date as July 13, 2010. During the report, the Company had successfully finished the dividend payment work.

2. Subsequence condition of application of privately issuing stocks in 2009 by the Company

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. However, in the subsequent several months, influenced by the economic environment and policy change, adjustment of the property plate of the capital market was obvious, and the Company

stock price decreased greatly. Although the Board of Directors modified the issuing price, the later stock price decreased continuously, causing the feasibility of issuing become small. Whereas, the Company 2009 annual shareholders' general meeting approved canceling the scheme of privately issuing stocks.

(III) Performance of Three Special Committees of the Board of Directors

1. Performance of the Strategy Committee

During the report, the Strategy Committee accurately grasped the macro environment and the industrial situation, led the Company to cope with actively and adjusted all the strategies in time. It required the Company to stick to the market rhythm, strengthened research to the market period, and enhanced the adapting and grasping ability of the Company to the market cycle. The Strategy Committee actively promoted research and implementation of the Company strategy and business mode, guided the Company to strengthen strategy research, and determined the business mode of "emphasizing residence and business, integrating production and residence" of the Company. For all the current business projects of the Company, it brought forward development thinking pointedly. The Strategy Committee compared and analyzed comprehensively from several dimensions such as market drive, policy influence, historic experience and existing resources etc., and guided the Company to form clear product strategy. In addition, the Committee made important strategic deployment for land taking, project design, marketing strategy, operation management and finance management and control etc. of the Company.

2. Performance of the Audit Committee

During the report, the main work developed by the Audit 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 unsettled documents etc.; send letter to the accountant to urge presenting auditing report on time; 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 prepare the summary report about the auditing work. On the foundation of understanding and evaluating the work of the current accounting firm, bring forward suggestions for the Company renewing the accounting firm. In addition, work developed by the Audit Committee also includes: Check the storage and use condition of the raised fund, supervise if the storage and use of raised fund are in accordance with the related laws and regulations; examine the Company NDF transaction condition, remind the risks of NDF transaction; organize and guide the Company financial accounting foundation work self-examination work, supervise implementation of self examination, rectification and reform work, review the Report on Self-Examination, Rectification and Reform of Financial Accounting Foundation Work; investigate and patrol the project company; listen to the cost management work report; guide internal auditing work and improve Company internal control etc.

3. Performance of the Remuneration and Examination Committee of the board of directors

During the report period, the Remuneration and Examination Committee guided the Company Human resources Department to research and make employee motivation scheme, it thought that the new project motivation scheme released by the Company in 2010 manifested the motivation thinking that had profit as the guiding direction, considered cash backflow, investment rate of return and balanced scorecard appraisal, which was good for promoting project profit maximization and could enhance the Company overall benefit to the maximum extent. The Remuneration and Examination Committee gave high attention and support to the making of equity motivation system of the Company, urged the Company to research actively and offered many professional guidance opinions to the Company in the promotion process.

The Committee audited the performance appraisal standard for the directors and senior management personnel through special meetings, and supervised scheme making and distribution of salary, so as to ensure that the salary system for the directors and senior management personnel run legally and in compliance with regulations. It gave affirmative auditing opinion to the condition of Company directors, supervisors and senior management personnel receiving salary from the Company during the report period disclosed in the annual report of 2010.

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.4 of Explanation to the Enterprise Accounting Standard* newly released in 2010 (hereinafter referred to as “*Explanation No.4*”):

(I) Excess loss of the subsidiary company

Former accounting policy of the Company (adopted before January 1, 2010): Loss of the subsidiary company shared by the few shareholders in the consolidated financial statement exceeded the shares enjoyed by the few shareholders in the period beginning proprietor equity of the subsidiary company, if the Articles in Association of the Company or agreement prescribes that few shareholders have the obligation to bear and have the ability to make up, equity of few shareholders is written off, otherwise equity belong to parent company proprietor is offset. All the profits realized by the subsidiary company later belong to the parent company proprietor equity before making up for the loss born by the parent company and belonged to the few shareholders.

It was amended as: “If loss of the subsidiary company shared by the few shareholders in the consolidated financial statement exceeds the shares enjoyed by the few shareholders in the company period beginning proprietor equity, the balance still offsets equity of few shareholders.”

(II) All direct related expenses arising for enterprise consolidation

Former accounting policy of the Company (adopted before January 1, 2010): In the enterprise consolidation not under common control, all direct related expenses arising for enterprise consolidation are accounted into enterprise consolidation cost in the consolidated financial statement, and the Company financial statement confirmed them as initial investment cost of long-term equity investment.

It was amended as: “In enterprise consolidation not under common control, intermediary expenses such as auditing, legal service, evaluation and consultation etc. and other related management expenses arising for enterprise consolidation are accounted into current profits and losses in the consolidated financial statement and Company financial statement when arising.”

VIII Profit Distribution of the Company

1. Preplans for Profit Distribution and for Increasing Capital Stock Transferred from Capital Reserve of 2010

As of the end of 2010, the audited undistributed profit of the parent company was RMB 4,504,075,967, the undistributed profit transferred into which as of the beginning of the year was RMB 3,539,110,277, the net profit of the year RMB 1,136,695,740, and the distributed profit of the last year RMB 171,730,050.

The Preplan for Profit Distribution in 2010 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 113,669,574 based on 10% of the parent company’s net profit of RMB 1,136,695,740. 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 1.2 (including tax) in cash per 10 shares was distributed, with the total dividend in cash of RMB 206,076,060.

The residual undistributed profit of RMB 4,184,330,333 was retained to the next report year.

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

The profit available to distribute in 2010 was as follows: (Unit: RMB)

	Amount of the Company	Net profit ratio belonging to the shareholders of the listed company in the consolidated financial statement of this year

Net profit in 2010	1,136,695,740	56.51%
Withdrew statutory surplus reserve	113,669,574	5.65%
Profit available for distribution at the year-begin	3,367,380,227	
Distributed cash dividends of 2010	206,076,060	10.25%
Profit retained to later years	4,184,330,333	

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

	Cash dividend amount	Net profit belonging to the shareholders of the listed company in the consolidated financial statement of the year	Net profit ratio belonging to the shareholders of the listed company in the consolidated financial statement of the year	Profit available to distribute of the parent company of the year
2009	171,730,050	1,644,143,880	10.44%	3,654,676,783
2008	171,730,050	1,227,615,829	13.99%	2,728,924,171
2007	84,486,700	1,157,877,638	7.30%	2,600,834,763
Proportion of the accumulative cash dividend amount in the last three years accounting for in the latest annual average net profit (%)				31.86%

IX. In 2009, the Company chose the following media for information disclosure: *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 in accordance with the related provisions of the Rules of Procedure of the Supervisory Committee in 2010. Within the report 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 report period, with the details as follows:

1. On April 18, 2010, it held the 7th meeting of the 6th Supervisory Committee by spot meeting, and topics of discussion examined are: *Report on Work of Supervisors for 2009, Annual Report of 2009, Self-Evaluation Report of Company Internal Control, and Report of the First Quarter of 2010* etc. The resolution notice was disclosed on April 20, 2010.

2. On July 23, 2010, it held the 8th meeting of the 6th Supervisory Committee by telecommunication voting, in which *Semi-Annual Report of 2010* was examined and approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.

3. On October 17, 2010, the Company 6th Supervisory Committee held the 9th meeting of the 6th Supervisory Committee by telecommunication voting, in which *Report of the 3rd Quarter of 2010* was examined and approved. The resolution was filed to Shenzhen Stock Exchange on the day when the meeting was held.

4. On October 29, 2010, it held the 10th meeting of the 6th Supervisory Committee by

telecommunication voting, in which *Self-Examination Report on the Establishing and Implementation Condition of Long-Term Mechanism Preventing Occupation of Fund* was examined and approved. The report was filed to Shenzhen Stock Exchange on the day when the meeting was held.

Disclosing newspapers for the above are *China Securities Journal*, *Securities Times*, *Shanghai Securities News* and *Hong Kong Commercial Daily*.

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

(I) Legal Operation

Within the report period, the Shareholders' General Meeting, Board of Directors and management of the Company performed responsibilities in strict accordance to their own decision-making authorities and procedures, and operated legally and in compliance to regulations. 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 condition of the Company

The Supervisory Committee supervises the Company finance through examining the construction and implementation condition of the Company internal control system and auditing the financial statement, with standardized company finance management and accounting. Both CPA auditing report and internal control authentication report presented opinions without reservation, and the financial report truly and accurately reflects the financial condition and operation result of the Company.

(III). Acquisitions, asset sales and other related transactions of the Company

During the report period, related transactions arising between the Company and Shekou Industrial Zone mainly include: related transactions arising from purchasing land use right and transferring equity of China Merchants Water; related transactions involved by China Merchants Construction contracting affiliated company of Shekou Industrial Zone Front Bay Garden Project Turnkey job; transactions such as the related parties providing loans for the Company or providing guarantee for the bank loans of the Company etc. before the related transactions occurred, opinions of independent director were consulted, the Supervisory Committee thought that the transaction matter voting procedures were legal and compliant, the transaction prices were determined after evaluation of independent third party asset evaluation agencies, the transactions were fair and reasonable, met the demand for the Company business development, and there were no conditions harming the interest of the Company and other shareholders.

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

The Company established *Raised Funds Management System*. The storage and usage of raised funds strictly complied with the regulatory laws, regulations and the management system associated with raised funds. The Audit Department of the Company carried out a regular supervision on the storage and usage of raised funds, without any situations that the projects that raised funds 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 report 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 amount (Yuan)	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 report period (Yuan)	Changes in shareholders' equity within the report period (Yuan)	Accounting Item	Source of Shares
000004	ST Guonong	1,572,275	489,824	0.58%	-	5,330,350	-3,473,483	Financial assets for sale	Shares of the founders

During the report 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 report period (including but not limited to market, liquidity, credit, operational and law risks.)	<p>Within the report 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 identified at the time when trades are happening.</p> <p>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.</p>
Changes in market price or fair value of invested derivatives within the report period; and the specific method and the set relevant assumptions and parameters that the Company used for analyzing fair values of derivatives shall be disclosed.	<p>As of the end of December 2010, the quotation of the one-year CNY/USD product in NDF market appreciated by approximately 2.26%, comparing with that of the appreciation of 2.12% one year before. The loss of NDF fair value resulting from price change in 2010 is RMB 14,140,000, with the investment loss from the settled NDF contracts reaching RMB 2,640,000. 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.</p>
Describe any significant change happening to the accounting policy and audit-specific principles of derivatives within the report period comparing with the last report period.	None.

Position of derivative investment as of the end of the report 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 report 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 report period
Total	198,174	233,786	-1,678	12.84%

IV. M&A and sale of assets

On November 10, 2010, the Company subsidiary company Shekou Xinghua Industrial Co., Ltd.

Signed agreement with natural person Xu Yibing, transferring the stock right of Guangzhou Wende Property Management Co., Ltd. that it held, and the stock right transfer price was RMB 1,280,000. For other acquisition and assets sales matters except this, please refer to V (II) Related transactions arising from acquisition and sales of assets.

V. Significant related transactions

(I). Transactions relating normal operation

The Company had the following leasing transactions with the Shekou Industrial Zone in 2010.

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 25,830,000.

Related companies such as the Shekou Industrial Zone leased leasing properties from the Company, including the New Times Square and the Merchants Building, with the annual rent of RMB 19,670,000.

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.

(II) Related transactions arising from acquisition and sales of assets

(1) Transfer stock right of China Merchants Water

On June 28, 2010, the Company and subsidiary company Shenzhen China Merchants Property signed agreement with Shekou Industrial Zone, transferring stock rights of 95% and 5% of China Merchants Water that it held to the big shareholder Shekou Industrial Zone respectively, and the stock right transfer price was RMB 162,833,200. Industry and commerce change registration of China Merchants Water after stock right transfer was finished on July 5, 2010. The Company transferred 100% stock right of China Merchants Water, which could enhance the overall benefit of Company assets, optimize Company business structure and highlight the main businesses.

(2) Purchase land use right

On June 29, 2010, the Company subsidiary company Shenzhen China Merchants Commerce Development Co., Ltd. (hereinafter referred to as "China Merchants Commerce") signed *Land Use Right Determination Contract* with Shekou Industrial Zone, purchasing land use right of block with the land number of SKC102-01, the land area was 11,904.23 square meters, and the price was RMB 111,751,800. Purchasing the land could enrich the Company land resources, and it was the need to develop Sea World region.

(3) Purchase stock right

In August 2010, the Company subsidiary company Shenzhen China Merchants Property purchased 51% stock right of Shenzhen Shekou Sea World Hotel Management Co., Ltd. held by the Company big shareholder Shekou Industrial Zone affiliated wholly owned subsidiary Shenzhen China Merchants Financing Co., Ltd. from it. According to the appraisal to the Seal World Hotel 51% shareholder equity made by Kaiyuan Asset Appraisal Co., Ltd. [Kaiyuan-Shen-Ping-Bao-Zi [2010] No.048], net asset appraisal value of Sea World Hotel as of March 31, 2010 was RMB 30,026,700, and value of 51% shareholder equity was RMB 15,313,600. Sea World Hotel is an important component of Sea World region, and the project is in the starting stage at present. Completion of the hotel will further enrich the variety of operation properties of listed companies, enlarge scale of Company investment real estate, promote enhancement of the asset value of the existing properties of the Company in Sea World region, and can enhance the overall value level of listed companies.

(III) Other related transactions

On June 30, 2010, the Company subsidiary company China Merchants Construction signed building construction contract with the subsidiary company Shenzhen China Merchants Front Bay Property Co.,

Ltd. (hereinafter referred to as “China Merchants Front Bay Property”) indirectly controlled by Shekou Industrial Zone, and China Merchants Construction contracted the turnkey job of Front Bay Garden Phase 3 and 4 invested by Front Bay Property. The construction general contracting contract price was estimated to be RMB 135,180,000. General contracting management fee of 1% of the contracting total price that China Merchants Construction can get was estimated to be RMB 1,351,800. As of December 31, 2010, construction progress of Front Bay Garden Phase 3 and 4 proceeded according to the plan, constructed to floor 3 of the upper main body, and it was estimated that the project would be completed at the end of 2011. China Merchants Construction undertaking Front Bay Garden Project of China Merchants Front Bay Property can accumulate building construction achievement, create conditions for the Company promoting qualification as soon as possible, thus better meeting the Company development demand, and suiting the Company overall interest.

In October 2010, the Company subsidiary company Shenzhen China Merchants Property signed related real estate lease contract with the big shareholder Shekou Industrial Zone, renting the land use right and coverings of Huajian region and land where building 2 and 6 are located owned by Shekou Industrial Zone. The lease term is 15 years (from October 1, 2011 to September 30, 2026). September 1, 2010 to September 30, 2011 is the construction period of Shenzhen China Merchants Property. After the lease term is due, lease can be renewed. And the renewal term is not less than five years. The initial rent is calculated according to the standard of RMB 27.80 /month/square meter for the building area, i.e., the initial annual rent is RMB 10,654,400, the later annual rent will be adjusted once every three years, rent unit price is adjusted according to the market rent level each time, and the adjustment range does not exceed 30%. After renting Huajian region building 1, 3 and 5 from Shekou Industrial Zone in 2008, the Company reconstructed it into “Nanhai Yiku”, initially forming a cultural industry park with creation design as the feature, and becoming one of the site of Shenzhen Culture Expo. Now renting building 2 and 6 will further enlarge the scale of creation industrial Park, and at the same time, it will further optimize the structure of Company investment properties, and enhance the overall benefit of the Company investment properties.

Before the aforementioned transactions occur, the Company notified the independent directors. After review, the independent directors thought that the transactions of the Company met the demand of Company operation development, the transaction prices were fair and reasonable, and they did not harm the interest of other shareholders of the Company, especially small and medium shareholders.

(IV) Credit, debts intercourse and guarantee between the Company and related parties

1. The loan guarantee for the Company and subsidiary companies provided by related parties as of December 31, 2010 :(Unit: RMB)

Name of the related party	Party guaranteed	Guarantee amount	
Guarantee of bank acceptance			
Shekou Industrial Zone	Shenzhen China Merchants Property Co., Ltd.	RMB	272,960,229
Paid guarantee			
Shekou Industrial Zone	Shenzhen China Merchants Property Co., Ltd.	RMB	82,012,509
Guarantee of long-term loan			
Shekou Industrial Zone	The Company	RMB	940,000,000
China Merchants Group	The Company	RMB	2,000,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	USD	47,000,000
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	130,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	USD	100,000,000

Wholly owned subsidiary company of Shekou Industrial Zone, Top Chief Co., Ltd. provided liquidation guarantee for the forward exchange traction business engaged by the Company subsidiary company Hong Kong Ruijia at ING Bank.

2. As of December 31, 2010, 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.	291,155,457
Other receivables	Huizhou Taitong Properties Investment Co., Ltd.	134,579,000
Other receivables	China Merchants Guangming Science Park	13,960,000
Other payables	China Merchants Zhangzhou Development Zone Co., Ltd.	393,,929,535
Other payables	Shenzhen Shekou Popular Line Investment Co., Ltd.	138,235,302
Other payables	Shenzhen Nanshan Property Development Co., Ltd.	344,987,895
Other payables	Tianjin Xinhai Real Estate Development Co., Ltd.	133,081,399
Other payables	Shenzhen China Merchants Financing Service Co., Ltd.	53,440,000
Other payables	Shenzhen China Merchants Entrepreneurship Co., Ltd.	1,838,494
Other payables	China Merchants Guangming Science Park	1,055,028
Other payables	China Merchants Hanghua Science & Trade Center Co., Ltd.	528,151
Long-term payables	China Merchants Landmark Co., Ltd. (Shenzhen)	1,200,000

VI. Significant contracts and their fulfillment

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

(II). Significant Guarantees

1. As of the end of the report period, 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 fulfil 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 205,890,000.

2. As of the end of the report period, the Company provided a joint liability guarantee for the loans valued USD 30,000,000 (RMB 198,680,000) 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 the end of the report period, the guarantee actual amount was RMB 86,700,000, the guarantee period is two years from the day when the guarantee contract comes into force till when the implementation period for the debt under the loan contract is due.

3. After approval of the 3rd temporary shareholders general meeting in 2009 of the Company, on January 5, 2010, the Company signed bond agreement for the bank loan limit of 194,000,000 USD (RMB 1,283,340,000) got by the wholly owned subsidiary company Hong Kong Ruijia.

As of December 31, 2010, external guarantee sum of the Company and holding subsidiary companies (not including sales mortgage guarantee provided by the subsidiary companies to the clients) was RMB 1,568,720,000, accounting for 8.62% of the net asset belonging to the shareholders of the listed companies audited in the latest term of the Company, and there were no overdue guarantee amount, guarantee amount involving lawsuit and loss amount that shall be born due to losing in the lawsuit of guarantee.

During the report period, except the above guarantee matters, the Company and Company holding subsidiary companies did not have other external guarantees, and did not provide guarantee for the shareholders, actual controller and related parties.

(III) During the report period, the Company did not have entrusted financing matters

(IV) Other major contracts of the Company during the report period

(1) During the report period, the Company signed bank loan contracts with financial institutions such as Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank and China Merchants Bank etc., as of the end of the report period, loan sum of RMB 19,610,000,000 was within the repayment period.

(2) During the report period, the Company got projects in Shanghai, Foshan, Xiamen, Zhangzhou, Chengdu and Najing etc., and equity land price of land use right contracts signed were RMB 6,957,000,000. For the input condition, see Chapter 8, V, (II) Non-proceeds investment major projects and progress and benefit conditions of the projects.

(3) The Company signed *Huatai China Merchants Power Supply Project Credit Investment Plan Investment Contract* with investment principal of RMB 2,000,000,000 with Huatai Asset Management Co., Ltd., and the term is from April 20, 2010 to April 19, 2017.

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 Property 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 Property 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 report period, Shekou Industrial Zone fulfilled the commitment strictly.
Commitment not to sell its shares of the Company within a certain period (note)	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 report period, 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 report period, Shekou Industrial Zone fulfilled the commitment strictly.
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Note: For the commitment of sales restriction of Company shared held by Shekou Industrial Zone, see Chapter 4, I, (I) Explanation on change condition table of sale restriction shares.

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

VIII. Engaging or Dismissing of CPAs

On June 7, 2010, 2009 annual shareholders' meeting of the Company approved the related proposal of continuing to engage Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the external auditing institution in 2010.

As of the end of the report period, the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. has provided its audit services for the Company for consecutive 10 years.

The Company this year should pay RMB 3.12 million to the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. providing auditing service of the 2010 financial statements of the Company.

IX. In the report 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 report 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 2010, maintaining the consistently good interactive relationship with investors.

Table of Investigations, Communications and Interviews Received by the Company during the Report Period

Date	Location	Type	Meeting Party	Discussion Topic and Materials Provided
January 12, 2010	Shekou, Shenzhen	Field Investigation	China Securities	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 ④ visit of sale building and Provision of sales brochure.
January 19, 2010	Shekou, Shenzhen	Field Investigation	Changjiang Securities Co	
January 25, 2010	Shekou, Shenzhen	Field Investigation	Guolian An	
January 26, 2010	Shekou, Shenzhen	Field Investigation	Goldman Sachs	
January 27, 2010	Shekou, Shenzhen	Field Investigation	Bohai Securities	
February 5, 2010	Shekou, Shenzhen	Investigation Group	Mid-term Strategy Conference of China Merchants Securities	
February 10, 2010	Shekou, Shenzhen	Written Enquire	Investor	
February 22, 2010	Shekou, Shenzhen	Written Enquire	Investor	

February 23, 2010	Shekou, Shenzhen	Written Enquire	Investor
March 1, 2010	Shekou, Shenzhen	Field Investigation	Guangzhou Securities
March 2, 2010	Shekou, Shenzhen	Field Investigation	Daiwa Securities
March 3, 2010	Shekou, Shenzhen	Field Investigation	Essence Securities
March 12, 2010	Shekou, Shenzhen	Written Enquire	Investor
March 15, 2010	Shekou, Shenzhen	Written Enquire	Investor
March 15, 2010	Shekou, Shenzhen	Written Enquire	Investor
March 18, 2010	Shekou, Shenzhen	Field Investigation	Zhongshan securities
March 22, 2010	Shekou, Shenzhen	Project Investigation	Investor
March 25, 2010	Shekou, Shenzhen	Project Investigation	Taiwan Securities
March 26, 2010	Shekou, Shenzhen	Project Investigation	Client of J.P. MORGEN
March 29, 2010	Shekou, Shenzhen	Project Investigation	USB organization
March 29, 2010	Shekou, Shenzhen	Project Investigation	Investor
March 31, 2010	Shekou, Shenzhen	Project Investigation	Investor
April 2, 2012	Shekou, Shenzhen	Investigation Group	Client of Gao Hua Securities
April 4, 2012	Shekou, Shenzhen	Telephone Enquire	Investor
April 6, 2012	Shekou, Shenzhen	Written Enquire	Investor
April 6, 2012	Shekou, Shenzhen	Telephone Enquire	Investor
April 12, 2012	Shekou, Shenzhen	Written Enquire	Investor
April 12, 2012	Shekou, Shenzhen	Written Enquire	Investor
April 19, 2012	Shekou, Shenzhen	Written Enquire	Investor
April 20, 2012	Shekou, Shenzhen	Telephone Enquire	Investor
April 21, 2012	Shekou, Shenzhen	Written Enquire	Investor
April 23, 2012	Shekou, Shenzhen	Field Investigation	Client of UBS
April 23, 2012	Shekou, Shenzhen	Telephone Enquire	Investor
May 6, 2010	Shekou, Shenzhen	Investigation Group	Shenwan Organization Investigation Group
May 13, 2010	Qingdao	Strategy Conference	Strategy Conference of BOCI Securities Limited
May 18, 2010	Shanghai	Strategy Conference	CLSA China Forum
May 31, 2010	Hohhot	Strategy Conference	Strategy Conference of UBS
June 9, 2010	Beijing	Strategy Conference	Strategy Conference of J.P.Morgan
June 11, 2010	Shenzhen	Field Investigation	Guosen Securities
June 11, 2010	Shenzhen	Field Investigation	Everbright Securities.
June 10, 2010	Beijing	Strategy Conference	Huatai union
June 9, 2010	Beijing	Strategy Conference	Essence Securities

June 10, 2010	Lijing	Strategy Conference	Sinolink Securities
June 23, 2010	Shenzhen	Field Investigation	China Merchants Securities
July 2, 2010	Shenzhen	Investigation Group	Baring property
July 6, 2010	Shekou, Shenzhen	Telephone Investigation	Dongxing securities
July 7, 2010	Chengdu, Chongqing	Field Investigation	Shanghai Jinli Investment
July 9, 2010	Shekou, Shenzhen	Telephone Investigation	Zhongzheng Investment
July 15, 2010	Shekou, Shenzhen	Field Investigation	Shanghai Tianliang Investment
July 15, 2010	Shekou, Shenzhen	Field Investigation	Tiansun Investment Management
July 15, 2010	Shekou, Shenzhen	Field Investigation	AJ Securities
July 16, 2010	Shekou, Shenzhen	Field Investigation	Guangdong Development Fund
July 19, 2010	Shekou, Shenzhen	Field Investigation	Bosera Funds
July 19, 2010	Shekou, Shenzhen	Field Investigation	UBS
July 20, 2010	Shekou, Shenzhen	Field Investigation	Everbright Securities
July 28, 2010	Shekou	Telephone Investigation	BOC International
July 28, 2010	Shekou, Shenzhen	Telephone Investigation	China Merchants Securities
July 29, 2010	Shekou	Telephone Investigation	China Jianyin Investment Securities
August 3, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
August 5, 2010	Shekou, Shenzhen	Telephone Investigation	Merrill Lynch
August 12, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
August 13, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
August 16, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
August 17, 2010	Shekou, Shenzhen	Field Investigation	Zexi Investment
August 18, 2010	Shekou, Shenzhen	Investigation Group	BOC International
August 18, 2010	Shekou, Shenzhen	Investigation Group	CIFM
August 18, 2010	Shekou, Shenzhen	Investigation Group	Noam Fund
August 18, 2010	Shekou, Shenzhen	Investigation Group	Changjiang Securities
August 20, 2010	Shekou, Shenzhen	Telephone Investigation	China Securities Investment
August 20, 2010	Shekou, Shenzhen	Telephone Investigation	Yangtze river endowment fund
August 22, 2010	Shekou, Shenzhen	Field Investigation	Shainghai Jinli Investment
August 24, 2010	Shekou, Shenzhen	Telephone Investigation	Shainghai Jinli Investment
September 7, 2010	Shekou, Shenzhen	Telephone Investigation	Huatai union
September 8, 2010	Shekou, Shenzhen	Field Investigation	China Jianyin Investment Securities
September 10, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
September 13, 2010	Shekou, Shenzhen	Field Investigation	Yuanzhi Investment
September 13, 2010	Shekou,	Field	Minsen Investment

	Shenzhen	Investigation	
September 17, 2010	Shekou, Shenzhen	Telephone Investigation	China Securities Investment
September 21, 2010	Shekou, Shenzhen	Field Investigation	Penghua Fund
September 26, 2010	Shekou, Shenzhen	Telephone Investigation	Yuanzhi Investment
September 27, 2010	Shekou, Shenzhen	Field Investigation	CIFM
September 28, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
September 30, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
October 8, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
October 12, 2010	Shanghai	Field Investigation	Investor
October 14, 2010	Chongqing	Field Investigation	Citic Securities
October 15, 2010	Shekou, Shenzhen	Telephone Investigation	Long Letter Fund
October 18, 2010	Shekou, Shenzhen	Telephone Investigation	China Securities Investment
October 18, 2010	Shekou, Shenzhen	Telephone Investigation	China Jianyin Investment Securities
October 22, 2010	Shekou, Shenzhen	Investigation Group	KGI Hong Kong
October 22, 2010	Shekou, Shenzhen	Investigation Group	Taiwan Fuhua
November 2, 2010	Shekou, Shenzhen	Field Investigation	Guolian An fund
November 2, 2010	Shekou, Shenzhen	Field Investigation	Guotai Jun'an
November 2, 2010	Beijing	Strategy Conference	Goldman Sachs Gao Hua Securities Co
November 4, 2010	Beijing	Strategy Conference	Merrill Lynch
November 8, 2010	Shekou, Shenzhen	Field Investigation	Xiangcai Securities
November 9, 2010	Shekou, Shenzhen	Field Investigation	Sinolink Securities
November 10, 2010	Shekou, Shenzhen	Field Investigation	China International Capital Corporation
November 11, 2010	Shekou, Shenzhen	Field Investigation	Yinhua Fund
November 13, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
November 17, 2010	Shekou, Shenzhen	Telephone Investigation	China Jianyin Investment Securities
November 25, 2010	Guangzhou	Strategy Conference	Samsung Securities
November 26, 2010	Shekou, Shenzhen	Telephone Investigation	Investor
November 30, 2010	Shekou, Shenzhen	Field Investigation	Taiwan Sinopac Securities
November 30, 2010	Shanghai	Strategy	Guosen Securities

		Conference		
December 1, 2010	Shekou, Shenzhen	Field Investigation	Shanghai Jinli Investment	
December 2, 2010	Beijing	Strategy Conference	Everbright Securities	
December 3, 2010	Shekou, Shenzhen	Strategy Conference	United Securities	
December 3, 2010	Shekou, Shenzhen	Field Investigation	Galaxy Securities	
December 7, 2010	Shekou, Shenzhen	Field Investigation	Guangfa Securities	
December 8, 2010	Shekou, Shenzhen	Telephone Investigation	Investor	
December 9, 2010	Shekou, Shenzhen	Telephone Investigation	Investor	
December 15, 2010	Shekou, Shenzhen	Strategy Conference	China Merchants Securities	
December 15, 2010	Shekou, Shenzhen	Strategy Conference	China Jianyin Investment Securities	
December 17, 2010	Shekou, Shenzhen	Strategy Conference	Essence Securities	
December 17, 2010	Shekou, Shenzhen	Telephone Investigation	Investor	
December 21, 2010	Beijing	Strategy Conference	Guosen Securities	
December 22, 2010	Shekou, Shenzhen	Telephone Investigation	Investor	
December 23, 2010	Shekou, Shenzhen	Field Investigation	New Esprit Investment	
December 23, 2010	Shekou, Shenzhen	Telephone Investigation	Investor	

Chapter 11. Auditor's Report

德师报(审)字(11)第 P0189 号

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

We have audited the accompanying financial statements of CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the balance sheet of the Company and the Group as at December 31, 2010, the income statement of the Company and the Group of year 2010, and cash flow statement of the Company and the Group, statements of consolidated changes in equity, and notes to the financial statements.

I. Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) Preparing the financial statements that give a true and fair view in accordance with the provisions of the Accounting Standards for Business Enterprises. (2) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditors' responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of China Merchants Property Development Co., Ltd and its subsidiaries as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu (Shanghai) CPA Ltd.

CPA China

Shanghai, China

CPA China

March 18, 2011

Consolidated Balance Sheet

RMB Yuan

Items	Notes	Balance at the end of term	Balance at the beginning of year	Items	Notes	Balance at the end of term	Balance at the beginning of year
Current assets:				Current liabilities			
Cash and Cash Equivalents	(V)1	9,676,385,052	9,489,490,935	Short-term loans	(V)18	1,172,132,283	1,372,929,609
Held-for-trading financial assets	(V)2	846,539	6,437,479	Held-for-trading financial liabilities	(V)2	20,824,615	12,829,413
Accounts receivable	(V)3	102,603,093	118,962,896	Notes payable	(V)19	275,616,189	257,896,108
Prepayment		5,598,968	8,747,313	Accounts payable	(V)20	4,757,667,163	2,705,521,285
Other receivables	(V)4	4,144,714,137	1,926,509,243	Prepayment received	(V)21	11,268,654,826	9,498,461,291
Inventories	(V)5	38,699,347,411	30,461,181,900	Employees' wage payable	(V)22	207,232,511	162,832,982
Non-current asset due in 1 year		936,793	26,754	Tax payable	(V)23	614,789,018	589,859,453
Other current asset	(V)6	980,538,674	624,800,651	Interest payable	(V)24	109,123,639	21,872,418
				Dividend payable	(V)25	124,209,948	107,751,887
				Other account payable	(V)26	5,743,381,514	5,835,329,987
				Non-current liability due in 1 year	(V)28	1,856,422,159	1,303,501,721
				Other current liability	(V)29	2,357,741,683	1,843,563,001
Total current assets		53,610,970,667	42,636,157,171	Total of current liabilities		28,507,795,548	23,712,349,155
Non-current assets				Non-current liabilities			
Held-for-sell financial asset	(V)7	-	4,898,240	Long-term borrowings	(V)30	9,995,835,344	5,720,303,012
Long-term receivable	(V)8	1,260,737,445	1,062,146,037	Long-term payable	(V)31	58,587,176	46,469,703
Long-term share equity investment	(V)9,10	597,610,091	616,512,618	Contingent liabilities	(V)27	106,289,589	108,052,194
Investment properties	(V)11	3,438,215,323	2,787,842,250	Deferred income tax liability	(V)16	-	731,713
Fixed assets	(V)12	260,939,762	299,615,954	Other non-current liabilities	(V)32	3,816,700	7,218,243
Construction in process	(V)13	23,327,061	19,254,007				
Intangible assets	(V)14	-	54,121				
Long-term amortizable expenses	(V)15	165,985,049	180,194,127				
Deferred income tax asset	(V)16	460,455,365	290,485,972				
Total non-current assets		6,207,270,096	5,261,003,326	Total non-current liabilities		10,164,528,809	5,882,774,865
				Total liabilities		38,672,324,357	29,595,124,020
				Equity			
				Share capital	(V)33	1,717,300,503	1,717,300,503
				Capital reserves	(V)34	8,484,453,421	8,487,926,904
				Surplus reserves	(V)35	899,462,584	785,793,010
				Undistributed profit	(V)36	6,940,907,225	5,214,909,610
				Foreign currency translation reserve		165,308,103	72,806,727

				Total shareholders' equity attributable to the parent company		18,207,431,836	16,278,736,754
				Non-controlling interests		2,938,484,570	2,023,299,723
				Total equity		21,145,916,406	18,302,036,477
Total of assets		59,818,240,763	47,897,160,497	Total equity and liabilities		59,818,240,763	47,897,160,497

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

The Financial Statements presented on page 59 to 174 are signed by the following persons:

Legal representative

Financial superior

Head of accounting dept.

Balance Sheet of The Company

RMB Yuan

Items	Notes	Balance at the end of term	Balance at the beginning of year	Items	Notes	Balance at the end of term	Balance at the beginning of year
Current asset:				Current liabilities			
Monetary capital		3,701,866,661	6,268,540,842	Short-term loans	(XII)3	998,021,500	630,397,000
Dividend receivable		2,169,117,072	1,090,720,147	Employees' wage payable		5,371,108	6,052,306
Other account receivable	(XII)1	19,692,350,788	12,504,314,805	Tax payable		5,240,509	4,514,867
				Interest payable		83,065,942	9,898,520
				Other account payable		5,825,384,664	3,928,393,230
				Non-current liability due in 1 year	(XII)4	500,000,000	650,000,000
				Other current liability		-	77,559
Total of current asset		25,563,334,521	19,863,575,794	Total of current liability		7,417,083,723	5,229,333,482
Non-current assets				Non-current liabilities		-	
Disposable financial asset		-	4,898,240	Long-term borrowings	(XII)5	6,783,316,000	4,123,128,000
Long-term receivable		981,013,052	924,366,671	Deferred income tax liability		-	731,713
Long-term share equity investment	(XII)2	3,538,956,943	3,481,655,301				
Fixed assets		367,487	318,634				
Long-term amortizable expenses		-	158,628				
Total of non-current assets		4,520,337,482	4,411,397,474	Total of non-current liabilities		6,783,316,000	4,123,859,713
				Total of liability		14,200,399,723	9,353,193,195
				Shareholders' equity			
				Share capital		1,717,300,503	1,717,300,503
				Capital reserves		8,927,054,193	8,930,527,676
				Surplus reserves		848,511,191	734,841,617
				Retained profit		4,390,406,393	3,539,110,277
				Total of shareholders' equity		15,883,272,280	14,921,780,073
Total of assets		30,083,672,003	24,274,973,268	Total of owners' equity and liabilities		30,083,672,003	24,274,973,268

Consolidated Income Statement

RMB Yuan

Items	Notes	本期金额	上期金额
I. Total revenue	(V)37	13,782,425,231	10,137,701,049
Incl. Operating income		13,782,425,231	10,137,701,049
II. Total Cost of sales		10,569,056,245	8,063,966,990
Incl. Cost of sales	(V)37	8,300,379,948	5,961,738,151
Business tax and surcharge	(V)38	1,647,196,394	1,623,223,320
Sales expense		285,295,641	285,334,726
Administrative expense		237,315,521	208,542,650
Financial expenses	(V)39	93,014,196	(15,356,044)
Asset impairment loss	(V)42	5,854,545	484,187
Plus: Income from Revaluation Reserve	(V)40	(14,135,138)	(103,663,503)
Investment income	(V)41	65,308,883	304,569,607
Incl. Investment gains from associates and joint ventures		5,297,990	176,731,790
III. Profit from operation		3,264,542,731	2,274,640,163
Plus: Other income	(V)43	18,000,403	29,522,960
Less: Other expenses	(V)44	10,419,361	30,433,088
Incl. Loss from disposal of non-current assets		418,349	631,517
IV. Profit before taxation		3,272,123,773	2,273,730,035
Less: Income tax expenses	(V)45	788,136,800	519,264,184
V. Net profit		2,483,986,973	1,754,465,851
Net profit attributable to the owners of parent co.		2,011,397,239	1,644,143,880
Minor shareholders' equity		472,589,734	110,321,971
VI. Earning per share			
(I) Basic earnings per share	(V)46	1.1713	0.9574
(II) Diluted earnings per share	(V)46	1.1713	0.9574
VII. Other misc. incomes	(V)47	153,171,102	7,844,407
VIII. Total comprehensive income		2,637,158,075	1,762,310,258
Total comprehensive income attributable to the parent company		2,100,425,132	1,650,795,373
Total comprehensive income attributable to the minor shareholders		536,732,943	111,514,885

Income Statement of The Company

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
I. Turnover		-	-
Less: Operation cost		-	-
Business tax and surcharge		-	-
Sales expense		-	-
Administrative expense		24,104,024	26,278,259
Financial expenses		34,097,165	(51,224,137)
Asset impairment loss		-	-
Plus: Income from change of fair value		-	-
Investment income	(XII)6	1,199,328,751	1,132,430,032
Incl. Investment gains from affiliates		(2,342,200)	(4,413,385)
II. Operation profit		1,141,127,562	1,157,375,910
Plus: Non business income		317,133	-
Less: Non-business expenses		-	-
Incl. Loss from disposal of non-current assets		-	-
III. Total of profit		1,141,444,695	1,157,375,910
Less: Income tax expenses		4,748,955	1,710,851
IV. Net profit		1,136,695,740	1,155,665,059
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		(3,473,483)	2,457,054
VII. Total of integrated income		1,133,222,257	1,158,122,113

Consolidated Cash Flow Statement

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
I. Cash flow from operation Activities:			
Cash receipts from the sale of good send the rendering of services		15,868,430,913	15,926,683,850
Receipts of tax refunds		15,222,063	598,706
Other cash receipts relating to operating activities	(V)48(1)	2,650,784,301	3,542,739,117
Sub-total of cash inflow from operation activities		18,534,437,277	19,470,021,673
Cash payments for goods purchased and services received		15,504,594,545	8,370,247,406
Cash payments to and on behalf of employees		663,519,706	561,496,643
Payments of all types of taxes		2,707,911,375	1,426,342,512
Other cash payments relating to operating activities	(V)48(2)	4,104,705,661	2,057,203,779
Sub-total of cash outflow from operation activities		22,980,731,287	12,415,290,340
Net Cash flow generated from operation activities		(4,446,294,010)	7,054,731,333
II. Cash flow from Investing Activities			
Cash receipts from disposals and returns of investments		20,618,338	-
Cash receipts from returns on investments		360,094	413,971
Net cash receipts from disposal of fixed assets, intangible assets, and other long-term assets		484,679	251,567
Net cash receipts from disposals of subsidiaries or other operational units	(V)49(2)	158,832,015	13,304,811
Other cash receipts relating to investing activities	(V)48(3)	-	485,915,710
Sub-total of cash inflow from investment activities		180,295,126	499,886,059
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		43,772,810	75,630,570
Cash payments to acquire investment		38,625,469	870,044,567
Net cash payments for acquisitions of subsidiaries and other operational units	(V)49(2)	15,306,886	-
Other cash payments relating to investment activities	(V)48(4)	2,579,455	-
Sub-total of cash outflow due to investment activities		100,284,620	945,675,137
Net cash flow from Investing Activities		80,010,506	(445,789,078)
III. Cash flow generated by financing			
Cash receipts from investors making investment in the enterprise		617,673,905	338,613,350
Incl. cash receipts from minorities making investment in subsidiaries		617,673,905	338,613,350
Cash received from borrowings		7,766,251,253	5,612,106,753

Subtotal of cash inflow from financing activities		8,383,925,158	5,950,720,103
Cash repayments of amounts borrowed		3,042,538,369	10,044,491,466
Cash payments for distribution of dividends, profit, or interests		817,032,827	1,095,366,405
Incl. payments for distribution of dividends or profit to minorities of subsidiaries		236,941,138	303,678,404
Subtotal of cash outflow relating to financing activities		3,859,571,196	11,139,857,871
Net cash flow from financing activities		4,524,353,962	(5,189,137,768)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(19,136,217)	(2,200,526)
V. Net increase of cash and cash equivalents		138,934,241	1,417,603,961
Add: Opening balance of Cash and Cash Equivalents	(V)49(3)	8,775,661,067	7,358,057,106
VI. Closing Balance of Cash and Cash Equivalents	(V)49(3)	8,914,595,308	8,775,661,067

The Year Ended December 31, 2010

Cash Flow Statement of The Company

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
I. Net cash flow from business operation			
Other cash received from business operation		2,190,333,777	8,814,126,899
Sub-total of cash inflow from business activities		2,190,333,777	8,814,126,899
Cash paid to staffs or paid for staffs		16,221,535	9,826,191
Taxes paid		17,707,562	7,147,905
Other cash paid for business activities		5,198,295,359	5,079,383,478
Sub-total of cash outflow from business activities		5,232,224,456	5,096,357,574
Cash flow generated by business operation, net		(3,041,890,679)	3,717,769,325
II. Cash flow generated by investing			
Cash received from investment retrieving		6,003,775	-
Cash received as investment gains		45,334,076	3,036,248,070
Net cash received from disposal of subsidiaries or other operational units		154,691,540	13,304,811
Sub-total of cash inflow due to investment activities		206,029,391	3,049,552,881
Cash paid for construction of fixed assets, intangible assets and other long-term assets		82,100	-
Cash paid as investment		187,000,000	2,102,000,000
Sub-total of cash outflow due to investment activities		187,082,100	2,102,000,000
Net cash flow generated by investment		18,947,291	947,552,881
III. Cash flow generated by financing			
Cash received as loans		2,096,571,012	4,298,282,000
Subtotal of cash inflow from financing activities		2,096,571,012	4,298,282,000
Cash to repay debts		1,195,293,000	6,860,011,500
Cash paid as dividend, profit, or interests		441,849,793	573,523,519
Subtotal of cash outflow due to financing activities		1,637,142,793	7,433,535,019
Net cash flow generated by financing		459,428,219	(3,135,253,019)
IV. Influence of exchange rate alternation on cash and cash equivalents		(3,159,012)	(148,291)
V. Net increase of cash and cash equivalents		(2,566,674,181)	1,529,920,896
Plus: Balance of cash and cash equivalents at the beginning of term		6,258,540,841	4,728,619,945
VI. Balance of cash and cash equivalents at the end of term		3,691,866,660	6,258,540,841

Consolidated Statement of Change in Shareholders' Equity

RMB Yuan

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	8,487,926,904	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
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	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
III. Changed in current term	-	(3,473,483)	113,669,574	1,725,997,615	92,501,376	915,184,847	2,843,879,929	-	(60,617,880)	115,566,506	1,356,847,324	4,194,439	606,539,084	2,022,529,473
(I) Net profit	-	-	-	2,011,397,239	-	472,589,734	2,483,986,973	-	-	-	1,644,143,880	-	110,321,971	1,754,465,851
(II) Other integrated income	-	(3,473,483)	-	-	92,501,376	64,143,209	153,171,102	-	2,457,054	-	-	4,194,439	1,192,914	7,844,407
Total of (I) and (II)	-	(3,473,483)	-	2,011,397,239	92,501,376	536,732,943	2,637,158,075	-	2,457,054	-	1,644,143,880	4,194,439	111,514,885	1,762,310,258
(III) Shareholder input and withdraw of share capital	-	-	-	-	-	631,850,102	631,850,102	-	(63,074,934)	-	-	-	795,570,007	732,495,073
1. Capital input by shareholders	-	-	-	-	-	632,387,198	632,387,198	-	-	-	-	-	338,613,691	338,613,691
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	(537,096)	(537,096)	-	(63,074,934)	-	-	-	456,956,316	393,881,382
(IV) Profit distribution	-	-	113,669,574	(285,399,624)	-	(253,398,198)	(425,128,248)	-	-	115,566,506	(287,296,556)	-	(300,545,808)	(472,275,858)
1. Providing of surplus reserves	-	-	113,669,574	(113,669,574)	-	-	-	-	-	115,566,506	(115,566,506)	-	-	-
2. Common risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	(171,730,050)	-	(253,398,198)	(425,128,248)	-	-	-	(171,730,050)	-	(300,545,808)	(472,275,858)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal settlement of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus 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	8,484,453,421	899,462,584	6,940,907,225	165,308,103	2,938,484,570	21,145,916,406	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

Statement of Change of Shareholders' Equity of The Company

RMB Yuan

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	8,930,527,676	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
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	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
III. Changed in current term	-	(3,473,483)	113,669,574	851,296,116	961,492,207	-	2,457,054	115,566,506	868,368,503	986,392,063
(I) Net profit	-	-	-	1,136,695,740	1,136,695,740	-	-	-	1,155,665,059	1,155,665,059
(II) Other integrated income	-	(3,473,483)	-	-	(3,473,483)	-	2,457,054	-	-	2,457,054
Total of (I) and (II)	-	(3,473,483)	-	1,136,695,740	1,133,222,257	-	2,457,054	-	1,155,665,059	1,158,122,113
(III) Shareholder input and withdraw of share capital	-	-	-	-	-	-	-	-	-	-
1. Capital input by shareholders	-	-	-	-	-	-	-	-	-	-
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	113,669,574	(285,399,624)	(171,730,050)	-	-	115,566,506	(287,296,556)	(171,730,050)
1. Providing of surplus reserves	-	-	113,669,574	(113,669,574)	-	-	-	115,566,506	(115,566,506)	-
2. Providing of common risk provisions	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	(171,730,050)	(171,730,050)	-	-	-	(171,730,050)	(171,730,050)
4. Others	-	-	-	-	-	-	-	-	-	-
(V) Internal settlement of shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-
2. Surplus 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	8,927,054,193	848,511,191	4,390,406,393	15,883,272,280	1,717,300,503	8,930,527,676	734,841,617	3,539,110,277	14,921,780,073

(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 Shekou 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 local investors, and 50,000,000 B shares to foreign investors. Upon issuing of these shares, The Company's capital shares had increased up 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 mean 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, as approved by the shareholders' meeting, the A share relocation plan was implemented. Namely holders of current A shares received 2 A shares and RMB3.14 upon each 10 current A shares from the holders of non-current A shares. The total number of capital shares remains unchanged after completion of the relocation plan.

As approved by Document [2006]67 issued by China Securities Regulatory Commission, The Company has made full right issue of 15,100,000 convertible corporation bonds to original A shareholders on August 30, 2006, the part of right issue waived by the original A shareholders would be placed offline to institution investors. The bonds are with face value of RMB100 each. The convertible part became negotiable in Shenzhen Stock Exchange since September 11, 2006 with ID of “CM Convertible Bond” and the convertible 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 has 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, basing on the total capital share of 844,867,002 at December 31, 2007, 3 bonus shares were to distributed to each 10 shares, meanwhile 2 new shares were to converted to each 10 shares from the common reserves basing on the same. Since then, the total capital shares of The Company would be increased to 1,267,300,503 shares.

(I) Company Profiles – cont.

Under “Approval for issuing of new shares by China Merchants Property Development Co., Ltd.” (Zheng-Jian-Xu-Ke[2009]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 has increased up to 1,717,300,503 shares since then.

the Company has its headquarter located in Shenzhen Guangdong. the Company and its subsidiaries (referred to as “the Group”) are mainly engaged in 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.

(II) Main Accounting Policies, Estimations and Retrospecting of Previous Accounting Errors**1. Basis of the Financial Statements**

The Company adopts the Enterprise Accounting Standard published by the Department of Finance on February 15, 2006. In addition, the financial statements had also presented and disclosed the relevant financial information in accordance with the "Rules of information disclosure of PLCs No.15 -- the general provisions of financial report (2010 Amendment)".

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, 2010 of both the Company and consolidated, as well as the operation results and cash flow of year 2010 of the Company and consolidated as well.

3. Accounting period

The fiscal year of the Group is the solar calendar year, namely 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 Retrospection of Previous Accounting Errors – Cont.

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

Merger of companies is divided into merger of enterprises under common control and merger of enterprises under different control.

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.

Assets and liabilities acquired through merger are calculated at the book value of the merged party at the date of merger. The difference between the book value of net asset and the consolidated offer is adjusted to share capital premium in the capital reserves. If the share capital premium is not enough to be adjusted, the retained profit shall be adjusted.

Direct expenses caused by merger of enterprises are accounted into current gain/loss account.

5.2 Merger of entities under different control and goodwill

Both before and after the merger, the enterprises are not under common control of sole party or several parties, it is regarded as merger of enterprises under common control.

Merger cost refers to the fair value of assets paid, liabilities undertaken, and rights instruments issued by the buyer for purchasing of the controlling power of the target entity. Agency expenses such as auditing, legal services, or appraisal services and other administrative expenses occurred in merger are accounted into current gain/loss account. For merger done through multiple trades, the overall cost is the sum of cost of each single trade. Shares held before the merger are remeasured at the fair value at the date of merger. The differences between the book value and fair value are accounted into investment gains of current term. If the shares held by the buyer before merger are involving in other benefits, the gains attached to it shall be transferred to investment gains of the current term.

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.

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

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

5.2 Merger of entities under different control and goodwill – cont.

Goodwill and intangible assets formed by merger of enterprises, shall be presented separately in the consolidated financial statements, and measured at cost less impairment provisions. Goodwill shall be tested at least 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 loss shall be accounted into current gain/loss account and shall not be written back in subsequent fiscal periods.

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.

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.

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

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

6. Preparing of consolidated financial statements – cont.

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, the shareholders' equity shall be deducted thereof.

For purchasing of minor share equity of subsidiaries or disposal of partial share equity but the controlling power is still in possession of the Company, it will be accounted as equity trade, and adjusted to the book value of owners' equity attributable to the parent company and minority shareholders' equity to reflect the change of related equities in the subsidiary. The differences between the adjusted amount and fair value of asset paid are adjusted to capital reserves, when the capital reserves are not enough, retained profit shall be adjusted.

When the control power is lost for disposal of partial equity or other reasons, the fair value of retained shares shall be remeasured at the date of the change happened. The sum of consideration of equity disposal and the fair value of retained equity, less the share of net asset in the original subsidiary shall be accounted into investment gains of the current term. Other gains related to share investment in original subsidiary shall be transferred into investment gains of current term as soon as the controlling power was given out.

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.

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

8. Translation of businesses and accounts in foreign currency – cont.

8.1 Foreign currency businesses – cont.

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

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 "undistributed 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.

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.

When the control power is lost for disposal of partial equity or other reasons, the fair value of retained shares shall be remeasured at the date of the change happened. The sum of consideration of equity disposal and the fair value of retained equity, less the share of net asset in the original subsidiary shall be accounted into investment gains of the current term. Other gains related to share investment in original subsidiary shall be transferred into investment gains of current term. When the controlling power was not lost at disposal of partial share equity or other reasons, the difference related to the foreign currency account shall be accounted into minority shareholders' equity, rather than current gain/loss account. When equity disposed was part of affiliates or joint ventures in overseas area, the differences related to the overseas business shall be transferred into current gain/loss at portion of share.

9. Financial instruments

Financial assets or liabilities are recognized as soon as the Group becomes a party of the contract of financial instrument. Financial assets and liabilities are measured at fair value initially. For financial assets and liabilities accounted at fair value with fluctuation accounted into current gain/loss account, the transaction expenses shall be accounted into gain/loss account directly. Whereas the expenses of financial assets and liabilities fall into other categories shall be

accounted into initial amount recognized.

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

9. Financial instruments – cont.

9.1 Recognition of fair value

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.

9.2 Actual interest basis

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.

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.

9.3 Categorizing, recognition, and measuring of financial assets

Financial assets are categorized as: financial assets accounted at fair value with fluctuation carried into current gain/loss account, investment hold to maturity, loans, receivable accounts, and available-for-sale financial assets. Financial assets traded in conventional ways are recognized and terminated at the date of trading.

9.3.1 Financial assets measured by fair value with fluctuation accounted into current gain/loss 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 at initial recognition, and there is practical evidence showing that the Group 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.

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

9. Financial instruments – cont.

9.3.2 Investment hold to maturity

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.

9.3.3 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.

9.3.4 Available-for-sale 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 available-for-sale 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 available-for-sale financial assets and cash dividend announced by the debtor are accounted into investment gains.

Equity instrument investment without quotations in an active market and cannot be reliably measured for their fair values, and derivate financial assets connected to the instrument, shall be

measured at costs.

9.4 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.

Evidence for impairment on financial refers to those events actually occurred after initial recognition, produced influences on the expected cash flow, and which can be reliably measured.

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

9. Financial instruments – cont.

9.4 Financial asset impairment - continues

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 cannot 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.

- Impairment of financial assets measured on amortized costs

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.

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.

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

9. Financial instruments – cont.

9.4 Financial asset impairment - continues

- Impairment of available-for-sale 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 of financial assets accounted by cost

Equity instrument investment without quotations in an active market and cannot be reliably measured for its fair value, or the derivate instrument connected to the instrument, has impaired, the book value shall be reduced to the current value of future cash flow estimated basing on the market profit rate of similar instruments. The reduced amount is recognized as impairment loss and accounted to current gain/loss account. Once the impairment loss was recognized, it shall not be written back.

9.5 Transferring of financial assets

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.

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

9. Financial instruments – cont.

9.6 Categorizing, recognizing and measuring of financial liabilities

Financial instruments issued by the Group are recognized as financial liabilities or equity instruments according to the substantial quality of the contract arrangement and the definition of financial liability or equity instruments.

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.

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

Financial liabilities accounted at fair value and fluctuation accounted into current gain/loss account are categorized to transactional financial liabilities and those which assigned to be financial liabilities accounted at fair value and fluctuation accounted into current gain/loss account.

Transactional financial liabilities shall satisfy one of the following conditions: (1) The purpose of undertaking the liability was to repurchase in close future; (2) Which was part of a recognizable financial instrument portfolio at initial recognition, and objective evidence showing that the Group is managing this portfolio by mean of short-term profit in a short period of time; (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 liabilities satisfying one of the following conditions are assigned to be financial liabilities accounted at fair value and fluctuation accounted into current gain/loss account:

(1) This assignment can eliminate or obviously reduce the differences in recognition and measuring caused by different measuring basis; (2) It has been described in the official papers of the Group regarding risk management or investment strategies that, the portfolio shall be managed, evaluated and reported on fair value basis.

Successive measurement of financial liabilities measured on fair value and fluctuation accounted into current gain/loss account shall be on fair value basis. Gains or losses from fluctuation of fair value or dividend or interests related to the financial liabilities shall be accounted into current gain/loss account.

9.6.2 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.

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

9. Financial instruments – cont.

9.6.3 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”

9.7 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.

9.8 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.

9.8.1 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)”

At successive measuring, the liability part of convertible bonds shall be measured at amortized costs on actual interest rate basis; whereas the value of converting option shall be retained with equity. No loss or gain is recognized when convertible bonds are expired or converted.

Transaction expenses occurred in issuing of convertible bonds, shall be amortized upon its relative fair values between the liability elements and equity elements. Equity-related transaction expenses shall be straightly accounted into equity; liability-related transaction expenses shall be accounted to book value of the liability, and amortized upon the period of the convertible bonds on actual interest basis.

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

9. Financial instruments – cont.

9.9 Neutralization of financial assets and 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.

9.10 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 Company 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 Company 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.

10.2 Recognition and providing of bad debt provisions 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. For receivable accounts due from related parties, government, or ally parties, it has very low possibility to become a loss, thus no bad debt provision is provided.

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

10. Account receivable – cont.

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.

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 traveling 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. 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.

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

11. Inventories

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

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.

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.

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

12.2.1 Long-term equity investment on cost basis

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 cost accounting method; Meanwhile, the Company apply cost basis in accounting of long-term equity investment in subsidiaries under the Group's substantial control.

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.

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

12.2.2 Long-term equity investment on equity basis

The Company adopts equity basis in accounting of investment in affiliates and joint ventures. Affiliates refer to those entities on which the Group can make major influences; joint ventures refer to the entities the Group has joint control along with other investors.

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 unrealized 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 unrealized 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 Disposal of long-term equity investment

At disposal of long-term equity investment, the difference between the book value and practical price shall be accounted into current gain/loss account. At treating of long-term equity investment accounted on equity basis, the part originally written into shareholders' equity shall be transferred over to current gain/loss account at appropriate portion.

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.

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

13. Investment property

Investment property 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.

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

the Company adopts the cost model to have follow-up measurements of the investment property, 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.

The difference of the income from the sale, transfer, dispose of the investment property 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. Fixed assets are only recognized when the financial benefit attached to the asset could possibly inflow to the Group, and the cost can be reliably measured. Fixed assets are measured at initial costs.

Subsequent expenses related to particular fixed assets, 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.

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

14. Fixed assets – cont.

14.2 Depreciation of various fixed assets

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

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.

When a fixed asset is in disposable statue or make no financial benefit by using or disposal, recognition of fixed asset shall be terminated. 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-process

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. No depreciation provided upon construction-in-process. 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.

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

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.

17. Intangible assets

17.1 Intangible assets

Intangible assets include land-using rights and patents, etc.

Intangible assets are measured by their initial costs. 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, adjustment shall be done when necessary.

17.2 Testing and providing of intangible asset impairment provision

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.

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

19. Anticipated liabilities

When quality warranty or liabilities attached to a contingent event is the current liability to be undertaken by the Group, and it could lead to outflow of financial benefit with measurable amount, then it is recognized as anticipated liabilities.

At balance sheet day, with reference to the risks, uncertainty and periodic value of currency that connected to the contingent issues, the anticipated liabilities are measured according to the best estimation on the payment to fulfill the current responsibility. If time influences the value of currency significantly, then the best estimation shall be decided by the discount of predicted future cash flow.

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.

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.

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

20. Turnover – cont.

20.2 Income from construction contracts – cont.

Cost occurred in construction contract, gross profit (loss) recognized, and payment received are presented in the Balance Sheet as net value neutralized. The premium part of accumulated actual costs and gross profit (loss) over payment received is presented as inventory. The premium part of payment received over the accumulated actual costs and gross profit (loss) is presented as prepayment received.

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.

21. Government subsidy

Government subsidies are those monetary and/or non-monetary assets obtained from the government by free. Government subsidies are recognized when attached conditions are satisfied and received.

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 deferred 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 deferred 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.

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

22. Deferred income tax assets/ deferred income tax liabilities

Income taxes are categorized as current income tax and deferred income tax.

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.

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.

Generally all of the provisional differences are recognized for related deferred income tax.

Whereas for the provisional deductible differences, the Group may possibly recognize deferred income tax asset to the limit of taxable income could be used to neutralize the provisional differences. 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 deferred income tax liabilities.

Deductible losses and tax deduction which could be transferred to successive years are recognized as deferred income tax assets to the limit of future taxable income which could be used to deduct deductible losses and tax deduction.

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 deferred income tax liabilities. Deductible provisional differences related to investment in subsidiaries, affiliates, and joint ventures, are recognized as deferred income tax asset only when the provisional differences could be written back in predicable future, and the taxable income amount could be obtained to deduct the deductible provisional differences.

At the balance sheet day, those deferred 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.

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

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

Whenever obtaining of taxable income became possible, the reduced amount shall be restored.

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.

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

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

22.2 Deferred income tax asset and deferred income tax liabilities – cont.

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 deferred 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.

(II) Main Accounting Policies, Estimations and Retrospection of Previous Accounting Errors – Cont.**24. Change of main accounting policies**

In the report term, according to the requirement of “Interpreting Enterprise Accounting Standard No. 4” issued by Department of Finance in 2010, the Company changed the following accounting policies:

Changes on the accounting policy and reason	Subjects of the account influenced	Amount of influence
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<p>24.1 Extra loss of subsidiary</p> <p>Before January 1, 2010, the loss shared by minority shareholder in the consolidated financial statements has exceeded the share of equity in the subsidiary at beginning of year, if the Articles of Association or agreement has stipulated that the minority shareholders are eligible for it and are able to make it up, it shall be deducted from the minority shareholders' equity, otherwise it will be deducted from the equity attributable to the owners of the parent company. Profit made by the subsidiary in succeeding period shall be recognized as equity attributable to the owners of the parent company before been used to make up the losses of the minority shareholders undertaken by the parent company.</p> <p>According to "Enterprise Accounting Standard Interpretation No.4", since January 1, 2010, the loss shared by minority shareholder in the consolidated financial statements has exceeded the share of equity in the subsidiary at beginning of year, the balance shall still be used to deduct from the minority shareholders' equity.</p> <p>Retrospective basis is adopted by the Group in change of above accounting policies</p>	No influence	Zero
<p>24.2 Direct expenses related to merger of entities</p> <p>Before January 1, 2010, in merger of entities under different control, the direct expenses of the merger were accounted to entity merger costs in the consolidated financial statements, and accounted as initial investment cost of long-term equity investment in the financial statements of the Company.</p> <p>According to the "Enterprise Accounting Standard Interpretation No.4", since January 1, 2010, expenses such as auditing, legal services, appraisal services and other administrative expenses occurred in merger of entities shall be accounted into current gain/loss account.</p> <p>Future adoption basis is adopted in making of the above changes.</p>	No influence	Zero

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

25. Employee wages

In the accounting period when the employees served the Company, the remunerations payable to the employees are recognized as liabilities, except for the compensation for dismissing of labor service contract.

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 an 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.

(III) Taxation

1. Types 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 using 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)	1-7%(Note 4)
Education surtax	Operational tax (or VAT paid)	3%(Note 4)

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

	<u>Tax rate</u>	<u>Note</u>
Shenzhen and Zhuhai	22%	(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 22% of corporation tax in 2010. Therefore the subsidiaries of the Company located in Shenzhen and Zhuhai are subject to 22% of corporation tax.

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

(III) Taxation - continues

1. Types and rates of taxes – cont.

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.

Note 4: According to “The notice on adopting of universal standard of city construction tax and education surcharge for domestic and foreign invested enterprises” [国发(2010)35号] issued by the national government and “Notice on city construction tax and education surcharge for foreign invested enterprises” (财税[2010]103), city construction tax and education surcharge will be charged on foreign invested enterprises at 3% and 7% respectively on VAT, consuming tax, and operational tax since December 1, 2010 (included).

2. Preferential tax and approving documents

As approved by the Ministry of Finance and National Tax Bureau General with document 财关税[2010]22号, in the period from January 1, 2010 to December 31, 2010, 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 20%, 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
Ruijia Investment Industrial Ltd.	Ltd. liability	HK	Investment	HKD20,000	Investment	19,919	-	100%	100%	Yes	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,	1,000	-	100%	100%	Yes	Not applicable	Not applicable
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	39,249,306	-
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
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
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
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
CM Property (Beijing) Ltd.	Ltd. liability	Beijing	Property development	RMB20,000	Property development and sales	20,000	-	100%	100%	Yes	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
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

(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
CM (Nanjing) Ltd.	Ltd. liability	Nanjing	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Yes	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	13,518,706	-
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
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	5,065,331	-
Nanjing CM Property Management Co., Ltd.	Ltd. liability	Nanjing	Property	RMB5,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	-	100%	100%	Yes	Not applicable	Not applicable
Shanghai CM Property Management Co., Ltd.	Ltd. liability	Shanghai	Property	USD620	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,130	-	100%	100%	Yes	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

(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
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
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
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
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	(1,197,021)	1,997,021
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
Foshan Xincheng Property Co., Ltd. (Note 1)	Ltd. liability	Foshan	Property development	USD127,000	Property development, sales, and services	478,690	-	50%	50%	Yes	526,493,662	-
Huipeng Property Development Co., Ltd. (Note 1)	Ltd. liability	HK	Property development	HKD 10	Property development, sales, and services	5	-	50%	50%	Yes	(34,772,238)	34,777,238
Suzhou Shuanghu Property Co., Ltd. (Note 1)	Ltd. liability	Suzhou	Property development	USD244,000	Property development, sales, and services	867,300	-	50%	50%	Yes	803,489,540	63,810,460
Tianjing Zhaosheng Property Co., Ltd.	Ltd. liability	Tianjin	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Yes	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
Shenzhen CM Anye Investment Development Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB10,000	Industrial investment, domestic commerce	5,100	-	51%	51%	Yes	3,436,121	1,463,879
Shanghai CM Minsheng Property Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, interior decoration, construction material sales	30,000	-	100%	100%	Yes	Not applicable	Not applicable
Shanghai CM Fengsheng Property Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, interior decoration, construction material sales	30,000	-	100%	100%	Yes	Not applicable	Not applicable
Shenzhen CM Construction Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB150,000	Construction engineering, decoration, elevator, air conditioner maintaining, sales of construction materials	150,000	-	100%	100%	Yes	Not applicable	Not applicable
Suzhou CM Nanshan Property Co., Ltd.	Ltd. liability	Suzhou	Property development	RMB100,000	Property development, sales, and services	60,000	-	60%	60%	Yes	87,045,751	-
Guangzhou Qidi Tech & Science Investment Co., Ltd.	Ltd. liability	Guangzhou	Property development	RMB30,000	Venture Investment	21,777	-	72.59%	72.59%	Yes	4,786,824	3,436,176
Foshan Xinjie Property Co., Ltd. (Note 1)	Ltd. liability	Foshan	Property development	USD219,800	Property development, sales, and services	1,511,578	-	100%	100%	Yes	Not applicable	Not applicable
Heighten Holdings Limited	BVI (British Virgin Island)	British Virgin Island	Investment	USD0.002	Investment	11	-	100%	100%	Yes	Not applicable	Not applicable
Convergence Holdings Limited	BVI	British Virgin Island	Investment	USD0.002	Investment	11	-	100%	100%	Yes	Not applicable	Not applicable
China Merchants Properties (Chongqing) Co., Ltd.	Ltd. liability	Chongqing	Property development	RMB30,000	Property development, interior decoration, sales of construction material	30,000	-	100%	100%	Yes	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
China Merchants Jiaming (Beijing) Property Development Co., Ltd.	Ltd. liability	Beijing	Property development	RMB350,000	Property development, interior decoration, sales of construction material	175,000	-	50%	50%	Yes	237,142,131	-
Shenzhen CM Commercial Development Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB51,000	Developing of commercial property, operation, management, leasing, investment in industry	51,000	-	100%	100%	Yes	Not applicable	Not applicable
Beijing Kanglade Property Development Co., Ltd.	Ltd. liability	Beijing	Property development	RMB30,000	Property development, sales of its products, hotel development, import & export of goods and technologies	18,000	-	60%	60%	Yes	10,036,050	1,963,950
Shenzhen China Merchants Electric Power Measurement Co., Ltd.	Ltd. liability	Shenzhen	Power supply	RMB1,500	Special measurement technologies authorized by Shenzhen Quality and Technical Supervisory Bureau	1,500	-	100%	100%	Yes	Not applicable	Not applicable
Chengdu China Merchants Beihu Property Co., Ltd.	Ltd. liability	Chengdu	Property development	RMB50,000	Property development, project investment, property agency, and management service	50,000	-	100%	100%	Yes	Not applicable	Not applicable
Tianjin Gangwei Property Development Co., Ltd.	Ltd. liability	Tianjin	Property development	RMB15,000	Property development, sales, leasing, management and information service	15,000	-	100%	100%	Yes	Not applicable	Not applicable
Shenzhen China Merchants OCT Investment Co., Ltd. (Note 3)	Ltd. liability	Shenzhen	Property development	RMB100,000	Property development, management, agency, and decoration	50,000	-	50%	50%	Yes	405,198,084	-
Pride Oasis Limited (Note 4)	BVI	British Virgin Island	Investment	USD0.002	Investment	0.007	-	50%	50%	Yes	31,580,368	-
Chongqing CM Property Development Co., Ltd. (Note 5)	Ltd. liability	Chongqing	Property development	USD99,990	Developing, leasing, sales and management of property	682,781	-	100%	100%	Yes	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 RMB'000	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
Cosmo City Limited	Ltd. liability	HK	Investment	USD0.002	Investment	0.013	-	100%	100%	Yes	Not applicable	Not applicable
Chengdu Cm Property Co., Ltd.	Ltd. liability	Chengdu	Property development	RMB10,000	Property development, property management, project investment, property agency	10,000	-	100%	100%	Yes	Not applicable	Not applicable
Foshan CM Defeng Property Co., Ltd.	Ltd. liability	Foshan	Property development	USD99,900	Property development, property management, project investment, property agency	340,978	-	50%	50%	Yes	340,358,967	619,033
Shanghai Jingyuan Property Development Co., Ltd. (Note 8)	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, rent of properties, property management, interior decoration	16,500	-	55%	55%	Yes	13,008,345	491,655
Foshan Yiyun Property Co., Ltd. (Note 9)	Ltd. liability	Foshan	Property development	RMB30,000	Property development, construction, sales, rent, and property management	15,000	-	50%	50%	Yes	14,700,621	-
Yunnan CM Chengtuo Property Co., Ltd. (Note 10)	Ltd. liability	Kunming	Property development	RMB10,000	Property development, sales, rent, decoration, agency, property management	6,000	-	60%	60%	Yes	3,970,196	29,804
Fujian Zhongliansheng Property Development Co., Ltd. (Note 11)	Ltd. liability	Xiamen	Property development	RMB50,000	Property development, property rent and sales, property management, construction works, interior decoration, rent of construction equipment	25,000	-	50%	50%	Yes	24,570,233	429,767
CM Property Xiamen Co., Ltd. (Note 12)	Ltd. liability	Xiamen	Property development	RMB50,000	Property development, rent and sales, property service, construction works, interior service, sales of construction materials	50,000	-	100%	100%	Yes	Not applicable	Not applicable
Chengdu CM Beicheng Property Development Co., Ltd. (Note 13)	Ltd. liability	Chengdu	Property development	RMB10,000	Property development, project investment, property agency, and management service	10,000	-	100%	100%	Yes	Not applicable	Not applicable

(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
Shenzhen China Merchants Property Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB500,000	Property development and sales	3,492,312	-	100%	100%	Yes	Not applicable	Not applicable
Shenzhen CM Power Supply Co., Ltd.	Ltd. liability	Shenzhen	Power supply	RMB57,000	Power supply and sales	592,978	-	100%	100%	Yes	Not applicable	Not applicable
Zhangzhou China Merchants Properties Co., Ltd.	Ltd. liability	Zhangzhou	Property development	RMB250,000	Property development and sales	127,500	-	51%	51%	Yes	156,042,692	-
Shenzhen Shekou Sea World Hotel Management Co., Ltd.	Ltd. liability	Shenzhen	Hotel management	RMB30,000	Hotel management, export of goods and technologies	15,314	-	51%	51%	Yes	14,707,187	7,187
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
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

(IV) Merger of enterprises and consolidated financial statements – cont.**1. Particulars of the subsidiaries – cont.****(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
Shanghai CM Fengrui Property Ltd.	Ltd. liability	Shanghai	Property development	RMB10,000	Property development, interior decoration, sales of construction material	10,000	-	100%	100%	Yes	Not applicable	Not applicable
Zhuhai CM Property Development Co., Ltd. (originally Zhuhai Hui Feng Property Co., Ltd.)	Ltd. liability	Zhuhai	Property development	RMB8,000	Property development and sales	8,000	-	100%	100%	Yes	Not applicable	Not applicable
Zhuhai Yuanfeng Property Co., Ltd.	Ltd. liability	Zhuhai	Property development	RMB8,000	Property development and sales	4,080	-	51%	51%	Yes	(6,352,046)	10,272,046
Shanghai Fengyang Property Development Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development and sales	353,250	-	60%	60%	Yes	246,405,760	-
Shenzhen Meiyue Properties Consultants Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB1,000	Property consultancy, planning and brokerage	82,666	-	100%	100%	Yes	Not applicable	Not applicable
Shenzhen City Main Plaza Investment Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB10,000	Industry and domestic commerce	-	-	100%	100%	Yes	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 Group is holding 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 is holding the major amount of voting capital in these subsidiaries, they are substantially controlling over the financial and business operations of these companies. Thus The Group includes them in the range of the consolidated financial statements. In which, Huipeng Real Estate Co., Ltd. is holding 100% of the equity capital of Foshan Xinjie Real Estate Co., Ltd., thus Foshan Xinjie Real Estate Co., Ltd. is included in the consolidation range.

Note 2: The Company respectively holds 50% equity capital of China Merchants Jiaming (Beijing) Property Co., Ltd. through Shenzhen CM Property Co., Ltd. Because the Group holds major voting rights in the board of China Merchants Jiaming (Beijing) Property Co., Ltd., controls the financial and business decisions, thus the Group incorporates it into the range of consolidated financial statements.

Note 3: The Company invested through Shenzhen CM Real-Estate to take 50% of capital shares of Shenzhen CM OCT Investment Co., Ltd. and holds major voting rights in the board of Shenzhen CM OCT Investment Co., Ltd., thus take control over the financial and business decisions, therefore it was included in the consolidation range.

Note 4: The Company holds 50% of the voting rights of Pride Oasis Limited. For The Company is holding 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.

Note 5: In January 2010, Cosmo City Limited invested USD99.99 million to establish Chongqing China Merchants Property Development Co., Ltd. and held 100% of the share equity. It was included in the consolidated financial statements.

Note 6: In January 2010, The Company invested RMB10 million to found Chengdu CM Property Co., Ltd. and holds 100% of the shares. Is was included in the consolidated financial statements.

Note 7: In March 2010, Ruijia Investment & Industry Co., Ltd. – one of the subsidiaries of The Company, and Boshi Shareholding Co., Ltd. invested to setup Foshan CM Huidefeng Property Co., Ltd. with registered capital of USD99.9 million. In which Ruijia invested USD49.95 million and took 50% of the equity share. For Ruijia is holding the majority votes in the board of Foshan CM Huidefeng Property Co., Ltd., thus it has practical control over the financial and business decisions. Therefore The Company includes it in the consolidated financial statements.

(IV) Merger of enterprises and consolidated financial statements – cont.**1. Particulars of the subsidiaries – cont.**

Note 8: In April 2010, Shanghai CM Property Co., Ltd. – one of the subsidiaries of The Company, and Langda Industry Co., Ltd. invested to setup Shanghai Jingyuan Property Development Co., Ltd. with registered capital of RMB30 million. In which Shanghai CM Property invested RMB16.5 million and took 55% of the share equity. Therefore The Company includes it in the consolidated financial statements.

Note 9: In August 2010, Guangzhou CM Property Co., Ltd. – one of the subsidiaries of the Company, and Huidefeng Property (GZ) Co., Ltd. invested to setup Foshan Yiyun Property Co., Ltd. with registered capital of RMB30 million. In which Guangzhou CM Property Co., Ltd. invested RMB15 million and took 50% of the share equity. For Guangzhou CM Property Co., Ltd. is holding the majority votes in the board of Foshan CM Huidefeng Property Co., Ltd., thus it practical controls over the financial and business decisions. Therefore the Company includes it in the consolidated financial statements.

Note 10: In January 2010, Shenzhen CM Property Co., Ltd. – one of the subsidiaries of the Company, and Yunnan Chengtou Property Co., Ltd. founded Yunnan CM Chengtou Property Co., Ltd. with registered capital of RMB10 million. In which Shenzhen CM Property Co., Ltd. has invested RMB6 million to take 60% of the equity shares. It was included in the consolidated financial statements.

Note 11: In December 2010, Fujian Zhongliansheng Property Development Co., Ltd. was founded by the Company and Guangzhou Jindi Property Development Co., Ltd. with registered capital of RMB50 million, in which the Company has invested RMB25 million to hold 50% of the capital shares. For the Company is holding the majority votes in the board of Shanghai Jingyuan Property Development Co., Ltd., thus it practically controls over the financial and business decisions. Therefore the Company includes it in the consolidated financial statements.

Note 12: In November 2010, the Company invested RMB50 million to found CM Property (Xiamen) Co., Ltd. and holds 100% of the shares. This company was included in the consolidated financial statements.

Note 13: In December 2010, Chengdu CM Beicheng Property Co., Ltd. was founded by Chengdu CM Property Co., Ltd. – one of the subsidiary of the Company, with registered capital of RMB10 million. Chengdu CM Property is holding 100% of the capital shares. Therefore it is consolidated.

Note 14: In August 2010, Shenzhen CM Property Co., Ltd. entered the share trading agreement with Shenzhen CM Financial Service Co., Ltd. to take the 51% equity shares of Shenzhen Shekou Sea World Hotel Management Co., Ltd. for the consideration of RMB15,313,617. Legal procedures have been completed in October 2010. It was consolidated since October 1, 2010.

(IV) Merger of enterprises and consolidated financial statements – cont.**1. Particulars of the subsidiaries – cont.**

Note 16: In June, 2010, Shenzhen CM Property Co., Ltd. – one of the subsidiaries of the Company, the Company, and CMSIZ entered the ‘Agreement of Transferring the 100% share equities of Shenzhen China Merchants Water Supply Co., Ltd.’ By this agreement, the Company and Shenzhen CM Property Co., Ltd. will transfer the 95% and 5% share equities of Shenzhen CM Water Supply Co., Ltd. over to CMSIZ respectively. The deal was decided with reference to the net capital value appraised on June 30, 2010, namely RMB162,833,200. As of June 30, 2010, the share transferring procedures have been completed. Thus Shenzhen CM Water Supply Co., Ltd. is no longer included in the consolidation range since July 1, 2010.

- (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 eliminated**(1) Subsidiaries newly consolidated**

Name	RMB Yuan	
	Net asset at end of term	Net profit of the current term (loss)
Chongqing China Merchants Property Development Co., Ltd.	2,378,200,490	(9,593,498)
Foshan CM Huidefeng Property Co., Ltd.	680,717,935	(1,239,425)
CM Property Xiamen Co., Ltd.	49,674,453	(325,547)
Fujian Zhongliansheng Property Development Co., Ltd.	49,140,466	(859,534)
Shenzhen Shekou Sea World Hotel Management Co., Ltd.	30,014,666	(12,462)
Foshan Yiyun Property Co., Ltd.	29,401,242	(598,758)
Shanghai Jingyuan Property Development Co., Ltd.	28,907,432	(1,092,568)
Chengdu CM Beicheng Property Co., Ltd.	9,990,262	(9,738)
Yunnan CM Chengtou Property Co., Ltd.	9,925,491	(74,509)
Chengdu CM Property Co., Ltd.	5,895,062	(4,104,938)

(2) Subsidiaries eliminated

Name	RMB Yuan	
	Net asset at day of disposal	Net profit from beginning of term to the date of disposal (loss)
Shenzhen CM Water Supply Co., Ltd.	156,817,568	3,143,0478
Shenzhen Maitesi Municipal Project Co., Ltd. (Note)	5,738,004	(365,093)
Guangzhou Wende Property Management Co., Ltd.	576,882	8,867

Note 1: In June, 2010, Shenzhen CM Property Co., Ltd. – one of the subsidiaries of the Company, the Company, and CMSIZ entered the ‘Agreement of Transferring the 100% share equities of

Shenzhen China Merchants Water Supply Co., Ltd.’ By this agreement, the Company and Shenzhen CM Property Co., Ltd. will transfer the 95% and 5% share equities of Shenzhen CM Water Supply Co., Ltd. over to CMSIZ respectively. The deal was decided with reference to the net capital value appraised on June 30, 2010 for consideration of RMB162,833,200. As of June 30, 2010, the share transferring procedures have been completed. Thus Shenzhen CM Water Supply Co., Ltd. is no longer included in the consolidation range since July 1, 2010.

Note 2: Shenzhen Maitesi Municipal Project Co., Ltd. is the subsidiary of Shenzhen CM Water Service Co., Ltd.

Note 3: In November 2010, Shekou Xinghua Industry Co., Ltd. – one of the subsidiaries of the Company disposed its 100% shares in Guangzhou Wende Property Management Co., Ltd. for consideration of RMB1,280,000. Related procedures have been completed in November 2010., it was eliminated from the consolidated financial statement since December 1, 2010

3. Exchange rate of main accounts of overseas businesses

Currency	RMB Yuan	
	Balance Sheet	Income Statement
HKD	0.8509	0.8715

(V) Notes to the consolidated financial statements**1. Monetary fund**

RMB Yuan

Items	End of term			Beginning of term		
	Original currency	Exchange rate	Amount RMB	Original currency	Exchange rate	Amount RMB
Cash:						
RMB	53,947	1.00	53,947	37,271	1.00	37,271
HKD	6,069	0.85	5,164	6,519	0.88	5,740
Bank account:						
RMB	8,214,811,543	1.00	8,214,811,543	8,524,304,914	1.00	8,524,304,914
USD	104,384,274	6.62	690,772,033	36,388,061	6.83	248,474,062
HKD	10,521,355	0.85	8,952,621	3,224,701	0.88	2,839,080
Other monetary fund (Note)						
USD	10,088,740	6.62	66,738,549	102,892,290	6.83	702,599,868
RMB	695,051,195	1.00	695,051,195	11,230,000	1.00	11,230,000
Total			9,676,385,052			9,489,490,935

Note: Balance of other monetary capital was mainly prepayment for property, deposits of foreign currency future contracts and guarantee letters of project payment.

2. Transaction financial assets / liabilities

Details of transactional financial assets/liabilities:

RMB Yuan

Items	Fair value at end of term	Fair value at beginning of term
Transactional financial assets:		
1. Transaction bond investment	-	-
2. Transaction equity instruments investment	-	-
3. Financial assets defined to measured at fair value and fluctuation accounted into current gain/loss account	-	-
4. Derivate financial assets	846,539(Note)	6,437,479
5. Hedge instruments	-	-
6. Others	-	-
Total	846,539	6,437,479
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	20,824,615(Note)	12,829,413
5. Others	-	-
Total	20,824,615	12,829,413

(V) Notes to the consolidated financial statements – cont.**2. Transaction financial assets / liabilities – cont.**

Note: This was the fair value at end of the contract year by which Ruijia Investment Industrial Co., Ltd. and ING Bank N.V., Hong Kong Branch engaged for future foreign currency trading without transferring of principal. As of December 31, 2010, the nominal principal has amounted to USD353,410,000 (December 31, 2009: USD290,229,000). Such contracts will due amongst January 5, 2011 to October 12, 2011.

3. Account receivable**(1) Account receivable categorized by property**

RMB Yuan

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 %
Single receivable account with mass amount	-	-	-	-	-	-	-	-
No major amount individually but with great risk after combined with others with similar credit risk	5,350,608	5	4,001,444	75	4,869,129	4	2,998,082	62
Other non-material receivables	106,667,364	95	5,413,435	5	119,402,874	96	2,311,025	2
Total	112,017,972	100	9,414,879	8	124,272,003	100	5,309,107	4

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

Ages of receivable accounts:

RMB Yuan

Age	End of term				Beginning of term			
	Amount	Proportion %	Bad debt provision	Book value	Amount	Proportion %	Bad debt provision	Book value
within 1 yr	97,589,029	86	3,748,574	93,840,455	114,517,835	92	2,176,502	112,341,333
1-2 years	8,485,365	8	1,083,870	7,401,495	4,360,465	4	120,106	4,240,359
2-3 years	592,970	1	580,990	11,980	524,574	-	14,417	510,157
Over 3 yrs	5,350,608	5	4,001,445	1,349,163	4,869,129	4	2,998,082	1,871,047
Total	112,017,972	100	9,414,879	102,603,093	124,272,003	100	5,309,107	118,962,896

(2) No balance in the account receivable due from shareholders holding 5% or over of the Company's shares.

(3) Top 5 receivable accounts

RMB Yuan

Name of the companies	Amount	Ages	Portion in total receivables
Client I	6,405,078	within 1 yr	6
Client II	6,220,000	within 1 yr	6
Client III	4,734,355	Over 3 yrs	4
Client IV	2,888,946	within 1 yr	3
Client V	2,718,000	within 1 yr	2
Total	22,966,379		21

(4) No account receivable due from related parties.

(V) Notes to the consolidated financial statements – cont.**4. Other account receivable.****(1) Other account receivable categorized by property**

RMB Yuan

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	3,930,452,175	95	-	-	1,852,727,261	96	-	-
No major amount individually but with great risk after combined with others with similar credit risk	6,486,798	-	2,083,365	32	3,839,254	-	1,745,947	45
Other minor other receivables	211,842,064	5	1,983,535	1	72,276,842	4	588,167	1
Total	4,148,781,037	100	4,066,900	-	1,928,843,357	100	2,334,114	-

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

Age of other receivable accounts:

RMB Yuan

Age	End of term				Beginning of term			
	Amount	Proportion %	Bad debt provision	Book value	Amount	Proportion %	Bad debt provision	Book value
within 1 yr	3,221,925,971	77	186,740	3,221,739,231	1,849,097,605	96	40,196	1,849,057,409
1-2 years	899,212,085	22	940,655	898,271,430	73,203,703	4	534,946	72,668,757
2-3 years	21,156,183	1	856,140	20,300,043	2,702,795	-	13,025	2,689,770
Over 3 yrs	6,486,798	-	2,083,365	4,403,433	3,839,254	-	1,745,947	2,093,307
Total	4,148,781,037	100	4,066,900	4,144,714,137	1,928,843,357	100	2,334,114	1,926,509,243

(2) No other receivable account due from shareholders with 5% or over of shares of the Company in the balance.

(3) Top other receivable accounts

RMB Yuan

Name of the companies	Relation with the Company	Amount	Ages	Portion in total other receivables (%)
Client I	Non-related	1,492,000,000	within 1 yr	36
Client II	Non-related	930,084,716	within 1 yr	22
Client III	Non-related	400,000,000	within 1 yr	10
Client IV	Affiliate of the Company	291,155,457	1-2 years	7
Client V	Non-related	260,000,000	1-2 years	6
Total		3,639,065,067		72

(4) Receivables from related parties

RMB Yuan

Name of the companies	Relation with the Company	Amount	Portion in total other receivables (%)
Shenzhen TCL Optical-Electronics Technologies Ltd.	Affiliate of the Company	291,155,457	7
Huizhou Taitong Property Investment Co., Ltd.	Joint venture of the Company	134,579,000	3
Shenzhen China Merchants Guangming	Affiliate of the	13,960,000	-

Technologies Zone Ltd.	Company		
Total		439,694,457	10

(V) Notes to the consolidated financial statements – cont.**5. Inventories****(1) Categories of inventory**

RMB Yuan

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Property development costs	36,376,901,757	296,210,000	36,080,691,757	29,767,117,792	296,210,000	29,470,907,792
Property products	2,524,202,875	-	2,524,202,875	931,435,216	-	931,435,216
Raw materials	4,292,763	-	4,292,763	4,276,489	-	4,276,489
Low-value consumables and others	2,322,998	162,982	2,160,016	1,925,385	162,982	1,762,403
Sub-total	38,907,720,393	296,372,982	38,611,347,411	30,704,754,882	296,372,982	30,408,381,900
Inventory formed by construction contract						
Completed but not settled (Note)	88,000,000	-	88,000,000	52,800,000	-	52,800,000
Sub-total	88,000,000	-	88,000,000	52,800,000	-	52,800,000
Total	38,995,720,393	296,372,982	38,699,347,411	30,757,554,882	296,372,982	30,461,181,900

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. Beijing Xicheng Jiayuan project has been completed but payment not cleared.

Property development costs:

Projects	Start date	Planned finish date	Planned total investment RMB0'000	Balance at the beginning of term RMB Yuan	Balance at the end of term RMB Yuan
Development costs of real estate under construction:					
Shanghai Sheshan Longyuan Project	2010.10	2013.12	303,342	-	1,871,326,873
Foshan Yiyun Shangcheng	2008.08	2013.08	274,271	1,701,606,478	1,857,000,180
Shenzhen Xicheng phase IV, V	2010.02	2012.10	220,661	-	1,821,242,252
Shenzhen CM Guanyuan	2008.08	2011.10	195,073	993,833,761	1,564,201,188
Nanjing G67 project	2010.08	2012.11	234,919	-	1,514,628,824
Beijing Xicheng Homeland and Longyuan Project (Note 1)	2008.10	2013.05	540,555	2,104,036,652	1,484,891,572
Foshan Yiyunshui'an	2008.04	2012.12	324,049	1,453,565,179	1,428,916,623
Xingcheng Tianjin	2007.10	2014.09	356,494	1,363,422,177	1,389,194,614
Chongqing CM Garden City	2010.10	2015.05	425,195	-	1,353,107,713
Suzhou Xiaoshicheng	2008.04	2016.12	538,344	1,312,808,406	1,275,198,927
Shenzhen Yongjinwan	2009.07	2012.08	176,059	948,094,905	1,111,636,624
Jinshan Valley, Guangzhou	2008.02	2016.03	482,973	981,712,186	1,078,338,580
Shanghai Haide Garden phase II and IV	2006.05	2013.08	150,842	846,939,463	841,406,982
Chongqing China Merchants Jiangwan City	2007.10	2013.10	209,617	955,503,667	819,190,312
Shanghai CM Haiwan Garden	2008.10	2013.12	163,139	707,281,733	781,851,979
Tianjing Yonghua Project (originally Tianjing Jinjiang Road Project)	2010.03	2012.06	129,031	-	754,907,374
Foshan Yunxi Town (Originally Foshan Shishan Project)	2010.12	2015.06	218,372	-	719,491,596
Beijing Park 1872	2006.10	2013.12	422,646	1,706,269,205	708,620,374

(V) Notes to the consolidated financial statements – cont.**5. Inventories – cont.**

Cost of property development - continues

Projects	Start date	Planned finish date	Planned total investment RMB0'000	Balance at the beginning of term RMB Yuan	Balance at the end of term RMB Yuan
Zhangzhou Kadalansi (originally Zhangzhou Nanpaotai Project)	2010.12	2020.07	332,501	-	706,876,674
Zhuhai CM Garden City Phase II and III	2009.12	2012.12	151,667	427,163,839	608,624,656
Shanghai CM Yonghua Garden	2008.07	2011.09	132,539	929,129,714	566,644,098
Zhuhai CM Garden City Phase I	2008.12	2011.04	68,467	433,381,447	561,120,439
Shenzhen CM Plaza	2010.06	2012.11	121,232	-	524,210,113
Beijing Kanglode Hotel	2009.12	2012.06	120,419	417,452,769	520,783,345
Shenzhen CM Guoling Garden	2010.05	2013.05	143,588	-	498,973,326
Shenzhen Wuzi Apartment	2010.04	2012.12	75,530	-	368,973,403
Chengdu CM Dongcheng International Business Plaza	2010.12	2012.09	60,255	-	236,957,219
Shenzhen Lanxigu phase III (originally land No.2)	2008.08	2011.05	32,119	132,780,136	206,523,541
Zhangzhou CM Garden City	2008.07	2012.11	65,806	220,224,406	144,340,564
Zhangzhou Holiday 365	2010.07	2013.12	44,205	-	103,562,309
Phase V. Garden City	2008.03	2010.11	31,347	237,499,898	-
Shenzhen Technical Building Phase II	2009.03	2010.06	25,005	233,518,941	-
Shenzhen Meilun Apartment	2008.03	2010.12	29,467	185,309,528	-
Shenzhen CM Lanyuan	2008.03	2010.06	150,080	1,267,193,998	-
Nanjing Yiyunxigu Phase IV	2009.10	2010.12	107,329	65,861,754	-
Shanghai CM Nanqiao Yayuan	2008.03	2010.01	81,278	735,111,814	-
Shenzhen Xicheng Phase III	2008.09	2010.03	89,258	844,792,124	-
36 Xikang Road Tianjin	2007.03	2010.04	55,672	75,295,066	-
Others				84,282,252	102,306,271
Sub-total				21,364,071,498	27,525,048,545

(V) Notes to the consolidated financial statements – cont.**5. Inventories – cont.**

Property development costs:

Projects	Start date	Planned finish date	Planned total investment RMB0'000	Balance at the beginning of term RMB Yuan	Balance at the end of term RMB Yuan
Land to be developed:					
Chongqing Danzishi Project	TBD	TBD	TBD	-	2,352,153,521
Chengdu Chenghua Zhaojuesi Road South Project	TBD	TBD	TBD	-	1,607,896,500
Foshan Yiyun Tianhui	2011.02	2015.06	228,192	-	1,140,786,275
Xiamen Jimei P01 Project	2011.03	2014.06	256,949	-	1,043,671,317
Suzhou Yongjingwan (originally Suzhou Weiting project)	2011.03	2013.04	214,234	1,026,362,838	1,036,497,375
Xiamen Jimei P08 Project	2011.08	2014.10	228,087	-	1,028,657,965
Shenzhen Xicheng Phase VI (Original Jiangangshan Project)	2011.02	2012.08	82,814	546,539,397	549,490,259
Zhangzhou Kadakaisi Hotel	TBD	TBD	TBD	-	92,700,000
Shenzhen Xicheng phase IV, V	2010.02	2012.10	220,661	1,476,637,225	-
Nanjing G67 project	2010.08	2012.11	234,919	1,431,811,856	-
Chongqing CM Garden City	2010.10	2015.05	425,195	1,323,592,687	-
Zhangzhou Kadalansi (originally Zhangzhou Nanpaotai Project)	2010.12	2020.07	332,501	632,686,541	-
Tianjing Yonghuafu Project	2010.03	2012.06	129,031	662,061,943	-
Shenzhen CM Plaza	2010.06	2012.11	121,232	473,230,882	-
Shenzhen CM Guoling Garden	2010.05	2013.05	143,588	414,341,737	-
Shenzhen Wuzi Apartment	2010.04	2012.12	75,530	323,568,922	-
Zhangzhou Holiday 365	2010.07	2013.12	44,205	92,212,266	-
Sub-total				8,403,046,294	8,851,853,212
Total				29,767,117,792	36,376,901,757(N2)

(V) Notes to the consolidated financial statements – cont.**5. Inventories – cont.**

Property development products:

RMB Yuan

Projects	Date of finish	Balance at the beginning of term	Increased this term	Decreased this term	Balance at the end of term
Beijing Park 1872, phase I, II	2010.12	6,285,941	1,478,037,553	810,427,869	673,895,625
Beijing Xicheng Jiayuan	2010.09	-	1,109,952,228	744,201,982	365,750,246
Shenzhen CM Lanyuan	2010.06	-	1,464,960,455	1,143,578,390	321,382,065
Shanghai Haide Garden Phase I to III	2010.12	197,093,654	82,031,374	40,833,296	238,291,732
Nanjing Yunxigu	2009.12	247,167,735	170,141,762	243,256,667	174,052,830
Shenzhen Lanxigu Phase II.	2007.06	199,478,035	36,381,877	129,396,449	106,463,463
Zhangzhou CM Garden City Phase I	2009.12	8,482,178	161,789,540	68,668,660	101,603,058
Guangzhou Jinshangu Phase II, III	2010.05	-	314,920,358	219,448,584	95,471,774
Chongqing CM. Jiangwancheng Phase I	2010.01	-	395,261,738	319,585,680	75,676,058
Suzhou Xiaoshicheng phase I to III	2010.12	-	387,877,439	312,604,172	75,273,267
Shenzhen Xicheng Phase III	2010.03	-	841,637,299	785,155,861	56,481,438
Foshan Yiyunshui'an	2010.06	-	452,240,377	398,146,064	54,094,313
Phase V. Garden City	2010.11	-	292,034,677	239,761,896	52,272,781
36 Xikang Road Tianjin	2009.11	89,491,266	91,517,085	143,146,711	37,861,640
Shanghai CM Yonghua Garden (original Shanghai Zhuanyao Project)	2010.02	-	579,510,916	554,535,784	24,975,132
Shenzhen Yishanjun phase II, III	2009.10	104,644,418	44,236,586	133,970,537	14,910,467
Zhangzhou Sun Garden Phase I	2006.06	11,479,422	-	-	11,479,422
Shenzhen Haiyue Huating	2009.09	40,555,752	27,896,718	60,408,875	8,043,595
Zhangzhou CM Jianzhu	2007.12	11,090,109	-	3,742,388	7,347,721
Shanghai CM Nanqiao Yayuan (originally Shanghai Nanqiao)	2010.01	-	792,403,879	786,882,244	5,521,635
Zhangzhou Yinshanhai Phase II	2007.12	5,239,996	-	216,931	5,023,065
Zhangzhou Jinshanjiao Apartment	2004.12	1,439,657	-	-	1,439,657
Shenzhen Technical Building Phase II	2010.06	-	247,610,000	247,610,000	-
Shenzhen Meilun Apartment	2010.12	-	278,200,000	278,200,000	-
Tianjin Xincheng phase I	2010.03	-	210,672,158	210,672,158	-
Others		8,987,053	7,904,838	-	16,891,891
Total		931,435,216	9,467,218,857	7,874,451,198	2,524,202,875

Note 1: As of December, 2010, China Merchants Jiaming (Beijing) Property Development Co., Ltd. – one of the subsidiaries of the Company, entered the 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 RMB171,000,000.00. Except for this, there is no inventory under pledge, guarantee, suspension, or abandoned.

Note 2: As of December 31, 2010, cost of construction in process and project under planning including Chongqing Danzishi, Foshan Yiyuntianhui Phase I, II, Chengdu Chenghua Zhaojuesi Road South Project, Xiamen Jimei P08 project, and Xiamen Yinghuan Road. Totally 953,398 square meters were engaged for land-using right contract and under legal procedures.

Capitalizing of borrowing expense was RMB267,277,090 (2009: RMB522,627,599).

(2) Inventory impairment provision

RMB Yuan

Categories	Balance of book value at beginning of term	Provided this term	Decreased this term		Balance of book value at end of term
			Written back	Transferred	
Real property development costs	296,210,000	-	-	-	296,210,000
Low-value 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.

6. Other current assets

RMB Yuan

Items	End of term	Beginning of term
Operation tax and surcharges prepaid	476,534,168	334,952,908
Prepaid income tax	283,586,580	112,458,907
Prepaid land VAT (Note)	192,505,466	160,046,409
Prepaid rent	8,968,112	8,968,112
Others	18,944,348	8,374,315
Total	980,538,674	624,800,651

Note: For the property sales income collected prior to finishing 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.

7. Disposable financial asset

RMB Yuan

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

(V) Notes to the consolidated financial statements – cont.**8. Long-term receivables**

RMB Yuan

Items	End of term	Beginning of term
Entrusted loan (Note 1)	1,115,590,052	924,366,673
Balance of share equity transfer (Note 2)	145,147,393	137,779,364
Total	1,260,737,445	1,062,146,037

Note 1: In November 2008, the Company entered the Entrusted Loan Contract with China Agriculture Bank Nanshan Branch (“Agriculture Bank Nanshan” hereafter) for the loan quota of RMB900,000,000. The loan was provided to Nanjing Fucheng Property Development Co., (Nanjing Fucheng), and Nanjing Fucheng put the property of 100,189 square meters located at floor 1-6 and 8-51 into pledge. As of December 31, 2010, the principal was RMB 884,697,277, and entrusting loan interest receivable was RMB96,315,775.

Shenzhen CM Property Co., Ltd. entered the Entrusted Loan Contract with Shekou Branch of Bank of China, by which the bank is entrusted to provide RMB250,000,000 of loans to Huizhou Taitong Property Investment Co., Ltd. As of December 31, 2010, the principal of loan was RMB134,577,000 and entrusted loan interest received was RMB7,335,237.

Note 2: Heighten Holdings Limited – one of the Company’s subsidiaries transferred its shares in Elite Trade Investment Limited, the balance receivable was RMB152,906,973. According to the Share Trading Agreement entered with ADF Phoenix IV Limited, the receiver, the balance would be retrieved in one to two years. The Company calculated, but not confirmed, financing expenses of RMB7,759,580 with reference to the bank loan rates at the similar period. It was deducted from the long-term receivables.

9. Investment in affiliates and joint ventures

List of joint ventures and affiliates and their major financial information

RMB Yuan

Name of the Companies	Share portion	Voting right portion	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 (loss) of the year
I. Joint ventures							
Guangzhou Panyu Innovation Technology Garden Co., Ltd.	70%	70%	616,937,000	21,739,200	595,197,800	-	(11,382,996)
Shenzhen China Merchants OCT Investment Co., Ltd.	50%	50%	9,057,767	2,447,597	6,610,170	12,010,962	753,984
Huizhou Taitong Property Investment Co., Ltd.	50%	50%	278,542,572	270,819,417	7,723,155	-	(160,522)
II. Affiliates							
Beijing Tianping Property Management Co., Ltd.	49%	49%	5,707,816	1,692,241	4,015,575	11,823,606	946,120
China Merchants Guangming Technologies Garden Ltd.	49%	49%	357,191,886	186,738,537	170,453,349	1,440,000	(5,079,076)
Shenzhen Haitao Hotel Co., Ltd.	45%	45%	15,631,813	2,448,345	13,183,468	9,636,508	1,251,751
Tianjin Xinhai real Estate Development Co., Ltd.	45%	45%	315,451,799	76,273,963	239,177,836	8,773,971	(35,799,765)
Shenzhen TCL Electro-optical Technologies Co., Ltd.	40%	40%	886,513,064	711,500,184	175,012,880	167,699,185	49,445,394

Note: Shenzhen TCL Electro-optical Technologies Co., Ltd. (TCL Electro-optical) has a different accounting policy on recognition of sales income. Therefore it reduced the net profit by RMB19,778,158 at preparing of financial statements of the Company. The net profit after adjustment was RMB49,445,394.

(V) Notes to the consolidated financial statements – cont.**10. Long-term equity investment****(1) Details of long-term equity investment**

Company invested in	Calculating basis	Investment Cost	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.	Equity basis	350,000,000	345,409,546	(7,947,672)	337,461,874	70	70	Note 1	-	-	-
Tianjin Xinhai real Estate Development Co., Ltd.	Equity basis	6,750,000	116,738,432	(16,109,895)	100,628,537	45	45	-	-	-	-
China Merchants Guangming Technologies Garden Ltd.	Equity basis	98,000,000	86,010,889	(2,488,748)	83,522,141	49	49	-	-	-	-
Shenzhen TCL Optical-Electronics Technologies Ltd.	Equity basis	42,010,652	40,073,574	19,778,157	59,851,731	40	40	-	-	-	-
Shenzhen Haitao Hotel Co., Ltd.	Equity basis	4,996,675	5,729,366	203,195	5,932,561	45	45	-	-	-	360,094
Huizhou Taitong Property Investment Co., Ltd.	Equity basis	4,900,000	4,881,510	(80,261)	4,801,249	50	50	-	-	-	-
Shenzhen China Merchants OCT Investment Co., Ltd.	Equity basis	2,500,000	3,037,151	376,993	3,414,144	50	50	-	-	-	-
Beijing Tianping Property Management Co., Ltd.	Equity basis	490,000	1,534,255	463,599	1,997,854	49	49	-	-	-	-
Beijing Hengshihuarong Real-estate Development Co., Ltd. (Note 2)	Cost basis	14,532,541	12,997,895	(12,997,895)	-	-	-	-	-	-	-
Shenzhen CM Construction Inspection Co., Ltd.	Cost basis	100,000	100,000	(100,000)	-	-	-	-	-	-	-
Shenzhen Fishermans' Wharf Restaurant Co., Ltd. (Note 3).	Cost basis	100,000	100,000	(100,000)	-	-	-	-	-	-	-
Total			616,612,618	(19,002,527)	597,610,091	-	-	-	-	-	360,094
Less: Impairment provision			100,000	(100,000)	-	-	-	-	-	-	-
Long-term equity investment (net)			616,512,618	(18,902,527)	597,610,091	-	-	-	-	-	-

Note1: Guangzhou Qidi Technologies Garden Investment Co., Ltd. – one of the Company's subsidiaries, is holding 70% shares of Guangzhou Panyu Innovative Technologies Garden Co., Ltd. As stipulated in the Articles of Association of Guangzhou Panyu Innovative Technologies Garden Co., Ltd., all of the financial and operational decision making have to be decided by presenting of the whole shareholders, thus Guangzhou Qidi Technologies Garden Investment Co., Ltd. has no controlling power over Guangzhou Panyu Innovative Technologies Garden Co., Ltd.. Thus it was not included in the consolidation range.

(V) Notes to the consolidated financial statements – cont.**10. Long-term equity investment – cont.**

Note 2: On July 2010, CM Property (Beijing) Co., Ltd. entered the equity trade contract with Ronghe Property Co., Ltd. by which CM Property (Beijing) was to sold the 12% share equity in Beijing Hengshi Huarong Property Development Co., Ltd. with consideration of RMB14,532,542. As of December 31, 2010, the legal procedures has been completed.

Note 3: Shenzhen Fisherman Port Restaurant Co., Ltd. was established by Shenzhen Taige Apartment Management Co., Ltd in 2001. Due to poor management, now it is closed. Shenzhen Taige Apartment Management Co., Ltd. has neutralized the provision for impairment on its long-term investment.

(2) The capability of the long-term invested subsidiaries in transferring money to the Company were not under any limitation as of December 31, 2010.

11. Investment property

Items	RMB Yuan			
	Balance of book value at beginning of term	Increased this term	Decreased this term	Balance of book value at end of term
I. Total of original book value	3,569,997,734	798,858,684	8,277,114	4,360,579,304
1. House and buildings	2,388,786,421	657,123,684	6,554,299	3,039,355,806
2. Land using rights	1,181,211,313	141,735,000	1,722,815	1,321,223,498
II. Total of accumulated depreciation and amortizing	782,155,484	140,796,323	587,826	922,363,981
1. House and buildings	683,673,427	108,810,314	587,826	791,895,915
2. Land using rights	98,482,057	31,986,009	-	130,468,066
III. Total of net book value of investment property	2,787,842,250			3,438,215,323
1. House and buildings	1,705,112,994			2,247,459,891
2. Land using rights	1,082,729,256			1,190,755,432
IV. Total of impairment provision	-	-	-	-
1. House and buildings	-	-	-	-
2. Land using rights	-	-	-	-
V. Total of book value of investment property	2,787,842,250			3,438,215,323
1. House and buildings	1,705,112,994			2,247,459,891
2. Land using rights	1,082,729,256			1,190,755,432

Note 1: RMB140,796,323 amortized this term.

Note 2: As of December 31, 2010 none of the Company's investment properties is on pledge.

(V) Notes to the consolidated financial statements – cont.**11. Investment property – cont.**

Note 3: As of December 31, 2010, the Company still has investment properties of RMB949,318,097 which are not granted property certifications. They are Garden City Digital Building, Beike Building, Technologies Building, Jinshan Houses, Jinshan Apartments, Shuiwan Building, Bitao Houses, and Haibing Apartment. Among them, Garden City Digital Building was the investment property completed and transferred in the report term. The property certificate is under processing. The others was constructed a long time ago, and the original materials are not enough to file for certification, thus are not in filing process at present.

12. Fixed assets**(1) Details of fixed assets**

Items	Balance of book value at beginning of term	Increased this term		Decreased this term	Balance of book value at end of term
		Increased this term	Provided current term		
I. Total of original book value	708,008,818	95,121,313		273,644,137	529,485,994
Incl. House & Buildings	228,061,377	63,958,663		73,845,146	218,174,894
Equipment & machinery	365,451,743	10,525,139		182,709,049	193,267,833
Transportation equipment	54,165,265	8,823,329		3,663,775	59,324,819
Electronics, furniture, appliances	60,330,433	11,814,182		13,426,167	58,718,448
II. Total of accumulative depreciation	408,392,864	-	26,191,153	166,037,785	268,546,232
Incl. House & Buildings	95,182,530	-	6,583,315	42,766,657	58,999,188
Equipment & machinery	236,317,849	-	8,796,403	109,772,752	135,341,500
Transportation equipment	34,527,282	-	5,733,535	2,698,917	37,561,900
Electronics, furniture, appliances	42,365,203	-	5,077,900	10,799,459	36,643,644
III. Total of net book value of fixed assets	299,615,954				260,939,762
Incl. House & Buildings	132,878,847				159,175,706
Equipment & machinery	129,133,894				57,926,333
Transportation equipment	19,637,983				21,762,919
Electronics, furniture, appliances	17,965,230				22,074,804
IV. Total of impairment provisions	-	-	-	-	-
Incl. House & Buildings	-	-	-	-	-
Equipment & machinery	-	-	-	-	-
Transportation equipment	-	-	-	-	-
Electronics, furniture, appliances	-	-	-	-	-
V. Total of fixed asset book value	299,615,954				260,939,762
Incl. House & Buildings	132,878,847				159,175,706
Equipment & machinery	129,133,894				57,926,333
Transportation equipment	19,637,983				21,762,919
Electronics, furniture, appliances	17,965,230				22,074,804

Note 1: RMB26,191,153 depreciation provided this year.

Note 2: The original value of fixed asset transferred in from construction-in-process was RMB6,299,660.

Note 3: As of December 31, 2010, the Company still has houses and buildings of RMB39,028,801 which are not granted property certifications. For these properties were constructed a long

time ago, and the original materials are not enough to file for certification, thus are not in filing process at present.

(V) Notes to the consolidated financial statements – cont.**13. Construction-in-process**

Details of construction in process:

Yuan	End of term			Beginning of term		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Construction project	2,936,043	-	2,936,043	2,936,043	-	2,936,043
Transformer Station	20,391,018	-	20,391,018	13,719,271	-	13,719,271
Water supply project	-	-	-	2,598,693	-	2,598,693
Total	23,327,061	-	23,327,061	19,254,007	-	19,254,007

RMB

14. Intangible assets

(1) Details of intangible assets

Items	RMB Yuan			
	Balance of book value at beginning of term	Increased this term	Decreased this term	Balance of book value at end of term
I. Total of original book value	227,080	-	62,949	164,131
Incl. Softwares	227,080	-	62,949	164,131
II. Total of accumulative amortizing	172,959	1,978	10,806	164,131
Incl. Softwares	172,959	1,978	10,806	164,131
III. Total of book net value of intangible assets	54,121			-
Incl. Softwares	54,121			-
IV. Total of impairment provisions	-	-	-	-
Incl. Softwares	-	-	-	-
V. Total of book value of intangible assets	54,121			-
Incl. Softwares	54,121			-

Amortized this term was RMB1,978.

15. Long-term expenses to be amortized

Items	RMB Yuan					
	At beginning of term	Increased this term	Amortized this term	Other decrease	At end of term	Reason of other decreasing
Renewing of fixed assets for rent	174,912,809	2,962,779	15,355,389	-	162,520,199	-
Outdoor advertisement facilities	2,735,176	-	2,636,400	-	98,776	-
Golf club membership	158,628	-	158,628	-	-	-
Others	2,387,514	3,194,200	2,173,408	42,232	3,366,074	Influence of exchange rate fluctuation
Total	180,194,127	6,156,979	20,323,825	42,232	165,985,049	

(V) Notes to the consolidated financial statements – cont.**16. Deferred income tax assets/ deferred income tax liabilities****(1) Deferred income tax assets and deferred income tax liabilities recognized**

	RMB Yuan	
Items	End of term	Beginning of term
Deferred income tax assets:		
Land VAT drawn in advance	449,165,509	282,716,985
Expectable liabilities	6,251,570	6,118,200
Neutralizable losses	2,280,706	-
Amortizing of other long-term assets	1,017,993	817,109
Bad debt provision on receivables	965,114	558,091
Reserved expenses	772,832	-
Bad debt provision on other receivables	1,641	220,991
Inventory impairment provision	-	32,596
Long-term equity investment impairment provision	-	22,000
Sub-total	460,455,365	290,485,972
Deferred income tax liabilities:		
Fluctuation of fair value of available-for-sale financial assets accounted into capital reserves	-	731,713
Sub-total	-	731,713

(2) Details of income tax assets not recognized

	RMB Yuan	
Items	End of term	Beginning of term
Deductible provisional differences	838,088,182	867,140,392
Neutralizable losses	331,289,596	245,739,615
Total	1,169,377,778	1,112,880,007

(3) The un-recognized deductible losses of deferred income tax assets will due in the following years:

	RMB Yuan		
Year	End of term	Beginning of term	Note
2010	-	2,382,425	
2011	-	1,450,752	
2012	7,355,671	11,975,184	
2013	11,805,761	34,654,995	
2014	120,120,170	195,276,259	
2015	192,007,994	-	
Total	331,289,596	245,739,615	

(V) Notes to the consolidated financial statements – cont.**16. Deferred income tax assets/ deferred income tax liabilities – cont.**

(4) Provisional differences caused by recognized deferred income tax assets/ deferred income tax liabilities

Items	RMB Yuan Amount of temporary differences
End of term:	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	1,874,421,859
Expectable liabilities	26,048,209
Neutralizable losses	9,139,865
Amortizing of other long-term asset	4,071,971
Bad debt provision on receivables	4,022,300
Reserved expenses	505,000
Bad debt provision on other receivables	6,564
Inventory impairment provision	-
Long-term equity investment impairment provision	-
Sub-total	1,918,215,768
Taxable provisional difference:	
Fluctuation of fair value of available-for-sale financial assets accounted into capital reserves	-
Sub-total	-
Beginning of term:	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	1,259,319,813
Expectable liabilities	27,810,000
Amortizing of other long-term asset	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 available-for-sale financial assets accounted into capital reserves	3,325,965
Sub-total	3,325,965

(V) Notes to the consolidated financial statements – cont.**17. Detail of asset impairment provision**

RMB Yuan

Items	Balance of book value at beginning of term	For decreasing of consolidation range	Increased this term	Decreased this term		Exchange rate adjustment	Balance of book value at end of term
				Written back	Transferred		
I. Bad debt provision	7,643,221	11,610	7,555,947	1,701,402	4,377	-	13,481,779
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	304,116,203	11,610	7,555,947	1,701,402	104,377	-	309,854,761

18. Short-term loans

RMB Yuan

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guarantee loan	-	398,125,029
Credit loan	1,172,132,283	974,804,580
Total	1,172,132,283	1,372,929,609

(V) Notes to the consolidated financial statements – cont.**19. Notes payable**

Categories	RMB Yuan	
	End of term	Beginning of term
Commercial acceptance	-	-
Bank accepted drafts (Note)	275,616,189	257,896,108
Total	275,616,189	257,896,108

Note: China Merchants Shekou Industrial Zone Co., Ltd. provided guarantee of RMB272,960,229 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 2011.

20. Account payable

(1) Details of payable accounts:

Items	RMB Yuan	
	End of term	Beginning of term
Project payment	2,051,849,132	1,454,062,917
Land price	2,529,091,908	1,096,001,348
Payment for purchasing of share equity	70,650,000	70,650,000
Warranty fee	34,572,057	21,499,544
Others	71,504,066	63,307,476
Total	4,757,667,163	2,705,521,285

(2) No account payable to shareholders with 5% or over of the Company's shares or any related parties.

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

Name of the companies	End of term	Age	Reason of overdue	RMB Yuan
				Amount to repay after the report term
Shanghai Baoshan Yanghang Government	72,192,000	1-2 years	Payment condition not satisfied yet	-
Shanghai Meiyang Property Co., Ltd.	70,650,000	1-2 years	Payment condition not satisfied yet	-
Shenzhen OCT Construction and Installation Co., Ltd.	50,707,910	1-3 years	Project quality warranty, payment on due	-
Total	193,549,910			

(V) Notes to the consolidated financial statements – cont.**21. Account received in advance****(1) Age analyze of prepayment received**

RMB Yuan

Age	End of term		Beginning of term	
	Amount	%	Amount	%
within 1 yr	11,245,023,346	100	9,454,578,537	100
1-2 years	23,184,800	-	33,778,332	-
2-3 years	446,680	-	8,026,332	-
Over 3 yrs	-	-	2,078,090	-
Total	11,268,654,826	100	9,498,461,291	100

Including: presale of properties:

RMB Yuan

Projects	End of term	Beginning of term	Planned finish date	Presell portion
Beijing Park 1872 Phase I,II	1,907,866,683	1,609,282,424	completed	99%
Foshan Yiyun Shui'an phase I,II	1,686,286,477	1,090,757,116	2011	94%
Beijing Xicheng Jiayuan	992,697,243	563,964,405	completed	64%
Guangzhou Jinshangu phase II	957,034,244	318,212,200	completed	98%
Tianjin Xincheng phase I	876,104,628	539,347,212	completed	94%
Chongqing CM Jiangwancheng phase I, II	834,160,111	475,822,198	2011	88%
Shanghai CM Yonghuayuan phase I	703,029,613	658,889,318	completed	100%
Zhuhai CM Garden City Phase I	670,216,271	-	2011	72%
Shenzhen Xicheng Phase IV	559,576,579	-	2011	24%
Foshan Yiyun Shangcheng phase I	499,079,745	24,100,950	2011	84%
Shenzhen Lanxigu phase III (originally phase II land No.2)	496,043,699	-	2011	59%
Nanjing Yiyunxigu Phase III	322,461,693	347,394,769	completed	91%
Zhangzhou CM Garden City Phase I west	167,359,485	1,701,305	completed	100%
Shanghai CM Haiwan Garden	145,086,710	-	2013	39%
Shenzhen CM Lanyuan	84,756,830	691,948,950	completed	90%
Shenzhen Lanxigu Phase II.	82,296,586	41,896,025	completed	92%
Shenzhen Xicheng Phase III	77,181,711	2,014,274,540	completed	96%
Suzhou Xiaoshicheng Phas II, III	43,558,381	-	completed	99%
Shanghai Haide Garden Phase III	41,376,464	-	completed	65%
Phase V. Garden City	15,253,943	-	completed	87%
Tianjin 36 Xikang Road	8,658,000	11,107,049	completed	93%
Shanghai CM Nanqiao Yayuan	3,508,642	751,329,017	completed	100%
Shenzhen Haiyue Huating	1,845,847	2,762,368	completed	100%
Shenzhen Haijing Plaza	1,327,894	1,328,637	completed	100%
Shenzhen YishanJun phase II, III	894,469	149,215,837	completed	100%
Zhangzhou CM Jianzhu	147,089	2,458,519	completed	100%
Others	15,891,487	21,066,941		
Total	11,193,700,524	9,316,859,780		

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

(V) Notes to the consolidated financial statements – cont.**22. Wage payable**

RMB Yuan

Items	Balance of book value at beginning of term	Increased this term	Decreased for change of consolidation range	Other decrease this term	Balance of book value at end of term
I. Wage, bonus, allowances	138,779,990	562,678,179	6,858,044	528,354,505	166,245,620
II. Employees' welfare	703,632	39,018,631	-	39,180,368	541,895
III. Social security	5,116,720	61,781,353	-	65,054,612	1,843,461
IV. Housing fund	90,207	23,045,057	-	7,394,619	15,740,645
V. Dismissing welfare	1,280,000	1,164,865	-	1,164,865	1,280,000
VI. Others	16,862,433	27,146,853	57,659	22,370,737	21,580,890
Incl. Trade union fee and training fee	15,488,395	15,223,474	57,659	10,460,406	20,193,804
Total	162,832,982	714,834,938	6,915,703	663,519,706	207,232,511

Note: Balance of union fund and employee training fund is RMB19,704,928. Balance of dismissing compensation is RMB1,280,000.

23. Tax payable

RMB Yuan

Items	End of term	Beginning of term
Enterprise income tax	365,498,608	345,044,458
Land VAT (Note)	118,920,233	82,326,199
Business tax	86,918,764	100,574,873
Personal income tax	20,155,272	4,462,646
VAT	6,364,197	15,659,902
City maintenance and construction tax	4,733,034	1,225,228
Land using tax	4,547,650	765,383
Others	7,651,260	39,800,764
Total	614,789,018	589,859,453

Note: See Note (V)6.

24. Tax disburseable

RMB Yuan

Items	End of term	Beginning of
Long-term loan interest with instalments	106,863,476	19,532,853
Short-term borrowing interests payable	2,260,163	2,339,565
Total	109,123,639	21,872,418

(V) Notes to the consolidated financial statements – cont.**25. Dividend payable**

Name of the companies	End of term	Beginning of term	RMB Yuan
			Reason of overdue for over 1 year
Shenzhen OCT Property Co., Ltd. (Note 1)	54,627,032	61,555,629	-
Shenzhen Nanshan Property Development Co., Ltd. (Note 2)	39,604,987	23,806,776	-
Tianjin Shenmiao Investment Group Co., Ltd. (Note 3)	29,692,329	22,103,882	-
Shenzhen Huayuan Seafood Restaurant	285,600	285,600	To be neutralized
Total	124,209,948	107,751,887	

Note 1: According to the profit distribution plan as of December 31, 2010 adopted by the board meeting of Shenzhen CM OCT Investment Co., Ltd held on December 14, 2010, this was the profit payable to OCT Property Co., Ltd.

Note 2: According to the profit distribution plan as of December 31, 2010 adopted by the board meeting of Suzhou CM Nanshan Property Co., Ltd. held on December 20, 2010, this was the profit payable to Shenzhen Nanshan Property Co., Ltd.

Note 3: According to the profit distribution plan as of December 31, 2010 adopted by the board meeting of Tianjin CM Property Co., Ltd. held on December 28, 2010, this was the profit payable to Tianjin Shenmiao Investment Group Co., Ltd.

26. Other account payable.**(1) Details of other payable accounts**

Items	End of term	RMB Yuan
		Beginning of term
Interchange with co-operative companies	4,082,251,898	3,673,592,439
Interchange with related companies	1,067,095,804	887,698,968
Deposit	418,765,712	642,352,024
Temporary payment	154,437,315	368,284,408
Others	20,830,785	263,402,148
Total	5,743,381,514	5,835,329,987

(V) Notes to the consolidated financial statements – cont.**26. Other account payable – cont.**

(2) No other account payable to shareholders with 5% or over of the Company's shares or any related parties.

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

RMB Yuan

Name of the companies	End of term	Age	Reason of overdue
Client I	992,272,781	1-2 years	Payment made by shareholder
Client II	727,080,249	1-3 years	Payment made by shareholder
Client III	151,087,908	1-2 years	Payment made by shareholder
Client IV	136,991,475	1-2 years	Payment made by shareholder
Client V	86,876,607	1-2 years	Deposit for limited property
Client VI	79,313,514	1-2 years	Payment conditions not satisfied
Client VII	78,042,088	1-2 years	Deposit for limited property
Client VIII	70,878,024	1-2 years	Payment made by shareholder

27. Anticipated liabilities

RMB Yuan

Items	Beginning of term	Increased this term	Decreased this term	End of term
Providing of external guarantees	-	-	-	-
Unsettled lawsuit	27,810,000	110,037	1,871,828	26,048,209
Lawsuit of Yishan jun case (Note 1)	27,810,000	-	1,761,791	26,048,209
Lawsuit of Garden City phase III	-	110,037	110,037	-
Dismissing policy	-	-	-	-
Loss contract to be executed	-	-	-	-
Predicted expenses (Note 2)	80,242,194	-	814	80,241,380
Total	108,052,194	110,037	1,872,642	106,289,589

Note 1: Some of the owners of Shenzhen Yishan jun, 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 RMB27,810,000. RMB1,761,791 has been paid in year 2010.

Note 2: According to the agreement engaged with Nanjing Fucheng Property Development Co., Ltd., the Company is expected to pay for the land using rights, land VAT, house maintaining fund, and other taxes for the transferring of Nanjing International Finance Center held by Nanjing Fucheng Property Development Co., Ltd.

(V) Notes to the consolidated financial statements – cont.**28. Non-current liabilities due in one year****(1) Details of non-current liabilities due in one year**

Items	RMB Yuan	
	End of term	Beginning of term
Long-term loans due in 1 year	1,856,422,159	1,303,402,319
Bond payable due in one year	-	-
Long-term payable due in 1 year	-	-
Other non-current liabilities due in 1 year	-	99,402
Total	1,856,422,159	1,303,501,721

(2) Long-term loans due in 1 year**(a) Long-term loans due in one year**

Items	RMB Yuan	
	End of term	Beginning of term
Entrusted loan (Note 1)	152,906,972	-
Pledged loan (Note 2)	122,000,000	218,000,000
Guaranteed loan (Note 3)	781,515,187	835,402,319
Credit loan	800,000,000	250,000,000
Total	1,856,422,159	1,303,402,319

Note 1: According to the Contract for Entrusted Loan entered between Shenzhen CM Construction Co., Ltd. and Nanjing Fucheng Property Co., Ltd., Nanjing Fucheng has entrusted the bank to provide loans to Shenzhen CM Construction Co., Ltd.

Note 2: See Note (V)30

Note 2: See Note (V)30

Ruijia Investment Co., Ltd. – one of the subsidiaries of the Company, raised loan of USD100,000,000 (RMB661,515,187) from the bank which was secured by CM Group (HK) Co., Ltd.

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

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	RMB Yuan	
					Amount of foreign currency	Amount of original currency
Financial Institution I	2008.11.24	2011.02.23	RMB	4.86		500,000,000
Financial Institution II	2010.07.06	2011.11.28	USD	Floating	64,000,000	423,369,720
Financial Institution III	2008.10.30	2011.10.29	RMB	5.265		300,000,000
Financial Institution IV	2008.12.15	2011.11.28	USD	Floating	36,000,000	238,145,467
Financial Institution V	2008.12.12	2011.12.18	RMB	5.35		152,906,972
Total						1,614,422,159

(V) Notes to the consolidated financial statements – cont.**29. Other current liability**

Items	RMB Yuan	
	Balance of book value at end of term	Balance of book value at beginning of term
Land VAT drawn in advance (Note)	2,331,464,209	1,819,878,069
Outsourced cleaning and security guard services	13,048,065	7,857,914
Agencies	3,012,000	3,012,000
Uniform fee	2,510,750	466,201
Original water and power supply	-	2,364,392
Improving of intelligent system	-	2,763,676
Others	7,706,659	7,220,749
Total	2,357,741,683	1,843,563,001

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.

30. Long-term loans**(1) Categories of long-term loans**

Items	RMB Yuan	
	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan (Note 1)	49,000,000	-
Guaranteed loan (Note 2)	5,753,519,344	2,244,268,040
Credit loan	4,193,316,000	3,323,128,000
Consigned loans	-	152,906,972
Total	9,995,835,344	5,720,303,012

Note 1: China Merchants Jiaming (Beijing) Property Development Co., Ltd. – one of the subsidiaries of the Company, entered the Pledge Contract with China Merchants Bank Beijing Sanhuan Branch, by which the 106,700 square meters of land of Beijing Xicheng Jiayuan (Land CY-09 in Changping) was pledged to the bank for the loan of RMB171,000,000, among which RMB122,000,00 will due within 1 year.

Note 2: The Company has raised loan of RMB940,000,000 from the bank which was secured by CM Shekou Industrial Zone Co., Ltd.; the loan of RMB2,000,000,000, which was secured by CM Group Co., Ltd.; the loan of RMB170,000,000 by Zhuhai Yuanfeng Property Co., Ltd., which was secured by the Company at 51% of the balance of principal. Among them RMB120,000,00 will due in one year.

Shenzhen CM Power Supply Co., Ltd. – one of the subsidiaries of the Company, raised USD30,000,000 (RMB198,681,000) from the bank, which was secured by the Company.

Ruijia Investment Co., Ltd. – one of the subsidiaries of the Company, raised loan of USD177,000,000 (RMB1,170,881,881), HKD 130,000,000 (RMB110,617,000) from the bank which was secured by CM Group (HK) Co., Ltd.; the loan of USD194,000,000 (RMB1,283,339,463) which was secured by the Company.

(V) Notes to the consolidated financial statements – cont.**30. Long-term loans – cont.****(2) Long-term loans top 5 in amount**

RMB Yuan

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
Financial Institution I	2010.04.20	2017.04.20	RMB	5.94	-	2,000,000,000	-	-
Financial Institution II	2009.07.21	2012.07.20	RMB	5.04	-	1,000,000,000	-	1,000,000,000
Financial Institution III	2010.01.05	2013.12.23	USD	Floating	130,000,000	859,969,743	-	-
Financial Institution IV	2009.07.27	2012.07.27	RMB	4.86	-	470,000,000	-	600,000,000
Financial Institution V	2010.01.14	2013.12.23	USD	Floating	64,000,000	423,369,720	-	-
Total						4,753,339,463		1,600,000,000

31. Long term payables

RMB Yuan

Subjects	Term	Initial amount	Interest rates %	Interest payable	Balance at the end of term	Condition
Main body maintaining fund	-	57,387,176	-	-	57,387,176	-
Shenzhen China Merchants Landmark Co., Ltd.	-	1,200,000	-	-	1,200,000	-
Total	-	58,587,176	-	-	58,587,176	-

32. Other non-current liabilities

RMB Yuan

Items	Balance of book value at end of term	Balance of book value at beginning of term
Deferred rental income	2,316,700	2,983,360
Special grant for culture development	1,500,000	1,500,000
Infrastructure construction fund granted by Bureau of Water	-	2,737,985
Other water supply grants	-	96,300
Total	3,816,700	7,317,645
Less: Other non-current liabilities due in 1 year	-	99,402
Incl. Infrastructure construction fund granted by Bureau of Water	-	99,402
Non-current liabilities due beyond 1 year	3,816,700	7,218,243

(V) Notes to the consolidated financial statements – cont.**33. Capital Share**

RMB Yuan

Items	Beginning of term	Changed this term					Sub-total	End of term
		Issuing of new shares	Bonus shares	Transferred from reserves	Others			
Year 2010:								
I. Shares with conditional subscription								
1. State-owned shares	-	-	-	-	-	-	-	
2. National legal person shares	731,298,105	-	-	-	(37,878,788)	(37,878,788)	693,419,317.00	
3. Other domestic shares	-	-	-	-	-	-	-	
4. Foreign shares	197,709,440	-	-	-	-	-	197,709,440	
5. Management shares	431,939	-	-	-	33,512	33,512	465,451	
Total of conditional shares	929,439,484	-	-	-	(37,845,276)	(37,845,276)	891,594,208	
II. Shares with unconditional subscription								
1. RMB common shares	646,434,394	-	-	-	37,831,326	37,831,326	684,265,720	
2. Foreign shares placed in domestic exchange	141,426,625	-	-	-	13,950	13,950	141,440,575	
3. Foreign shares listed overseas	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	
Total of unconditional shares	787,861,019	-	-	-	37,845,276	37,845,276	825,706,295	
III. Total of capital shares	1,717,300,503	-	-	-	-	-	1,717,300,503	

RMB Yuan

Items	Beginning of term	Changed this term					Sub-total	End of term
		Issuing of new shares	Bonus shares	Transferred from reserves	Others			
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	

The above shares are with par value of RMB1 yuan.

(V) Notes to the consolidated financial statements – cont.**34. Capital reserves**

	RMB Yuan			
Items	Beginning of term	Increased this term	Decreased this term	End of term
Year 2010:				
Share capital premium	8,369,949,610	-	-	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)
Acquiring share equities from minor shareholders of subsidiaries	(384,866,956)	-	-	(384,866,956)
Capital reserves capitalized	(168,973,400)	-	-	(168,973,400)
Other misc incomes	13,565,536	-	3,473,483	10,092,053
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	8,487,926,904	-	3,473,483	8,484,453,421
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

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 purchasing 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.

(V) Notes to the consolidated financial statements – cont.**35. Surplus reserves**

Items	RMB Yuan			
	Beginning of term	Increased this term	Decreased this term	End of term
Year 2010:				
Statutory surplus reserves	645,672,972	113,669,574	-	759,342,546
Optional surplus reserves	140,120,038	-	-	140,120,038
Preserved fund	-	-	-	-
Enterprise development fund	-	-	-	-
Others	-	-	-	-
Total	785,793,010	113,669,574	-	899,462,584
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

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

36. Retained profit

Items	RMB Yuan	
	Amount	Percentage of drawing or allocation
Year 2010:		
Before adjustment: Retained profit at end of last year	5,214,909,610	
Adjustment: Total of retained profit at beginning of year (+ for increase, - for decrease)	-	
Adjusted: Total of retained profit at beginning of year	5,214,909,610	
Plus: Net profit attributable to owners of the parent company	2,011,397,239	
Less: Statutory surplus reserves	113,669,574	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	6,940,907,225	
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: Total of 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	
Common share dividend transferred to capital share	-	
Retained profit at the end of term	5,214,909,610	

(V) Notes to the consolidated financial statements – cont.**36. 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 2009 held in April 2010, on the basis of 1,717,300,503 shares at December 31, 2009, 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

According to the profit distribution plan adopted at the 20th meeting of the 6th term of Board held on March 18, 2011, RMB206,076,060 is about to be distributed to 1,717,300,503 shares as of December 31, 2010. This plan is subject to approval by the Shareholders' Meeting.

Note 4: Surplus reserves already provided by the subsidiaries

As of December 31, 2010, there was RMB507,712,376 of surplus reserves provided by the subsidiaries which has been included in the retained profit of the Company. (December 31, 2009: RMB505,929,305).

37. Operational turnover and cost

(1) Turnover

RMB Yuan

Items	Occurred current term	Occurred in previous term
Major business turnover	13,782,425,231	10,133,283,214
Other business income	-	4,417,835
Operation cost	8,300,379,948	5,961,738,151

(2) Main businesses (on industries)

RMB Yuan

Name of industry	Occurred current term		Occurred in previous term	
	Turnover	Operation cost	Turnover	Operation cost
Property development	12,725,172,419	7,446,144,328	9,128,326,900	5,164,335,474
Public Utilities	649,480,997	462,290,953	659,760,716	480,850,876
Property management	407,771,815	391,944,667	345,195,598	314,422,551
Total	13,782,425,231	8,300,379,948	10,133,283,214	5,959,608,901

(V) Notes to the consolidated financial statements – cont.**37. Operational turnover and cost – cont.****(3) Income from top 5 clients**

RMB Yuan

Name of clients	Turnover	Percentage in total turnover of the Company %
Client I	112,986,842	0.83
Client II	53,826,416	0.39
Client III	49,305,296	0.36
Client IV	48,692,411	0.36
Client V	46,627,472	0.34
Total	311,438,437	2.28

(4) Turnover from construction contracts:

RMB Yuan

Construction contract with fixed price	Project	Contract amount	Accumulated costs occurred	Accumulation of gross profit recognized	Settled amount
	Low rental project of Beijing Xicheng Jiayuan	88,000,000	55,688,000	32,312,000	-

38. Business tax and surcharge

RMB Yuan

Items	Occurred current term	Occurred in previous term	Rate
Land VAT	966,384,579	1,134,830,896	Note
Business tax	647,305,034	472,080,006	Note
City maintenance and construction tax	18,384,400	8,311,513	Note
Education surtax	11,415,312	5,421,267	Note
Others	3,707,069	2,579,638	
Total	1,647,196,394	1,623,223,320	

Note: See Note (III).

39. Financial expenses

RMB Yuan

Items	Occurred current term	Occurred in previous term
Interest expense	482,591,465	587,046,294
Less: Interest expenses capitalized	310,764,403	522,627,599
Less: Interest income	110,966,786	88,190,811
Exchange differences	(18,966,193)	2,362,643
Less: Exchange difference capitalized	(43,487,313)	-
Others	7,632,800	6,053,429
Total	93,014,196	(15,356,044)

(V) Notes to the consolidated financial statements – cont.**40. Income from fair value fluctuation**

RMB Yuan

Source of income from fluctuation of fair value	Occurred current term	Occurred in previous term
Transactional financial assets	(5,504,644)	(90,894,501)
Incl. Gains from fluctuation of fair value of derivate financial instruments	(5,504,644)	(90,894,501)
Trade off financial liabilities	(8,630,494)	(12,769,002)
Investment property measured at fair value	-	-
Others	-	-
Total	(14,135,138)	(103,663,503)

Note: See Note (V)2.

41. Investment income

(1) Detailed investment gains

RMB Yuan

Items	Occurred current term	Occurred in previous term
Long-term equity investment gains on cost basis	-	-
Long-term equity investment gains on equity basis	(5,444,537)	176,731,790
Investment gains from disposal of long-term equity investment(NOTE1)	8,092,707	1,910,316
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 available-for-sale financial assets	-	-
Investment gains from disposal of transactional financial assets	(2,643,524)	75,292,797
Investment gains from disposal of investment hold to expiration	-	-
Investment gains from disposal of available-for-sale financial assets(NOTE2)	5,330,350	-
Others(NOTE3)	59,973,887	50,634,704
Total	65,308,883	304,569,607

Note 1: For the gains from disposal of Shenzhen Water Service Co., Ltd. and Beijing Hengshihuarong Property Co., Ltd. please go to Note (IV)2, and Note (V)10.

Note 2: Gains from disposal of the shares of Guonong Technologies was RMB5,330,350.

Note 3: Interest income from entrusted loans was RMB52,609,454 after deducting of taxes. See Note (V)8 for details.

(V) Notes to the consolidated financial statements – cont.**41. Investment gains – cont.**

(2) Details of gains from long-term equity investment on equity basis

RMB Yuan

Company invested in	Occurred current term	Occurred in previous term	Causation of change
Shenzhen TCL Optical-Electronics Technologies Ltd.	19,778,158	(1,638,698)	Increase of profit by invested entity
Guangzhou Panyu Creative Technologies Garden Ltd.	(7,947,671)	(4,590,454)	Decrease of profit by invested entity
Tianjin Xinhai real Estate Development Co., Ltd.	(16,109,895)	36,442,077	Decrease of profit by invested entity
Shenzhen China Merchants OCT Investment Co., Ltd.	-	150,100,385	Consolidated since October 2009

42. Asset impairment loss

RMB Yuan

Items	Occurred current term	Occurred in previous term
I. Bad debt loss	5,854,545	484,187
II. Inventory impairment loss	-	-
III. Available-for-sale financial asset impairment loss	-	-
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 biological goods impairment loss	-	-
XI. Gas and fuel asset impairment loss	-	-
XII. Intangible asset impairment loss	-	-
XIII. Goodwill impairment loss	-	-
XIV. Other	-	-
Total	5,854,545	484,187

(V) Notes to the consolidated financial statements – cont.**43. Non-business income**

(1) Details of non-operational income

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Total of gains from disposal of non-current assets	87,118	20,524
Incl. Gains from disposal of fixed assets	87,118	20,524
Gains from disposal of intangible assets	-	-
Gains from debt reorganization	-	-
Gains from exchange of non-monetary assets	-	-
Donation received	-	-
Government subsidy	13,728,792	19,038,698
Write back of predicted debts	-	8,251,911
Income from penalties	2,402,362	1,180,117
Others	1,782,131	1,031,710
Total	18,000,403	29,522,960

(2) Details of government subsidy

Items	RMB Yuan		
	Occurred current term	Occurred in previous term	Remarks
VAT refund for electric power import	10,012,063	15,510,000	Note
Subsidy for solar energy application	1,020,600	45,000	
Tax refund	856,129	1,184,296	
Industrial development special fund	705,000	1,400,000	
Award for great tax payer	620,000	-	
Subsidy for culture and sport center operation	300,000	700,000	
Supporting fund for financial crisis	-	100,000	
Government financing for pipe reconstruction	-	99,402	
Others	215,000	-	
Total	13,728,792	19,038,698	

Note: See Note (III)2.

44. Non-business expenditures

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Total of loss from disposal of non-current assets	418,349	631,517
Incl. Loss from disposal of fixed assets	418,349	631,517
Loss from disposal of intangible assets	-	-
Losses from debt restructuring	-	-
Loss from exchange of non-monetary assets	-	-
Expected liability expense	110,037	27,810,000
Donations	3,762,000	990,461
Others	6,128,975	1,001,110
Total	10,419,361	30,433,088

(V) Notes to the consolidated financial statements – cont.**45. Income tax expenses**

RMB Yuan

Items	Occurred current term	Occurred in previous term
Income tax calculated according to the law and regulations of current term	958,106,193	768,873,929
Adjustment of deferred income tax	(169,969,393)	(249,609,745)
Total	788,136,800	519,264,184

Adjustments on income tax expenditure and accounting profit:

RMB Yuan

	Occurred current term	Occurred in previous term
Accounting profit	3,272,123,773	2,273,730,035
Income tax at 22% (20% last year)	719,867,230	454,746,007
Influence of taxes may not be neutralized by expenses	80,162,759	30,507,646
Influence of tax-free income	(1,197,754)	(44,929,992)
Influence of taxes not confirmed to neutralize loss and neutralizable provisional differences	12,429,510	97,556,411
Tax influence by using of unrecognized previous loss and deductible provisional differences	(13,477,404)	(29,975,847)
Influence of change in timing of writing back deferred income tax asset/liability	(38,447,897)	(31,554,603)
Influence of inconsistency in tax rates of subsidiaries in other region	28,644,724	44,609,195
Others	155,632	(1,694,633)
Income tax expenses	788,136,800	519,264,184

46. 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:

RMB Yuan

	Occurred current term	Occurred in previous term
Net profit of current term attributable to common shareholders	2,011,397,239	1,644,143,880
Incl. Net profit attributable to continuous operation	2,011,397,239	1,644,143,880
Net profit attributable to terminating operation	-	-

At calculating of diluted earning per share, the net profit of current term attributable to common shareholders is:

RMB Yuan

	Occurred current term	Occurred in previous term
Net profit of current term attributable to common shareholders	2,011,397,239	1,644,143,880
Diluting potential common share interests recognized as expenses at current term		
The part attributable to common shareholders 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	2,011,397,239	1,644,143,880
Net profit attributable to terminating operation	-	-

(V) Notes to the consolidated financial statements – cont.**46. Calculation of basic earning per share and diluted earning per share – cont.**

At calculating of basic earning per share, the denominator is the weighted average of common shares issued outside, the calculation formula is as:

	RMB Yuan	
	Occurred current term	Occurred in previous term
Common shares out in the market at beginning of year	1,717,300,503	1,717,300,503
Plus: Weighted amount of common shares issued this term	-	-
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	1,717,300,503

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	1,717,300,503
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	1,717,300,503

Earnings per share

	RMB Yuan	
	Occurred current term	Occurred in previous term
Calculated according to net profit attributable to the shareholders of the parent company		
Basic earnings per share	1.1713	0.9574
Diluted earnings per share	1.1713	0.9574
Calculated according to continuous operation net profit attributable to the shareholders of parent company		
Basic earnings per share	1.1713	0.9574
Diluted earnings per share	1.1713	0.9574
Calculated according to termination net profit attributable to the shareholders of parent company		
Basic earnings per share	-	-
Diluted earnings per share	-	-

(V) Notes to the consolidated financial statements – cont.**47. Other miscellaneous income**

RMB Yuan

Items	Occurred current term	Occurred in previous term
1. Gain(loss) generated by sellable financial assets	(4,205,196)	3,154,467
Less: Income tax influence of sellable financial assets	(731,713)	697,413
Net amount written into other gains and transferred into gain/loss in previous terms	-	-
Sub-total	(3,473,483)	2,457,054
2. Share in other misc. income of the invested company on equity basis	-	-
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	-	-
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	156,644,585	5,387,353
Less: Net amount of disposing overseas business and transferred to current gain/loss	-	-
Sub-total	156,644,585	5,387,353
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	153,171,102	7,844,407

48. Notes to cash flow statements**(1) Other cash received relating to business operation**

RMB Yuan

Items	Occurred current term	Occurred in previous term
Operational trade money received	1,962,782,070	3,202,603,077
Project deposit received	395,964,469	260,322,517
Interest received	104,958,865	66,321,721
Operational provisional money received	148,777,208	4,474,214
Others	38,301,689	9,017,588
Total	2,650,784,301	3,542,739,117

(V) Notes to the consolidated financial statements – cont.**48. Notes to cash flow statements – cont.****(2) Other cash paid relating to business operation**

RMB Yuan

Items	Occurred current term	Occurred in previous term
Operational trade money paid	3,393,186,876	1,399,554,212
Project deposit refunded	146,671,681	271,421,311
Cash paid for sales expenses	188,358,534	200,972,095
Cash paid for administrative expenses	91,713,876	95,090,251
Others	284,774,694	90,165,910
Total	4,104,705,661	2,057,203,779

(3) Other cash received relating to investment operation

RMB Yuan

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

RMB Yuan

Items	Occurred current term	Occurred in previous term
Cash paid for trade of foreign currency future contract	2,579,455	-
Total	2,579,455	-

(V) Notes to the consolidated financial statements – cont.**49. Supplementary data of cash flow statement****(1) Supplementary cash flow statement**

	RMB Yuan	
Supplementary Info.	Amount of the Current Term	Amount of the Previous Term
1. Net profit adjusted to cash flow of business operation		
Net profit	2,483,986,973	1,754,465,851
Plus: Asset impairment provision	5,854,545	484,187
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	26,191,153	37,324,758
Amortizing of intangible assets and investment properties	140,798,301	126,637,947
Amortizing of long-term expenses	20,323,825	18,877,473
Loss from disposal of fixed assets, intangible assets and other long-term assets	331,231	610,993
Loss of disposing fixed assets	-	-
Loss (gain) from fair value fluctuation	14,135,138	103,663,503
Financial expenses	215,484,399	68,981,864
Investment loss (gains)	(65,308,883)	(304,569,607)
Decrease of deferred income tax assets (increase)	(169,969,393)	(249,609,745)
Increase (decrease) of deferred income tax liabilities	(731,713)	-
Decreasing (increase) of inventory	(6,061,257,372)	(4,398,696,293)
Decrease (increase) of operational receivables	(2,457,903,958)	(2,327,660,083)
Increase (decrease) of operational payable items	1,445,544,647	12,224,220,485
Others	-	-
Cash flow generated by business operation, net	(4,402,521,200)	7,054,731,333
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	8,914,595,308	8,775,661,067
Less: Initial balance of cash	8,775,661,067	7,358,057,106
Plus: Balance of cash equivalents at the period end	-	-
Less: Initial balance of cash equivalents	-	-
Net increasing of cash and cash equivalents	138,934,241	1,417,603,961

(V) Notes to the consolidated financial statements – cont.**49. Supplementary data of cash flow statement – cont.****(2) Information about acquisition or disposal of subsidiaries or businesses**

	RMB Yuan	
Items	Occurred current term	Occurred in previous term
I. Acquisition of subsidiaries and businesses		
1. Price in acquisition of subsidiaries and businesses	15,313,617	-
2. Cash and cash equivalents paid for acquisition of subsidiaries and businesses	15,313,617	-
Less: Cash and cash equivalents held by the subsidiaries and other businesses	6,731	-
3. Net cash received from subsidiaries and other operational units	15,306,886	-
4. Net asset of the business acquired	30,026,731	-
Current Assets	30,026,731	-
Non-current assets	-	-
Current Liabilities	-	-
Non-current liabilities	-	-
II. Disposal of subsidiaries and businesses		
1. Price in disposal of subsidiaries and businesses	164,113,200	-
2. Cash and cash equivalents received from disposal of subsidiaries and businesses	164,113,200	13,811,740
Less: Cash and cash equivalents held by the subsidiaries and other businesses	5,281,185	506,929
3. Net cash received from disposal of subsidiaries or other operational units	158,832,015	13,304,811
4. Net asset of the business disposed	157,394,450	61,697,922
Current Assets	104,061,519	63,610,193
Non-current assets	105,353,645	9,974
Current Liabilities	46,796,797	1,922,245
Non-current liabilities	5,223,917	-

(3) Composition of cash and cash equivalents

	RMB Yuan	
Items	End of term	Beginning of term
I. Cash	8,914,595,308	8,775,661,067
Incl: Cash in stock	59,111	43,011
Bank savings could be used at any time	8,914,536,197	8,775,618,056
Other monetary capital could be used at any time	-	-
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	8,914,595,308	8,775,661,067

(VI) Related parties and related transactions**1. Particulars about the parent company of the Company**

RMB Yuan

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) 9

(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
Shenzhen CM Qianhaiwan Property Co., Ltd.	Under same controlling shareholder	79386851 - 1
Shanghai CM Plaza Property Co., Ltd.	Under same controlling shareholder	60727122 - 9
China Merchants Group (HK) Ltd.	Under common substantial controlling shareholder	Not applicable
China Merchants Securities Co., Ltd.	Under common substantial controlling shareholder	19218149 - 0
Huajian Transportation Economic Development Center	Under common substantial controlling shareholder	10171700 - 0
Shenzhen Nanshan Property Development Co., Ltd.	Under common substantial controlling shareholder	75046859 - 3
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 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
Huajian Transportation Economic Development Center	Under common substantial controlling shareholder	10171700 - 0
Shenzhen Nanshan Property Development Co., Ltd.	Under common substantial controlling shareholder	75046859 - 3
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**

RMB Yuan

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.	Providing of labor service	Note 1	approved by the board	108,170,000	100	13,400,000	100

Note: This is the income from construction contract of Qianhaiwan Garden Project Phase I, II by Shenzhen CM Construction Co., Ltd. from Shenzhen CM Qianhaiwan Property Co., Ltd.

(2) Related rents

RMB Yuan

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.	Nanhai E-cool	2009.09.01	2023.08.31	(13,452,168)
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen China Merchants Property Co., Ltd.	Land using right	2007.01.01	2010.12.31	(8,729,261)
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen CM Power Supply Co., Ltd.	Land using right	2007.01.01	2010.12.31	(2,285,886)
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen CM Water Supply Co., Ltd.	Land using right	1982.01.01	2025.06.30	(1,366,986)
Shanghai CM Plaza Property Co., Ltd.	Subsidiary in Shanghai	Shanghai CM Plaza	2009.12.01	2011.11.30	(3,322,401)
Huajian Transportation Economic Development Center	CM Property (Beijing) Ltd.	CM Tower	2007.05.10	2012.05.09	(1,393,740)
Shenzhen China Merchants Property Co., Ltd.	China Merchants Shekou Industrial Zone Co., Ltd.	Office building of New Time Plaza	2010.01.01	2010.12.31	11,449,253
Shenzhen China Merchants Property Co., Ltd.	Shenzhen China Merchants Landmark Co., Ltd.	Office building of New Time Plaza	2010.01.01	2010.12.31	1,905,825
Shenzhen China Merchants Property Co., Ltd.	China Merchants International (China) Investment Co., Ltd.	Office building of New Time Plaza, industrial building	2010.01.01	2010.12.31	4,441,693
Shenzhen China Merchants Property Co., Ltd.	China Merchants Logistics Holdings Co., Ltd.	China Merchants Building, Haibin Commercial Center	2009.01.01	2010.10.30	1,201,974
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.

(3) Related guarantees

RMB Yuan

Guarantor	Beneficial party	Amount guaranteed	Start date	Due date	Completed or not
CMSIZ. (Note 1)	the Company	940,000,000	2009.05.26	2012.07.27	No
CMSIZ. (Note 1)	Shenzhen China Merchants Property Co., Ltd.	272,960,229	2010.07.02	2011.05.14	No
CMSIZ. (Note 1)	Shenzhen China Merchants Property Co., Ltd.	82,012,509	2009.11.15	2012.03.20	No
CM Group Co., Ltd. (Note 2)	the Company	2,000,000,000	2010.04.20	2017.04.20	No
China Merchants Group (HK) Co., Ltd. (Note 3)	Ruijia Investment Industrial Ltd.	421,529,138	2010.12.23	2013.12.23	No
China Merchants Group (HK) Co., Ltd. (Note 3)	Ruijia Investment Industrial Ltd.	661,515,187	2008.12.25	2011.11.28	No
China Merchants Group (HK) Co., Ltd. (Note 3)	Ruijia Investment Industrial Ltd.	529,212,149	2010.04.27	2013.04.27	No
China Merchants Group (HK) Co., Ltd. (Note 3)	Ruijia Investment Industrial Ltd.	330,757,594	2007.11.19	2012.11.18	No

Dafeng International Co., Ltd. – the subsidiary of CM Shekou Industry Co., Ltd., has provided guarantee for the future foreign currency contract of Ruijia Investment Co., Ltd. – one of the Company's subsidiaries.

(VI) (7) Related Parties and Related Transactions -continues**5. Related transactions – cont.****(3) Related guarantees – cont.**

Note 1: China Merchants Shekou Industrial Zone Co., Ltd. provided RMB940,000,000 of loan guarantee for the Company; RMB82,012,509 of credit guarantee for Shenzhen China Merchants Property Co., Ltd.; and RMB272,960,229 of guarantee for accepted draft to Shenzhen China Merchants Property Co., Ltd.

Note 2: China Merchants Group Co., Ltd. provided guarantee to the Company for loan of RMB2,000,000,000.

Note 3: Ruijia Investment Co., Ltd. – one of the subsidiaries of the Company, raised loan of USD177,000,000 (RMB1,170,881,881), HKD 130,000,000 (RMB110,617,000) from the bank which was secured by CM Group (HK) Co., Ltd.; the loan of USD100,000,000 (RMB661,515,187) which was secured by the China Merchants Group (HK) Co., Ltd.

(4) Borrowing demolition from related parties

Current year:

					RMB Yuan
Related parties	Amount of demolition	Start date	Expired on	Balance at end of term	Remarks
Borrow in					
Dafeng International Holdings	887,698,968	2009.12.17	2010.01.17	-	Returned this year

Previous year:

					RMB Yuan
Related parties	Amount of demolition	Start date	Expired on	Balance of previous term	Remarks
Borrow in					
Dafeng International Holdings	887,698,968	2009.12.17	2010.01.17	887,698,968	Interest payable RMB1,288,737

(5) Share transfer

			RMB Yuan
Seller	Buyer	Subject of the transaction	Offer price
the Company	CMSIZ. (Note 1)	Share transfer (Note 1)	154,691,540
Shenzhen China Merchants Property Co., Ltd.	CMSIZ. (Note 1)	Share transfer (Note 1)	8,141,660
Shenzhen China Merchants Financing Service Co., Ltd.	Shenzhen CM Property Co., Ltd. (Note 2)	Share transfer (Note 2)	15,313,617

Note 1: It is the transferring of the 95% and 5% share equities from Shenzhen CM Property Co., Ltd. to CMIZ and Shenzhen CM Water Service Co., Ltd. respectively. For details please see Note (IV)2(2).

Note 2: This is the 51% share of Shenzhen Shekou Sea World Hotel Management Co., Ltd. acquired by Shenzhen CM Property Co., Ltd. from Shenzhen CM Financial Service Co., Ltd. For details please see Note (IV)1, and Note 15.

(VI) (7) Related Parties and Related Transactions -continues**5. Related transactions – cont.****(6) Remunerations of key executives**

RMB Yuan

Projects	Occurred current term	Occurred in previous term
Remunerations of key executives	18,032,851	14,201,017

6. Receivable and payables due with related parties

RMB Yuan

Projects	Related parties	Amount at end of term	Initial amount
Other account receivable	Shenzhen TCL Optical-Electronics Technologies Ltd.	291,155,457	187,851,513
Other account receivable	Huizhou Taitong Property Investment Co., Ltd.	134,579,000	121,257,000
Other account receivable	China Merchants Guangming Technologies Garden Ltd.	13,960,000	-
Account payable	China Merchants Shekou Industrial Zone Co., Ltd.	-	5,338,724
Other account payable	CM Zhangzhou Development Zone Ltd.	393,929,535	420,821,115
Other account payable	Shenzhen Nanshan Property Development Co., Ltd.	344,987,895	368,562,217
Other account payable	Shenzhen Shekou Dazhong Investment Co., Ltd.	138,235,302	138,235,302
Other account payable	Tianjin Xinhai real Estate Development Co., Ltd.	133,081,399	148,831,399
Other account payable	Shenzhen China Merchants Financing Service Co., Ltd.	53,440,000	16,338,000
Other account payable	Shenzhen China Merchants Landmark Co., Ltd.	1,838,494	-
Other account payable	China Merchants Guangming Technologies Garden Ltd.	1,055,028	1,067,447
Other account payable	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	528,151	1,051,707
Other account payable	Dafeng International Holdings	-	887,700,513
Long-term payable	Shenzhen China Merchants Landmark Co., Ltd.	1,200,000	1,200,000
Dividend payable	Shenzhen Nanshan Property Development Co., Ltd.	39,604,987	23,806,776
Interest payable	Dafeng International Holdings	-	1,288,737

(VII) Contingency

As of December 31 2010, the Company has provided guarantees for property mortgages to the banks totaled to RMB205,889,457 (December 31, 2009: RMB251,212,905). This issue makes no material influence on the financial situations of the report term and the period after the report term.

(VIII) Commitments**(1) Capital commitment**

RMB Yuan

Items	End of term	Beginning of term
Signed but not yet recognized in the financial statements		
- commitment of long-term asset purchasing	2,743,729	3,494,368
- Outsourcing contract with large amount	-	-
— Real estate development projects	7,570,722,695	2,277,962,492
— Investment commitment to the outside	-	-
Total	7,573,466,424	2,281,456,860

(VIII) Commitments - continues**(2) Operational leasing commitment**

By the balance sheet date, information on irrevocable operation lease contract signed with outside, as follows:

Items	RMB Yuan	
	End of term	Beginning of term
Minimum lease payments of irrevocable operation lease:		
The first year since the balance sheet date.	44,037,562	29,845,542
The Second years since the balance sheet date.	41,559,497	29,460,842
The Third years since the balance sheet date.	41,335,434	25,381,484
The following years.	346,187,586	227,468,164
Total	473,120,079	312,156,032

(IX) Post-balance-sheet issues**(1) Profit distribution in post-balance-sheet-date period**

Items	RMB Yuan	
	Amount	
Profit or dividend to be distributed (Note)	171,730,050	
Approved and announced profit or dividend	To be decided by Shareholders' Meeting	

Note: See Note (V)36.

(X) Segment report

The Company adopts the regulations of “Enterprise Accounting Standard Interpretation No.3” regarding segment information and no longer adopts the regulations of “Enterprise Accounting 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 regularly and decide the allocation of resources. These segments are: property development, public sector business, and property management.

Segment report adopts the same accounting policies and measurement basis as those adopted in the preparation of this financial statement.

(X) Segment report - continues**(1) Segment report data**

RMB Yuan

	Property development		Public Utilities		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	12,725,172,419	9,128,326,900	649,480,997	659,760,716	407,771,815	345,195,598	-	4,417,835	-	-	-	-	13,782,425,231	10,137,701,049
Income among the segments	-	-	2,087,965	5,144,858	53,326,496	37,596,026	-	-	-	-	(55,414,461)	(42,740,884)	-	-
Total turnover of the segments	12,725,172,419	9,128,326,900	651,568,962	664,905,574	461,098,311	382,791,624	-	4,417,835	-	-	(55,414,461)	(42,740,884)	13,782,425,231	10,137,701,049
Adjusted items:														
Total of turnover in the financial statement													13,782,425,231	10,137,701,049
Operation cost	7,487,313,486	5,164,335,474	462,290,953	485,966,280	391,944,667	335,904,177	-	2,129,250	-	-	(41,169,158)	(26,597,030)	8,300,379,948	5,961,738,151
Segment operation profit (loss)	5,237,858,933	3,963,991,426	189,278,009	178,939,294	69,153,644	46,887,447	-	2,288,585	-	-	(14,245,303)	(16,143,854)	5,482,045,283	4,175,962,898
Adjusted items:														
Business tax and surcharge	1,622,245,584	1,602,749,919	1,752,027	1,799,104	23,198,783	18,674,297	-	-	-	-	-	-	1,647,196,394	1,623,223,320
Sales expense	293,554,454	295,868,807	-	-	-	-	-	-	-	-	(8,258,813)	(10,534,081)	285,295,641	285,334,726
Administrative expense	200,734,882	139,902,543	10,769,817	13,111,921	29,555,565	29,325,166	2,241,747	31,812,793	-	-	(5,986,490)	(5,609,773)	237,315,521	208,542,650
Financial expenses	41,216,427	(26,686,318)	(13,743,823)	24,774,823	(3,272,857)	(4,140,883)	68,814,449	(9,303,666)	-	-	-	-	93,014,196	(15,356,044)
Asset impairment loss	1,998,623	408,159	3,331,166	76,028	524,756	-	-	-	-	-	-	-	5,854,545	484,187
Income from change of fair value	-	-	-	-	-	-	(14,135,138)	(103,663,503)	-	-	-	-	(14,135,138)	(103,663,503)
Investment income	45,274,217	50,634,704	14,699,468	-	-	-	5,335,198	253,934,903	(2,187,446,718)	(1,678,490,200)	-	-	65,308,883	304,569,607
Operation profit	3,123,383,180	2,002,383,020	201,868,290	139,177,418	19,147,397	3,028,867	(79,856,136)	130,050,858	(2,187,446,718)	(1,678,490,200)	-	-	3,264,542,731	2,274,640,163
Non-operational income	7,014,234	12,678,159	10,073,912	15,624,308	912,257	1,220,493	-	-	-	-	-	-	18,000,403	29,522,960
Non-operational expenditure	5,220,133	29,354,591	5,034,705	854,350	164,523	224,147	-	-	-	-	-	-	10,419,361	30,433,088
Total profit	3,125,177,281	1,985,706,588	206,907,497	153,947,376	19,895,131	4,025,213	(79,856,136)	130,050,858	(2,187,446,718)	(1,678,490,200)	-	-	3,272,123,773	2,273,730,035
Income tax	908,475,523	726,807,784	42,979,423	32,255,676	6,651,247	7,976,594	(169,969,393)	(247,775,870)	-	-	-	-	788,136,800	519,264,184
Net profit	2,216,701,758	1,258,898,804	163,928,074	121,691,700	13,243,884	(3,951,381)	90,113,257	377,826,728	(2,187,446,718)	(1,678,490,200)	-	-	2,483,986,973	1,754,465,851

(X) Segment report - continues**(1) Segment report data – cont.**

RMB Yuan

	Property development		Public Utilities		Property management		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
Total asset of the segments	60,359,991,108	60,633,450,080	3,387,484,587	1,814,453,727	380,273,590	330,339,976	2,469,561,136	4,040,015,935	(6,779,069,658)	(18,921,099,221)	59,818,240,763	47,897,160,497
Total asset in the financial statements	60,359,991,108	60,633,450,080	3,387,484,587	1,814,453,727	380,273,590	330,339,976	2,469,561,136	4,040,015,935	(6,779,069,658)	(18,921,099,221)	59,818,240,763	47,897,160,497
Total liability of the segments	59,174,343,905	33,062,401,824	2,466,045,420	885,425,597	295,045,804	245,968,027	6,025,712,952	14,322,423,800	(29,288,823,724)	(18,921,095,228)	38,672,324,357	29,595,124,020
Total liability in the financial statements	59,174,343,905	33,062,401,824	2,466,045,420	885,425,597	295,045,804	245,968,027	6,025,712,952	14,322,423,800	(29,288,823,724)	(18,921,095,228)	38,672,324,357	29,595,124,020
Supplementary info.												
Depreciation	14,805,482	17,146,863	9,511,926	18,673,666	1,873,745	1,480,427	-	23,802	-	-	26,191,153	37,324,758
Amortized	160,814,019	145,007,025	44,100	-	-	44,100	264,007	464,295	-	-	161,122,126	145,515,420
Interest income	104,576,066	84,079,202	5,129,530	337,999	725,406	782,770	535,784	2,990,840	-	-	110,966,786	88,190,811
Interest expense	34,992,263	25,050,461	80,850,000	-	-	-	55,984,799	39,368,234	-	-	171,827,062	64,418,695
Impairment recognized in current term	5,329,789	408,159	524,756	76,028	-	-	-	-	-	-	5,854,545	484,187
Investment gains recognized with long-term equity investment on equity basis	-	-	-	-	-	-	5,444,537	176,731,790	-	-	5,444,537	176,731,790
Amount of long-term equity investment on equity basis	-	-	-	-	-	-	597,610,091	603,414,723	-	-	597,610,091	603,414,723
Non-current asset other than long-term equity investment	4,886,103,078	3,989,309,590	108,169,800	213,934,329	9,300,357	7,309,172	606,086,770	433,937,617	-	-	5,609,660,005	4,644,490,708
Capital expenditure	85,412,132	18,336,852	13,353,607	14,726,863	3,949,894	1,946,505	-	21,600	-	-	102,715,633	35,031,820
Incl. Expenditure of construction-in-process	-	-	12,971,407	12,867,999	-	-	-	-	-	-	12,971,407	12,867,999
Expenditure for purchasing of fixed assets	84,489,559	12,677,348	382,200	1,858,864	3,949,894	1,946,505	-	21,600	-	-	88,821,653	16,504,317
Expenditure for purchasing of intangible assets	-	4,500	-	-	-	-	-	-	-	-	-	4,500
Expenditure for purchasing of investment property	922,573	5,655,004	-	-	-	-	-	-	-	-	922,573	5,655,004
Non-cash expenses other than depreciation and amortizing	-	-	-	-	-	-	-	-	-	-	-	-

(X) Segment report - continues

(2) Income from external trade categorized by source territories and non-current assets categorized by locations

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
External trade income from mainland China	13,782,425,231	10,137,701,049
External trade income from Hong Kong and abroad	-	-
Total	13,782,425,231	10,137,701,049

Items	RMB Yuan	
	End of term	Beginning of term
Non-current asset located in mainland China	5,003,573,235	4,210,553,091
Non-current asset located in Hong Kong and abroad	145,631,405	138,553,405
Total	5,149,204,640	4,349,106,496

(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**1.1 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, 2010, 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.

Items	RMB Yuan	
	End of term	Beginning of term
Cash and cash equivalents	766,468,367	953,918,750
Other account receivable	811,826	1,365,754,365
Long-term receivable	145,147,392	137,779,363
Other account payable	1,157,654,458	2,662,527,318
Short-term loans	472,132,283	1,322,929,609
Long-term loans due in 1 year	661,515,187	435,402,319
Long-term borrowings	4,402,688,087	1,297,396,040

Note: As of December 31, 2010, except for the above assets and liabilities accounted in HKD or USD, the Company has the book principal of USD353,410,000 (RMB2,340,528,407) purchased in term of foreign currency future contract without transferring of principal.

The Company pays close attention on the influences of exchange rate vibration.

1.1.2 Interest risk

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.

(XI) Financial Instruments and Risk Management - continues**1.2 Credit risk**

As at December 31, 2010, 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 counter-parties 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.

(XI) Financial Instruments and Risk Management - continues

1.3 Liquidity risk – cont.

The due dates of financial liabilities held by the Company on retained contract liabilities without discounted to cash are as the followings:

	RMB Yuan				
	Book value	Gross value	within 1 yr	1-5 yrs	over 5 yrs
Monetary capital	9,676,385,052	9,676,385,052	9,676,385,052	-	-
Account receivable	102,603,093	102,603,093	102,603,093	-	-
Other account receivable	4,144,714,137	4,144,714,137	4,144,714,137	-	-
Non-current asset due in 1 year	936,793	936,793	936,793	-	-
Long-term receivable	1,260,737,445	1,268,497,025	-	1,268,497,025	-
Short-term loans	(1,172,132,283)	(1,194,804,653)	(1,194,804,653)	-	-
Notes payable	(275,616,189)	(275,616,189)	(275,616,189)	-	-
Account payable	(4,757,667,163)	(4,757,667,163)	(4,757,667,163)	-	-
Interest payable	(109,123,639)	(109,123,639)	(109,123,639)	-	-
Dividend payable	(124,209,948)	(124,209,948)	(124,209,948)	-	-
Other account payable	(5,743,381,514)	(5,743,381,514)	(5,743,381,514)	-	-
Non-current liability due in 1 year	(1,856,422,159)	(1,930,735,037)	(1,930,735,037)	-	-
Long-term borrowings	(9,995,835,344)	(11,471,936,354)	(442,372,879)	(8,874,960,736)	(2,154,602,739)
Long-term payable	(58,587,176)	(58,587,176)	-	(58,587,176)	-

2. Fair value

Fair value of financial assets and financial liabilities are decided by the ways as provided hereafter:

- Fair value 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 (financial derivatives not included) are recognized by general pricing matrix on future discounted cash flow basis, or recognized by observable current market prices;
- Fair value of financial derivatives 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.

Levels of fair value measurement

For financial assets and financial liabilities measured by fair value in successive periods, the fair value measuring is divided to the following 3 levels:

Level 1: Quotation of the similar asset or liability in an active market (not adjusted);

Level 2: Evaluation on input value of the asset or liability other than market quotation but can be directly (for example from prices) or indirectly (for example calculated basing on prices) observed.

(XI) Financial Instruments and Risk Management - continues

2. Fair value – cont.

Levels of fair value measurement – cont.

Level 3: Input value of asset or liability decided on the basis of varieties other than observable market data (unobservable).

RMB Yuan

	End of term			
	Level 1	Level 2	Level 3	Total
Transactional financial assets:				
Derivate financial assets	846,539	-	-	846,539
Disposable financial asset				
- equity instruments	-	-	-	-
Total	846,539	-	-	846,539
Transactional financial liabilities:				
- Derivate financial liabilities	20,824,615	-	-	20,824,615
Total	20,824,615	-	-	20,824,615

RMB Yuan

	Beginning of term			
	Level 1	Level 2	Level 3	Total
Transactional financial assets:				
- Derivate financial assets	6,437,479	-	-	6,437,479
Disposable financial asset				
- equity instruments	4,898,240	-	-	4,898,240
Total	11,335,719	-	-	11,335,719
Transactional financial liabilities:				
- Derivate financial liabilities	12,829,413	-	-	12,829,413
Total	12,829,413	-	-	12,829,413

No shifting of fair value measuring on the Group's financial assets and liabilities between level 1 and 2 happened in the current year nor previous year.

(XI) Financial Instruments and Risk Management - continues**3. Sensitivity analyse*****3.1 Foreign currency risk***

Foreign currency risks are mainly the influences of exchange rate fluctuation on monetary assets and liabilities of the Company in foreign currency. Most of the Company's foreign currency loans are USD. the Company adopted future foreign currency contract to lock up the exchange rate to avoid risks. On the other hand, for other monetary assets and liabilities in foreign currencies, the Group capitalized most of the exchange gain/loss occurred into inventory costs.

3.2 Interest risk

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**

RMB Yuan

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	19,689,135,591	100	-	-	12,501,248,369	100	-	-
No major amount individually but with great risk after combined with others with similar credit risk		-	-	-		-	-	-
Other minor other receivables	3,215,197	-	-	-	3,066,436	-	-	-
Total	19,692,350,788	100	-	-	12,504,314,805	100	-	-

Ages of other receivable accounts

RMB Yuan

Age	End of term				Beginning of term			
	Amount	Proportion %	Bad debt provision	Book value	Amount	Proportion %	Bad debt provision	Book value
within 1 yr	19,690,541,912	100	-	19,690,541,912	12,503,630,176	100%	-	12,503,630,176
1-2 years	1,294,376	-	-	1,294,376	684,629	-	-	684,629
2-3 years	514,500	-	-	514,500	-	-	-	-
Over 3 yrs	-	-	-	-	-	-	-	-
Total	19,692,350,788	100	-	19,692,350,788	12,504,314,805	100%	-	12,504,314,805

(2) No other receivable account due from shareholders with 5% or over of shares of the Company in the balance sheet.

(XII) Notes to major items in financial statements of the parent company - continues**1. Other account receivable – cont.**

(3) Top five other receivable accounts

Name of the companies	Relation with the Company	Amount	Ages	RMB Yuan
				Portion in total other receivables (%)
Shenzhen China Merchants Property Co., Ltd.	Subsidiary of the Company	5,421,906,548	within 1 yr	28
CM (Nanjing) Ltd.	Subsidiary of the Company	2,144,700,000	within 1 yr	11
Shenzhen CM Power Supply Co., Ltd.	Subsidiary of the Company	2,000,000,000	within 1 yr	10
China Merchants Properties (Chongqing) Co., Ltd.	Subsidiary of the Company	1,351,114,146	within 1 yr	7
Guangzhou China Merchants Real-estate Co., Ltd.	Subsidiary of the Company	1,282,901,475	within 1 yr	7
Total		12,200,622,169		62

(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

RMB Yuan

Company invested in	Calculating basis	Investment cost	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	86,010,889	(2,488,748)	83,522,141	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	-	-	-
Shenzhen CM Property Consultancy Ltd.	Cost basis	400,000	400,000	-	400,000	20%	20%	Not applicable	-	-	-
Shanghai China Merchants Real-estates Co., Ltd.	Cost basis	3,000,000	3,000,000	-	3,000,000	10%	10%	Not applicable	-	-	-
Shenzhen China Merchants Property Co., Ltd.	Cost basis	500,000,000	2,734,841,461	-	2,734,841,461	100%	100%	Not applicable	-	-	1,054,699,609
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)	-	-	-	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 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	-	-	-
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	-	-	9,623,911
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	127,500,000	25,500,000	102,000,000	127,500,000	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	-	-	59,407,480
Chengdu CM Property Co., Ltd.	Cost basis	10,000,000	-	10,000,000	10,000,000	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	-	-	-
CM Property Xiamen Co., Ltd.	Cost basis	50,000,000	-	50,000,000	50,000,000	100%	100%	Not applicable	-	-	-
Fujan Zhongliansheng Property Development Co., Ltd.	Cost basis	25,000,000	-	25,000,000	25,000,000	50%	50%	Note	-	-	-
合计			3,481,655,301	57,301,642	3,538,956,943				-	-	1,123,731,000

Note: See Note (IV)1(11)

(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

RMB Yuan

Name of the Companies	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.	49%	49%	357,191,886	186,738,537	170,453,349	1,440,000	(5,079,076)

(3) The capability of capital transferring from affiliates and joint ventures was not under any limitation as of December 31, 2010.

(XII) Notes to major items in financial statements of the parent company - continues

3. Short-term loans

Items	RMB Yuan	
	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guarantee loan	-	-
Credit loan	998,021,500	630,397,000
Total	998,021,500	630,397,000

4. Non-current liabilities due in one year

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

Items	RMB Yuan	
	End of term	Beginning of term
Long-term loans due in 1 year	500,000,000	650,000,000
Bond payable due in one year	-	-
Long-term payable due in 1 year	-	-
Other non-current liabilities due in 1 year	-	-
Total	500,000,000	650,000,000

(2) Long-term loans due in 1 year

(a) Long-term loans due in one year

Items	RMB Yuan	
	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guarantee loan	-	400,000,000
Credit loan	500,000,000	250,000,000
Total	500,000,000	650,000,000

(b) Long-term loans due in one year

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	RMB Yuan	
					End of term	Amount of original currency
Financial Institution I	2008.11.24	2011.02.23	RMB	4.86	-	500,000,000

(XII) Notes to major items in financial statements of the parent company - continues

5. Long-term loans

(1) Categories of long-term loans

Items	End of term	RMB Yuan	
		Beginning of term	
Loan by pledge	-	-	
Pledged loan	-	-	
Guaranteed loan (Note)	2,940,000,000	1,100,000,000	
Credit loan	3,843,316,000	3,023,128,000	
Entrusted loan	-	-	
Total	6,783,316,000	4,123,128,000	

Note: See Note (V)30(1)

(2) Long-term loans top 5 in amount

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	End of term	
					Amount of foreign currency	Amount of original currency
Financial Institution I	2010.04.20	2017.04.20	RMB	5.94	-	2,000,000,000
Financial Institution II	2009.07.21	2012.07.20	RMB	5.04	-	1,000,000,000
Financial Institution III	2009.07.27	2012.07.27	RMB	4.86	-	470,000,000
Financial Institution IV	2009.05.26	2012.07.27	RMB	4.86	-	470,000,000
Financial Institution V	2009.07.24	2012.07.23	RMB	4.86	-	400,000,000
Total						4,340,000,000

6. Investment income

(1) Detailed investment gains

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Long-term equity investment gains on cost basis	1,123,731,000	1,096,120,147
Long-term equity investment gains on equity basis	(2,488,748)	(4,413,385)
Investment gains from disposal of long-term equity investment	27,481,930	(5,284,580)
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 available-for-sale financial assets	-	-
Investment gains from disposal of transactional financial assets	-	-
Investment gains from disposal of investment hold to expiration	-	-
Investment gains from disposal of available-for-sale financial assets	5,330,350	-
Others	45,274,219	46,007,850
Total	1,199,328,751	1,132,430,032

(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:

RMB Yuan

Company invested in	Occurred current term	Occurred in previous term	Causation of change
Shenzhen China Merchants Property Co., Ltd.	1,054,699,609	864,475,614	Profit of the invested firm increased
China Merchants (Suzhou) Co., Ltd.	-	182,635,543	No profit distribution from invested businesses
Suzhou CM Nanshan Property Co., Ltd.	59,407,480	-	Profit distribution of previous years from invested businesses
China Merchants Property Management Co., Ltd.	9,623,911	-	Profit distribution of previous years from invested businesses
Total	1,123,731,000	1,047,111,157	

7. Related Transactions

(1) Guarantees of related parties

RMB Yuan

Guarantor	Beneficial party	Amount guaranteed	Start date	Due date	Completed or not
The Company (Note)	Shenzhen CM Power Supply Co., Ltd.	198,681,000	2010.06.18	2013.06.18	No
The Company (Note)	Zhuhai Yuanfeng Property Co., Ltd.	86,700,000	2009.11.05	2014.06.11	No
The Company (Note)	Ruijia Investment Industrial Ltd.	1,283,339,463	2010.01.05	2013.12.23	No
China Merchants Shekou Industrial Zone Co., Ltd.	The Company	940,000,000	2009.05.26	2012.07.27	No
China Merchants Group Co., Ltd.	The Company	2,000,000,000	2010.04.20	2017.04.20	No

(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

Projects	Related parties	RMB Yuan	
		Amount at end of term	Initial amount
Dividend receivable	Shenzhen China Merchants Property Co., Ltd.	1,913,775,223	859,075,614
Dividend receivable	Suzhou CM Nanshan Property Co., Ltd.	182,635,545	35,710,165
Dividend receivable	China Merchants (Suzhou) Co., Ltd.	59,407,480	182,635,544
Dividend receivable	Shanghai China Merchants Properties Co., Ltd.	13,298,824	13,298,824
	Total	2,169,117,072	1,090,720,147
Other account receivable	Shenzhen China Merchants Property Co., Ltd.	5,421,906,548	4,442,695,824
Other account receivable	CM (Nanjing) Ltd.	2,144,700,000	200,000,000
Other account receivable	Shenzhen CM Power Supply Co., Ltd.	2,000,000,000	-
Other account receivable	China Merchants Properties (Chongqing) Co., Ltd.	1,351,114,146	1,277,696,120
Other account receivable	Guangzhou China Merchants Real-estate Co., Ltd.	1,282,901,475	1,204,289,451
Other account receivable	Shanghai Jingyuan Property Development Co., Ltd.	1,001,489,668	-
Other account receivable	Chengdu CM Beicheng Property Co., Ltd.	793,380,770	-
Other account receivable	Shanghai CM Fengrui Property Ltd.	700,879,200	660,363,253
Other account receivable	Tianjing Zhaosheng Property Co., Ltd.	599,248,516	683,736,391
Other account receivable	Zhuhai China Merchants Property Co., Ltd.	548,346,527	417,905,262
Other account receivable	Suzhou CM Nanshan Property Co., Ltd.	517,777,820	553,165,572
Other account receivable	Zhangzhou China Merchants Properties Co., Ltd.	406,716,900	508,057,437
Other account receivable	Beijing Kanglade Property Development Co., Ltd.	286,983,158	229,581,158
Other account receivable	Chengdu CM Property Co., Ltd.	242,957,993	-
Other account receivable	Shanghai Fengyang Property Development Co., Ltd.	220,643,596	220,643,596
Other account receivable	Chengdu China Merchants Beihu Property Co., Ltd.	213,133,617	-
Other account receivable	China Merchants (Suzhou) Co., Ltd.	212,554,011	204,233,511
Other account receivable	Suzhou Shuanghu Property Co., Ltd.	104,680,724	101,421,070
Other account receivable	CM (Chongqing) Ltd.	100,000,001	400,108,953
Other account receivable	Ruijia Investment Industrial Ltd.	80,681,323	81,647,973
Other account receivable	Foshan Xinjie Property Ltd.	35,551,640	27,890,037
Other account receivable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	25,896,380	34,396,380
Other account receivable	Foshan CM Huidefeng Property Co., Ltd.	18,081,580	-
Other account receivable	Shenzhen China Merchants Guangming Technologies Zone Ltd.	13,960,000	-
Other account receivable	Zhuhai Yuanfeng Property Co., Ltd.	104,349	104,349
Other account receivable	Shenzhen Meiyue Property Development Co., Ltd.	55,110	50,110
Other account receivable	Shenzhen CM Commercial Development Consulting Co., Ltd.	2,000	-
Other account receivable	Shanghai CM Fengsheng Property Ltd.	-	307,398,200
Other account receivable	China Merchants Jiaming (Beijing) Property Development Co., Ltd.	-	315,407,245
Other account receivable	Shanghai CM Minsheng Property Ltd.	-	299,732,000
Other account receivable	CM Property (Beijing) Ltd.	-	266,385,000
	Total	18,323,747,052	12,436,908,892

(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.

RMB Yuan

Projects	Related parties	Amount at end of term	Initial amount
Other account payable	Shenzhen CM Power Supply Co., Ltd.	1,900,525,832	1,414,231,992
Other account payable	CM Property (Beijing) Ltd.	607,250,847	164,730,677
Other account payable	China Merchants (Suzhou) Co., Ltd.	466,677,757	491,582,002
Other account payable	Guangzhou China Merchants Real-estate Co., Ltd.	349,538,399	76,572,970
Other account payable	Shanghai CM Fengsheng Property Ltd.	267,669,457	360,600,486
Other account payable	CM (Nanjing) Ltd.	192,889,813	134,423,946
Other account payable	Shanghai CM Minsheng Property Ltd.	183,032,337	67,392,495
Other account payable	Shanghai China Merchants Properties Co., Ltd.	181,633,305	173,006,186
Other account payable	Shenzhen China Merchants Property Management Co., Ltd.	155,596,500	125,755,466
Other account payable	Shenzhen CM Construction Co., Ltd.	150,783,764	50,534,075
Other account payable	Tianjin China Merchants Properties Co., Ltd.	132,759,411	81,360,183
Other account payable	China Merchants Jiaming (Beijing) Property Co., Ltd.	123,329,154	-
Other account payable	Tianjing Zhaosheng Property Co., Ltd.	114,220,454	7,496,320
Other account payable	Beijing CM Property Management Co., Ltd.	108,303,386	100,366,424
Other account payable	Shekou Xinghua Industrial Holdings Co., Ltd.	98,946,477	91,948,499
Other account payable	Zhangzhou China Merchants Properties Co., Ltd.	96,530,810	-
Other account payable	CM (Chongqing) Ltd.	93,271,426	35,900,947
Other account payable	Shanghai Fengyang Property Development Co., Ltd.	83,150,426	62,892,770
Other account payable	Shanghai CM Fengrui Property Ltd.	81,127,410	-
Other account payable	Shenzhen Taige Apartment Management Co., Ltd.	76,290,642	118,490,378
Other account payable	Shenzhen CM Property Consultancy Ltd.	50,383,640	20,012,738
Other account payable	Shenzhen CM Commercial Development Co., Ltd.	49,969,324	49,969,324
Other account payable	CM Property Xiamen Co., Ltd.	48,500,000	-
Other account payable	Shanghai CM Property Management Co., Ltd.	42,467,549	36,014,281
Other account payable	Shanghai China Merchants Real-estates Co., Ltd.	30,498,688	30,500,688
Other account payable	Shenzhen City Main Plaza Investment Co., Ltd.	30,136,096	30,388,279
Other account payable	Wuhan CM Property Management Co., Ltd.	18,305,889	15,087,597
Other account payable	China Merchants Property Management Co., Ltd.	14,515,492	23,562,444
Other account payable	Zhangzhou CM Honglong Property Ltd.	13,865,965	11,573,817
Other account payable	Shenzhen Shekou Sea World Hotel Management Co., Ltd.	12,366,964	-
Other account payable	Shenzhen CM Qile Property Management Ltd.	11,616,514	12,715,005
Other account payable	Foshan Xinjie Property Ltd.	10,245,093	-
Other account payable	Chengdu CM Beicheng Property Co., Ltd.	9,000,000	-
Other account payable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	4,225,893	2,072,989
Other account payable	Nanjing CM Property Management Co., Ltd.	4,038,353	6,078,108
Other account payable	Ruijia Investment Industrial Ltd.	3,416,349	3,443,990
Other account payable	China Merchants Guangming Technologies Garden Ltd.	1,055,028	1,067,447
Other account payable	Beijing Kanglade Property Development Co., Ltd.	1,022,582	19,049
Other account payable	Shenzhen CM Water Supply Co., Ltd.	-	95,072,758
Other account payable	Shenzhen China Merchants Property Co., Ltd.	-	27,340,441
Other account payable	Chengdu CM Beihu Property Ltd.	-	-
	Total	5,819,157,026	3,922,204,771

(XII) Notes to major items in financial statements of the parent company - continues

7. Related transactions – cont.

(3) Capital coordinating by capital settlement 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) Supplementary Info.

1. Details of non-recurring gain/loss

RMB Yuan

Items	Amount	Remarks
Gain/loss of non-current assets	7,761,476	-
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)	3,716,729	-
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss	-	-
Gains when the costs of acquiring subsidiaries, affiliates, and joint ventures is lower than the fair value of the share 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	5,330,350	-
Restoring of receivable account impairment provision tested individually		-
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	(5,816,519)	-
Other gain/loss items satisfying the definition of non-recurring gain/loss account	-	-
Influenced amount of income tax	(2,404,410)	-
Influence on minority shareholders' equity (after tax)	(367,515)	-

Total	8,220,111	-
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(XIII) Supplementary info. – cont.

2. Net income on asset ratio and earnings 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 earnings per share
Net profit attributable to common shareholders of the Company	11.66%	1.1713	1.1713
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	11.62%	1.1665	1.1665

3. Analysis on irregular situation of items in the financial statements
RMB Yuan

	Items	Year 2010	Year 2009	Scale of change	Causation of differences
1	Transactional financial assets	846,539	6,437,479	(87%)	Decreased due to decrease of NDF contract clearing and market fluctuation
2	Prepayment	5,598,968	8,747,313	(36%)	Decrease of prepayment for projects
3	Other account receivable	4,144,714,137	1,926,509,243	115%	increase of land bidding deposit
4	Other current asset	980,538,674	624,800,651	57%	Increase of prepaid tax due to increase of property sales
5	Disposable financial asset	-	4,898,240	(100%)	decreased by disposal of current shares of Guonong Technologies.
6	Deferred income tax asset	460,455,365	290,485,972	59%	Increase of provisional differences in pre-drawn land VAT
7	Trade off financial liabilities	20,824,615	12,829,413	62%	Increased along with NDF market
8	Account payable	4,757,667,163	2,705,521,285	76%	Increase of payable for land and projects
9	Other current liability	2,357,741,683	1,843,563,001	28%	Increase of property sales caused increase of pre-drawn land VAT
10	Long-term borrowings	9,995,835,344	5,720,303,012	75%	Business expanding and structural adjustment of long and short term debts.

11	Turnover	13,782,425,231	10,137,701,049	36%	Increase of property sales income
12	Operation cost	8,300,379,948	5,961,738,151	39%	Cost increased along with increasing of property sales in the year
13	Asset impairment loss	5,854,545	484,187	1109%	Bad debt provision provided
14	Gain/loss from change of fair value	(14,135,138)	(103,663,503)	86%	Loss from fluctuation of NDF fair value
15	Investment income	65,308,883	304,569,607	(79%)	Decrease of investment in affiliates and joint ventures on equity basis

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 2010;
4. English version of Annual Report 2010 of the Company.

China Merchants Property Development Co., Ltd.

March 22, 2011